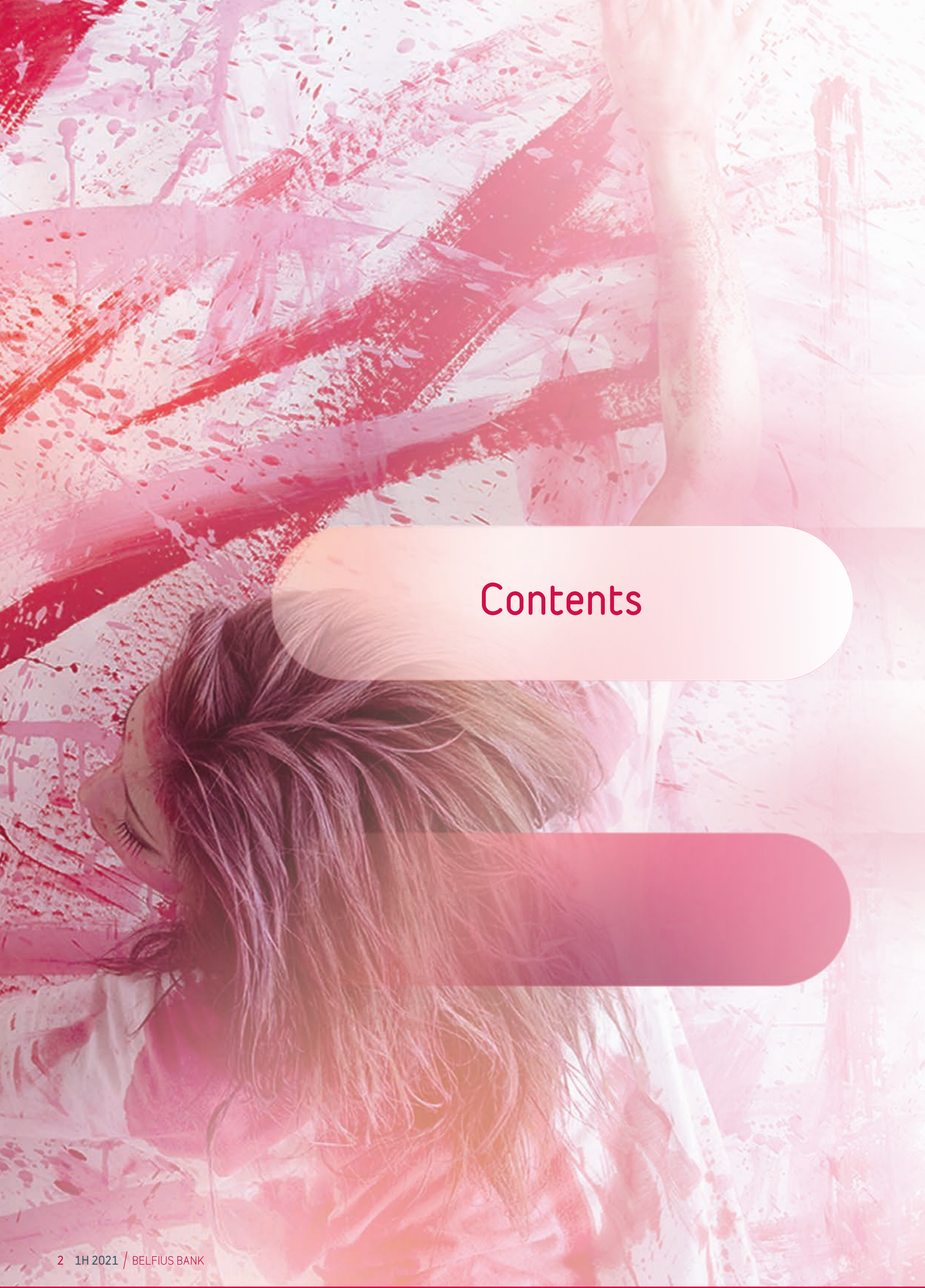
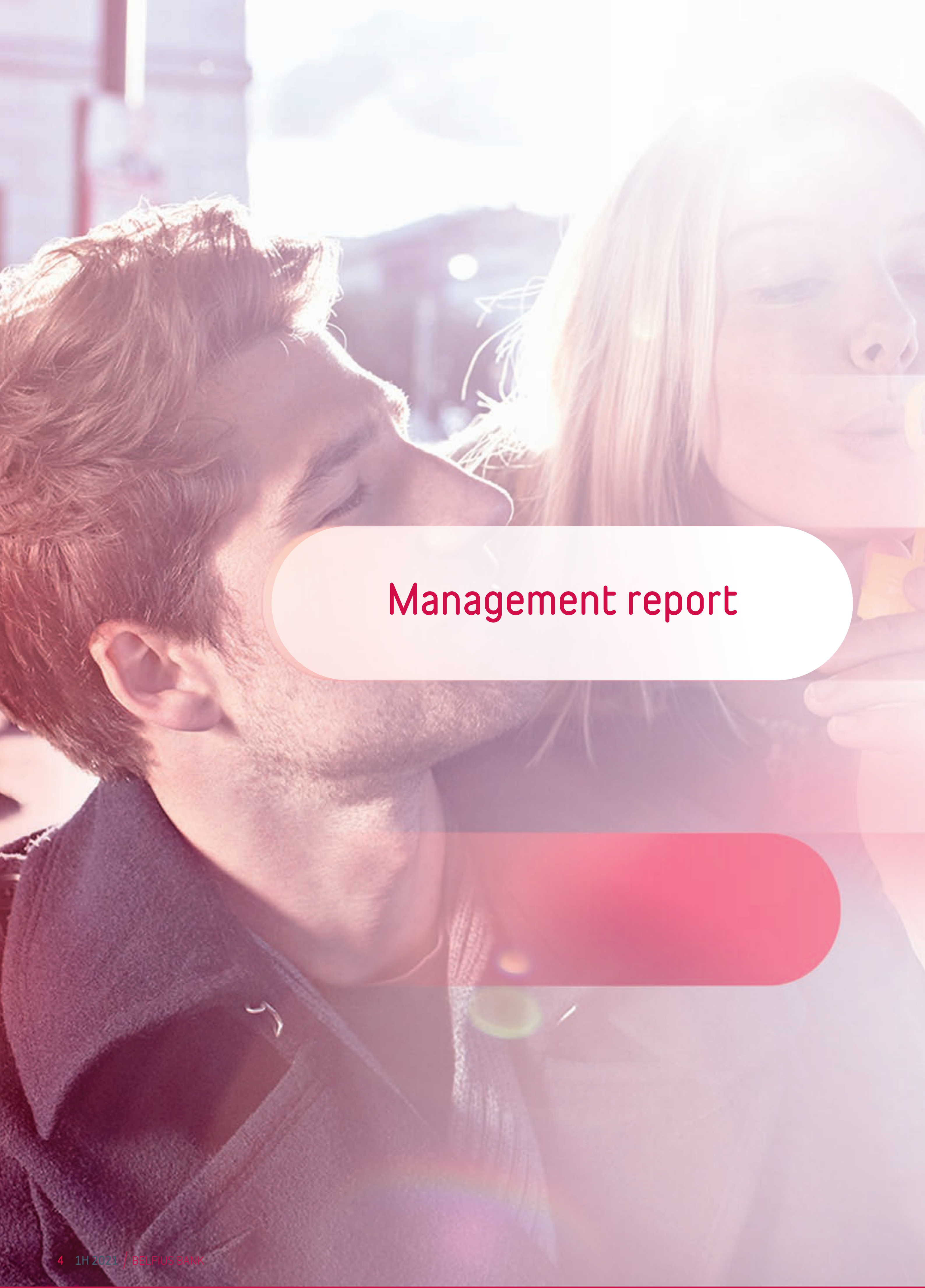
# HALF-YEARLY 2021 BELFIUS

Belfius
Bank & Insurance



# Contents



# Management report

# Key figures and ratings

## Consolidated statement of income

| (In millions of EUR) | 1H 2020 | 1H 2021 |
|---|---|---|
| INCOME | 1,132 | 1,232 |
| EXPENSES | (711) | (720) |
| GROSS INCOME | 421 | 512 |
| Impairments on financial instruments and provisions for credit commitments | (393) | 31 |
| Impairments on tangible and intangible assets | (2) | (1) |
| NET INCOME BEFORE TAX | 26 | 542 |
| Tax (expense) income | (5) | (136) |
| NET INCOME AFTER TAX | 21 | 406 |
| Non-controlling interests | (1) | 0 |
| NET INCOME GROUP SHARE | 21 | 406 |
| of which | | |
| Bank | (68) | 290 |
| Insurance[1] | 89 | 116 |

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

## Consolidated balance sheet

| (In millions of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| TOTAL ASSETS | 187,991 | 193,962 |
| of which | | |
| Cash and balances with central banks | 25,434 | 33,721 |
| Loans and advances due from credit institutions | 11,912 | 10,596 |
| Loans and advances | 98,108 | 100,104 |
| Debt securities & equity instruments | 28,849 | 28,348 |
| Unit linked products insurance activities | 3,813 | 4,228 |
| Derivatives | 12,188 | 9,752 |
| TOTAL LIABILITIES | 177,258 | 182,870 |
| of which | | |
| Cash and balances from central banks | 14,174 | 15,676 |
| Credit institutions borrowings and deposits | 5,008 | 6,616 |
| Borrowings and deposits | 95,338 | 99,364 |
| Debt securities issued and other financial liabilities | 24,402 | 26,732 |
| Unit linked products insurance activities | 3,813 | 4,228 |
| Derivatives | 18,310 | 14,878 |
| TOTAL SHAREHOLDERS' EQUITY | 10,209 | 10,568 |
| of which | | |
| Shareholders' core equity | 9,815 | 10,150 |
| Gains and losses not recognised in the statement of income | 393 | 418 |
| TOTAL EQUITY | 10,733 | 11,092 |
| of which | | |
| Total shareholders' equity | 10,209 | 10,568 |
| Additional Tier-1 instruments included in equity | 497 | 497 |
| Non-controlling interests | 28 | 27 |

## Ratios[1]

| (In %) | 31/12/20 | 30/06/21 |
|---|---|---|
| Return on equity (ROE)[2] | 5.6% | 9.3% |
| Return on assets (ROA) | 0.29% | 0.48% |
| Cost- income ratio (C/I ratio) | 56.0% | 58.4% |
| Asset quality ratio | 2.02% | 2.02% |
| Coverage ratio | 60.0% | 58.2% |
| Liquidity Coverage Ratio (LCR)[3] | 158% | 189% |
| Net Stable Funding Ratio (NSFR) | 128% | 136% |

(1) Unaudited.
(2) Sum of the net result of the last 4 quarters divided by the 4 quarter rolling average of the Shareholders Equity adjusted for dividends to be paid within 6 months after quarter date.
(3) 12-month average.

## Solvency ratios

| (In %) | 31/12/20 | 30/06/21 |
|---|---|---|
| CET 1 ratio[1] | 17.11% | 16.16% |
| Tier 1 ratio[1] | 17.95% | 16.94% |
| Total capital ratio[1] | 20.37% | 19.14% |
| Leverage ratio | 6.85% | 6.89% |
| Solvency II – ratio (before dividend) | 212% | 212% |
| Solvency II – ratio (after dividend) | 200% | 197% |

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

# Ratings of Belfius Bank as at 5 August 2021

| | Stand-alone rating[1] | Long-term rating | Outlook | Short-term rating |
|---|---|---|---|---|
| Fitch | a- | A- | Stable | F1 |
| Moody's | baa1 | A1 | Stable | Prime-1 |
| Standard & Poor's | a- | A- | Stable | A-2 |

(1) Intrinsic creditworthness

# Highlights

The excellent 1H 2021 results of Belfius demonstrated, despite the turmoil caused by the Covid-19 crisis, the strong resilience of its business model and the relevance of its business and revenue diversification strategy. Belfius keeps growing its business footprint in Belgium, by serving all segments of the Belgian economy, a strategy that continues to result in very dynamic commercial activities and a strong growth pattern, supported by recovering macro-economic situation and financial markets.

The consolidated net income 1H 2021 stands at EUR 406 million, much higher than in 1H 2020 (EUR 21 million) and higher than in 1H 2019 (EUR 304 million). This material increase is primarily due to the positive evolution of the cost of risk (decreasing by EUR 423 million, from EUR -393 million in 1H 2020 to EUR +31 million in 1H 2021). In addition, the commercial dynamics were also very healthy, with total income increasing by EUR 100 million vs 1H 2020 (from EUR 1,132 million to EUR 1,232 million). At the same time, Belfius maintained a strong cost discipline, despite continued investments to enhance our leadership in data and digital. All these elements led to a net result of EUR 406 million, of which EUR 290 million contributed by the Bank, and EUR 116 million contributed by the Insurer.

These very positive results also demonstrate that our strategy "Inspire 2025" is already translating into strong commercial dynamics and sustained support to the Belgian economy:

- Record production of EUR 10.5 billion of new long-term loans (including leasing), a growth of 13% vs 1H 2020. Overall, the stock of outstanding commercial loans reaches EUR 99.7 billion as of June 2021;
- Our strategy "Bank for Investors" is also bearing fruit, with the outstanding Savings & Investments reaching EUR 171.0 billion, among others thanks to a strong success of our Funds of the Future (EUR 1.5 billion as of end of June 2021);
- The insurance business continues to grow strongly, with the non-life GWP reaching EUR 406 million mostly thanks to a strong growth of the bancassurance channel within the Retail & Commercial (RC) segment (+11%), and with a positive momentum in life insurance production (increase of EUR 14 million), mainly stemming from a dynamic activity in unit-linked (Branch 23).

# Continued investment in the future, with a very clear focus on sustainability

Beyond these strong financial results, Belfius has continued to invest in its future, with a very clear focus on sustainability; a value that has been in our DNA since our origins. This constant focus on sustainability is at the core of all the major strategic initiatives launched by Belfius over the first semester 2021:

- **Funds of the future**: in June 2021, Belfius launched "Belfius Equity Move", its 5th Fund of the future, which invests in companies active in cleaner, safer and smarter mobility. Belfius already launched over the past two years funds dedicated to four other society-related themes: "Belfius Equities Cure" (dedicated to oncology), "Belfius Equities Climate" (environment), "Belfius Equities Wo=Men" (to promote gender equality) and "Belfius Equities Be=Long" dedicated to happy and healthy longevity. As of June 2021, the first four funds had already attracted EUR 1.5 billion, generating total contribution to charities of EUR 1.2 million since the launch in 2019;
- **Re=Bel**, our brand new investment app, was launched on 1 July. This platform, fully integrated into our mobile app, makes investing, with a cause, accessible to all. With a range of 40,000 shares and over 300 ETFs over 25 markets, Re=Bel is assisting our customers in their shift to sustainable investing and as such in line with Belfius TAP[1] ;
- **Banx**: in June 2021, Belfius and Proximus unveiled the first details of Banx, the digital banking platform that will enable fully mobile and sustainable banking services and that will be launched later this year. Imagined by Proximus, powered by Belfius, the platform will allow, among other innovative features, each user to easily gain insight into the impact of his or her purchases via a personal $CO_2$ dashboard. That will allow users to more consciously manage their banking activities and understand which of their purchases are good for the planet and which are not;
- **Beats**: in March 2021, Belfius announced the launch of an innovative offer for its retail customers in the form of a monthly subscription associating a banking component (account and cards) and a telecom component (internet, mobile, digital television). In addition, Beats also offers a societal angle which enables the customers to select themselves in which areas they will support together with Belfius the society (Health, Planet or People);
- **$CO_2$ Impact Loan**: Through the $CO_2$ Impact Loan, a joint offer of consultancy and credit for $CO_2$ reduction projects in partnership with the Belgian sustainable development company and consultancy CO2logic, Belfius aims to accompany and encourage professional clients in their ambitions to reduce $CO_2$ emissions;
- **Green bond**: Belfius issued its inaugural green bond in May 2021, with an issuance of EUR 500 million. The proceeds will be invested in eligible assets, under a framework aligned with the four core components of the Green Bond Principles 2018 and validated by Sustainalytics.

(1) The Transition Acceleration Policy (TAP) is Belfius' policy on controversial or 'sensitive' sectors. It is applied to all Belfius' activities, with a double objective to both encourage and support economic actors in their shift towards more sustainable activities, and to reduce negative impact of our own activities by discontinuing or limiting support of non-sustainable activities.

# Growth of commercial activity in 1H 2021 both in RC and PC

Solid **new long-term loan production** in 1H 2021 (EUR 10.5 billion), materially higher than in 1H 2020 (EUR 9.3 billion). The new production in mortgage loans in 1H 2021 increased with 29%, while the new production in corporate loans increased by 1% and in business loans by 16% The long-term public sector loan activity also proved resilient, with the new loan production remaining for those segments in line with 1H 2020. In addition, the continued pricing discipline leads to higher loan production margins vs last year, both at RCB and at PCB.

**Savings and investments** also performed strongly, reaching an outstanding stock of EUR 171.0 billion, with a growth of 4.4% compared to December 2020. This growth was mainly coming from the RC segment and was driven almost equally by the on-balance sheet products (EUR +3.7 billion in 1H 2021, of which EUR 4.0 billion from non-maturing deposits) and by the off-balance sheet investments (EUR +3.5 billion in 1H 2021, of which EUR 3.1 billion from market effect).

Our Insurance activity continues to develop strongly. **Non-Life gross written premium (GWP)** (+4.8%) grew strongly driven by Retail & Commercial Insurance (RCI) (+6.6%), especially in the Bancassurance channel (+11.3%). The Non-Life GWP in Public & Corporate Insurance (PCI) continued to reduce (-5.2%), in line with our run-off strategy. **Life Production** (GWP + transfers) increased by 7.9%, essentially driven by dynamic activity in Branch 23 (+16.2%).

Belfius continues to enjoy further success with its digital strategy, with the number of **active mobile users** reaching 1.67 million at the end of 1H 2021, up 5.7% compared to year-end 2020.

# Strong financial performance in 1H 2021

**Total income** of EUR 1,232 million (EUR +100 million vs 1H 2020), boosted by excellent fee income (EUR +58 million vs 1H 2020) and strong performance in Life insurance (EUR +29 million vs 1H 2020).

- **Net interest income (NII) bank** continued to grow (EUR 797 million in 1H 2021 vs EUR 779 million in 1H 2020) mainly thanks to (a) the excellent commercial loans dynamics in all segments of Belgian economy, leading to a continued diversification of the loan portfolio at Belfius, (b) the disciplined pricing thereof, as such compensating for the pressure on interest margins on non-maturing deposits stemming from the historically low interest rate environment, and (c) the increased interest income support from the TLTRO.
- Higher **net fee and commission income bank** (EUR 360 million in 1H 2021 vs EUR 302 million in 1H 2020), mainly driven by a strong production of mutual funds generating higher entry fees (EUR +12 million vs 1H 2020) and by higher average fund balances generating higher servicing fees (EUR +32 million vs 1H 2020). The positive dynamics in daily banking services (accounts, cards, etc.) also contributed an additional EUR 10 million.
- Important increase of **life insurance income** (EUR 144 million in 1H 2021 vs EUR 115 million in 1H 2020), due to increasing financial margins and despite slightly decreasing overall reserves (decrease in financial life reserves (Branch 21/26) but increase in unit linked and classical life reserves).

- Slight decrease of **non-life insurance income** (EUR 122 million vs EUR 129 million in 1H 2020) due to lower reassessment of technical provisions (EUR -7 million) and to less favourable claim experience compared to 1H 2020 (1H 2020 was strongly impacted by the first lockdown), partly offset by lower storm charges (EUR +13 million).
- **Other income** amounted to EUR -191 million in 1H 2021, broadly in line with the level in 1H 2020 (EUR -193 million). This evolution is driven by higher bank levies (EUR -34 million) and smaller net income on investments (EUR -14 million), compensated by higher Trading & Hedge results (EUR +48 million) and higher dividend revenues (EUR +8 million).

**Costs** continue to be tightly managed and increased by only EUR 9 million compared to 1H 2020, mainly due to higher Network fees (EUR -5 million) and higher general expenses (EUR -6 million), both linked to the excellent commercial dynamics, partly offset by lower depreciations (EUR +4 million).

The combination of all the above leads to an outstanding level of **Pre-provision income** for 1H 2021 at EUR 512 million (compared to EUR 421 million for 1H 2020), with a consolidated **Cost-Income ratio** of 58% (vs 63% in 1H 2020).

The level of the **Cost of Risk** was positive in 1H 2021 (EUR +31 million, compared to EUR -393 million in 1H 2020), driven by partial net reversal of the 2020 Covid-19 related provisioning. More details on Cost of Risk, are provided in the Risk Management section of this report.

As a result, the **net income before taxes** amounted to EUR 542 million in 1H 2021, compared to EUR 26 million in 1H 2020.

The **tax expenses** amounted to EUR 136 million in 1H 2021 compared to EUR 5 million in 1H 2020. The effective tax rate in 1H 2021 is at 25%.

As a consequence, **consolidated net income** 1H 2021 reached EUR 406 million, much higher than in 1H 2020 (EUR 21 million).

# Still solid solvency ratios and sound liquidity position

- **CET 1 ratio** amounted to 16.16% end of June 2021, down 95 bps compared to end 2020. This evolution is explained by a increase of the CET 1 capital (+28 bps) and an increase of the regulatory risk exposures (-124 bps), stemming from our dynamic commercial growth and some regulatory (TRIM and CRR2) related increases.
- **Total capital ratio** amounted to 19.14% end of June 2021, compared to 20.4% end 2020.
- **Leverage ratio** amounted to 6.89% end of June 2021, in line with end 2020 (6.85%).
- **LCR** and **NSFR** stand at 189% and 136% respectively.
- **Solvency II ratio** for Belfius Insurance equals a solid 197% at the end of June 2021.
- **Total shareholders' equity** amounted to EUR 10.6 billion at the end of June 2021 (vs EUR 10.2 billion at the end of December 2020).

The Board of Directors of 25 March 2021 decided upon a proposal for dividend over 2020 year-end results of EUR 207 million. However, due to the binding restriction imposed by the ECB as a result of the Covid-19, the effective pay-out ratio on FY2020 results was set at 15% or EUR 77 million for Belfius in 1H 2021 and EUR 130 million (i.e. 25% of pay-out ratio) was included in Reported Earnings in the 2020 end year accounts. Following the release of the restrictions by the ECB and subject to approval by competent authorities and an Extra-ordinary General Assembly, Belfius will distribute a residual dividend of EUR 130 million related to 2020 results.

# Covid-19

Since the beginning of the Covid-19 crisis, Belfius has continuously and fully delivered on its societal role by providing the necessary liquidity and by granting deferred payments for individuals, companies and SMEs in temporary difficulties, and this with an overall contribution higher than its market share would have suggested:

- 25,740 company loans, in an amount of EUR 5.3 billion, benefited from deferred payments, including renewals on roll-over loans, to corporate and business customers;
- 13,855 leasing contracts of corporate and business customers similarly benefited from deferred payments in an amount of EUR 914 million;
- 424 requests for deferred payments were granted on EUR 400 million of loans to the public sector (mainly the social sector);
- 19,614 requests for deferred payment were granted on EUR 2 billion of mortgage loans under the general Covid-19 scheme, in addition to a contractual payment deferral granted to 9,938 files representing more than EUR 1 billion;
- finally, EUR 556 million of new loans were granted under the Belgian State guarantee scheme, to corporate, business, public and social sector customers.

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

On the insurance side, Belfius Insurance similarly extended support to its customers, including through the deferral of premiums (especially on insurance policies related to mortgage loans) and extended covers (a.o. for health care for volunteers and for the deliver/take away activities).

As explained in detail further in this report, Belfius has demonstrated strong resiliency since the beginning of the crisis, which is reflected in its 1H 2021 results.

# EBA Stress test 2021

The 2021 stress test conducted by the European Banking Authority (EBA) on the 50 largest European banks has delivered its results. It once again confirms Belfius' strong financial solidity and resilience.

In an extremely severe adverse scenario, Belfius was able to limit the decline of its fully loaded CET 1 ratio to **2.70%**. This is less than the impact of all previous stress tests in which Belfius has participated.

**Starting from a strong CET 1 fully-loaded ratio of 16.36%** as at 1 January 2021 (corresponding to a CET 1 ratio of 17.11% on a transitional IFRS 9 basis), Belfius has a high **CET 1 fully-loaded ratio of 13.66% at the end** of the stress period (corresponding to a CET 1 ratio of 14.02% on a transitional IFRS 9 basis).

This outcome also compares favorably to the average of the participating banks. It confirms the strong solvency position of Belfius, its solid resilience towards adversities and the pertinence of having a sound financial & risk management as a cornerstone of its consistent long-term diversification strategy.

# Floods in July 2021

The floods that took place in Belgium in July 2021 are non-adjusting subsequent events and therefore fall outside the scope of these half-yearly results, however these events will impact the FY 2021 non-life results. Although Belfius cannot take away the human suffering, it considers it to be its utmost duty to take all actions to alleviate the material damages for its insured customers. As such, Belfius has considerably reinforced its claims-handling team, that has been operating seven days a week and that has deployed mobile teams onsite. In addition, specific measures have been taken to accelerate the claims handling (greater autonomy for claims experts and picture-based settlements) while advances are provided swiftly in case of major insured damage.

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

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

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

# Environmental, Social and Governance

As the unique **bank-insurer entirely dedicated to the Belgian economy**, Belfius bears a **high degree of responsibility as an actor** of change for **the Belgian society**.

The responsibility to consider sustainability in everything that we do is **part of our history and cultural DNA**.

One illustration of this, is our role of **leader in the Public & Social sector**, where we inspire and facilitate societal projects for a.o. local communities and cities, hospitals and care homes, contributing every day to local prosperity. Belfius also **supports the most vulnerable** in society with 180,000 social products, which are part of a unique and dedicated offer developed for the Belgian government's Social Services organization (CPAS / OCMW).

Furthermore, Belfius has generated positive impact on society through its **philanthropic program**, where Belfius supports its clients in the creation of their own registered fund within an existing structure, such as a public utility foundation or university. To date, more than EUR 4 million were transferred from the estate of Belfius customers to charities.

From the start, Belfius has been a keen **promotor of renewal energy** and is the **only Belgian bank-insurer involved in the financing of all 8 offshore wind farms in Belgium**. As of 30 June 2021, Belfius' total investment in renewable energy amounts to around EUR 1.65 billion, which caters to the energy needs of around three million Belgian households.

With regard to our own operations and governance, the following achievements are testimony to authentic and engaged way of working:

- As a signatory of the Women in Finance Diversity Charter, an initiative to improve gender equality in the financial sector, Belfius is proud of the **33.8% women in senior management** positions end 2020 (target of 44% in 2025).
- Belfius' **remuneration policy is gender-neutral** and non-discriminatory.
- As a front **runner in remote work**, 95% of the Belfius employees (from the headquarter) worked from home during the Covid-19 pandemic. This success emboldened us to propose a home-based statute to all headquarter employees as of mid- 2021. In this home-based statute, employees work a minimum of 3 days per week on average from home, reducing road traffic and air pollution from commuting.

More recently, Belfius' offerings & solutions has been enriched with a number of sustainability-driven propositions to have positive impact on Belgian society:

- In 2019, Belfius launched its first **Funds of the Future**, where we systematically focus on difficult but pertinent social or environment-related trends for meaningful investing. Since then, Belfius has launched five thematic Funds of the Future, the latest addition in June 2021 focusing on companies that contribute to a cleaner, safer and smarter mobility. Each theme systematically contributes to at least one of the 17 major **Sustainable Development Goals**. In addition, these funds generate a positive impact through donations to associations active in the relevant theme (oncology, climate, gender equality, happy and healthy longevity and mobility). As of June 2021, the total contribution to charities were at approximately EUR 1.2 million since the launch in 2019.
- **Re=Bel is a new execution-only brokerage platform integrated in Belfius Mobile**. It seeks to make investments accessible to all by means of a thematic approach and an intuitive search function. Re=Bel is the investment app with a cause as it creates transparency and awareness amongst autonomous investors on the ESG impact of their investments and guides them towards meaningful investments by integrating an ESG filter based on our Transition Acceleration Policy.
- The **$CO_2$ Impact Loan** is a joint offer of consultancy and credit for $CO_2$ reduction projects, in partnership with the Belgian sustainable development company and **consultancy CO2logic**, to accompany and encourage professional clients in their ambitions to reduce $CO_2$ emissions.
- Belfius issued a **first Green Bond for a total amount of EUR 500 million** to finance or refinance loans and investments which enable the transition to a low carbon and climate resilient economy. The inaugural issuance is covered by an equal mix of renewable energy projects (offshore and onshore wind, solar photovoltaic power) and green residential mortgage loans (financing the top 15% most efficient buildings in Flanders and Wallonia). Our overarching Green Bond Framework is structured in compliance with the ICMA's Green Bond Principles 2018.
- In June 2020, **Belfius and Proximus**, as two Belgian leaders in their respective fields, signed **an unprecedented strategic partnership**. This resulted in the launch of **Beats**, an innovative, exclusive **joint telco and bank offer** with a broader societal approach. Indeed, for each client and according to this client's wishes, Belfius makes a contribution to a pre-selected organization with a positive impact on Belgian society in the fields of health, people or planet. Later this year, **Banx, a new sustainable neobank experience** imagined by Proximus, powered by Belfius will enter the Belgian financial landscape. It will be a 100% digital, next-generation innovative platform and offer with the ambition to promote sustainable behaviour through insights (a personal $CO_2$ consumption dashboard) and rewards.

The Transition Acceleration Policy(1) excludes companies that systematically or seriously violate one or more of the UN Global Compact principles. It puts restrictions on sensitive sectors and business areas such as tobacco, gambling, weapons, energy (thermal

(1) Please refer to https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/SectorLimitationPolicy-EN.pdf for the full text regarding the Transition Acceleration Policy

coal & unconventional oil & gas extraction, conventional oil & gas extraction, electricity production, nuclear power plants), mining, palm oil, soy, agricultural commodities (only stock market trading).

The principles of exclusion per sector are detailed in thresholds and rules specific to the context of the different activity groups (e.g. loans or investments).

The TAP will be developed further over time, according to regulatory developments, technological breakthroughs, sectoral reorientation, evolving stakeholder expectations, etc. New sectors may be added or thresholds and rules may tighten.

Though sustainability has always been part of our DNA, Belfius wants to step up its ambition by articulating its approach around **2 guiding principles**:

- "**Walk the talk"**, Belfius will endeavor to reduce emissions from its operations and logistics for more sustainability in buildings, mobility, IT as well as the whole value chain through procurement. Sustainability will also drive Belfius' own HR and reward policies, in particular in steering diversity and in integrating sustainability targets into variable remuneration. Moreover, the sustainable Transition Acceleration Policy is also being applied to Belfius' own investment portfolio (Belfius Insurance).
- **Put Belfius' clients in the driver's seat** to realize their ambitions in tackling societal challenges and sustainable transition, by providing them with advice, guidance and meaningful solutions. Belfius is rapidly extending the range of distinctive solutions to accompany customers in their transition with meaningful and sustainable investments, positive impact loans & infrastructure financing or insurance policies encouraging sustainable behaviour. Belfius is eager to actively engage in an ESG dialogue with clients on ambitions and challenges and create awareness, education on ESG in a non-prescriptive way, using engaging language of inclusion.

In this way, Belfius expects to deliver on its **10 ESG – commitments** for 2025-2030, and be **"Meaningful and inspiring for Belgian society. Together"**. Belfius 10 commitments are:

1. Be a leading **actor in the transition** to a sustainable Belgian economy and society. As Belgian bank-insurer, Belfius wants to provide support to its customers in making this transition. It will deal selectively with sensitive sectors throughout its operations and processes as specified in Belfius' Transition Acceleration Policy.

2. Being and remaining **$CO_2$ neutral** for its own internal operations offsetting residual emissions by financing global climate projects.

3. **Encouraging customers to invest sustainably**. Belfius' ambition is to offer its customers exclusively sustainable funds.

4. Actively working towards a **sustainable balance sheet**. By 2025, 30% of new long-term loans production should be allocated to projects with a positive impact on society.

5. Reinventing its **mobility** with a **forward-looking vision**. Belfius wants to evolve towards a range of shared, multimodal and sustainable mobility solutions.

6. Making **future-proof infrastructure** an absolute priority. Belfius wants to become a key enabler of better and sustainable infrastructure in Belgium.

7. **Privacy and data protection** of its customers is paramount

8. **Equal opportunities and social commitment** is and remains Belfius' leitmotiv.

9. Setting an **example as an employer** with life-long learning, focus on well-being and diversity.

10. Risk management and financial stability are a sine qua non for Belfius. In its pursuit for long-term sustainability, Belfius sets sound objectives in terms of **risk management and financial stability** in order to create long-term value for society. In particular, Belfius maintains strong solvency and liquidity ratios at all times.

# Financial results

## Preliminary notes to the condensed consolidated interim financial statements

### 1. Changes to the scope of consolidation

Belfius acquired a 30% equity stake in Immovlan (alongside the Rossel Group (35%) and Roularta Group (35%)) with a view to create a reference real estate platform on the Belgian market. The aim is to combine digital expertise and diversify service offerings in residential real estate. The investment is consolidated using the equity method.

In January 2021 Belfius Insurance injected additional capital of EUR 2.2 million into Jane, as such increasing its shareholding to 91.04%. Furthermore, in March 2021, Belfius Insurance injected additional capital of EUR 1 million into Jaimy, as such increasing its shareholding to 90.84%. These investments ensure that the entities can further develop and commercially expand in their respective markets.

Belfius Insurance acquired a 100% stake in the real estate company, Alysea, in February 2021, for a total amount of EUR 37 million.

Belfius Insurance acquired a dedicated fund, Belfius Euro Loans, in which it holds 99.99% of the parts, as of 1H 2021 for an amount of EUR 10 million. Belfius Euro Loans invests in European leveraged loans. The investment is fully consolidated since June 2021.

M80 Capital, a participation consolidated via the equity method, was deconsolidated in March 2021 as our shareholders interest got diluted to 18.7%

### 2. Fundamentals of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of Belfius are prepared in accordance with IAS 34 Interim Reporting as adopted by the EU. The condensed consolidated interim financial statements are prepared on a going-concern basis.

# Analysis of the condensed consolidated interim balance sheet

### Summarised condensed consolidated interim balance sheet

| (In millions of EUR) | 31/12/20 | *Contribution Bank into group[1]* | *Contribution Insurance into group[1]* | 30/06/21 | *Contribution Bank into group[1]* | *Contribution Insurance into group[1]* | Evolution |
|---|---|---|---|---|---|---|---|
| TOTAL ASSETS | 187,991 | *170,212* | *17,779* | 193,962 | *176,338* | *17,624* | +5,970 |
| Of which | | | | | | | |
| Cash and balances with central banks | 25,434 | *25,434* | *0* | 33,721 | *33,721* | *0* | +8,288 |
| Loans and advances due from credit institutions | 11,912 | *11,815* | *97* | 10,596 | *10,534* | *63* | -1,315 |
| A. Measured at amortised cost | 11,912 | *11,815* | *97* | 10,596 | *10,534* | *63* | -1,315 |
| Loans and advances | 98,108 | *93,448* | *4,660* | 100,104 | *95,334* | *4,770* | +1,996 |
| A. Measured at amortised cost | 96,812 | *92,170* | *4,642* | 98,872 | *94,127* | *4,746* | +2,060 |
| B. Measured at fair value through other comprehensive income | 0 | *0* | *0* | 9 | *0* | *9* | +9 |
| C. Measured at fair value through profit or loss | 1,296 | *1,278* | *18* | 1,223 | *1,208* | *16* | -73 |
| Debt securities & equity instruments | 28,849 | *17,263* | *11,586* | 28,348 | *17,222* | *11,126* | -501 |
| A. Measured at amortised cost | 22,039 | *16,152* | *5,887* | 21,746 | *16,041* | *5,705* | -293 |
| B. Measured at fair value through other comprehensive income | 5,170 | *201* | *4,969* | 4,910 | *203* | *4,707* | -260 |
| C. Measured at fair value through profit or loss | 1,639 | *909* | *730* | 1,692 | *978* | *714* | +53 |
| Unit linked products insurance activities | 3,813 | *0* | *3,813* | 4,228 | *0* | *4,228* | +414 |
| Derivatives | 12,188 | *12,188* | *0* | 9,752 | *9,752* | *0* | -2,436 |
| TOTAL LIABILITIES | 177,258 | *160,239* | *17,019* | 182,870 | *166,081* | *16,789* | +5,612 |
| Of which | | | | | | | |
| Cash and balances from central banks | 14,174 | *14,174* | *0* | 15,676 | *15,676* | *0* | +1,503 |
| Credit institutions borrowings and deposits | 5,008 | *5,004* | *4* | 6,616 | *6,615* | *1* | +1,608 |
| A. Measured at amortised cost | 5,008 | *5,004* | *4* | 6,616 | *6,615* | *1* | +1,608 |
| Borrowings and deposits | 95,338 | *95,338* | *0* | 99,364 | *99,364* | *0* | +4,026 |
| A. Measured at amortised cost | 95,287 | *95,287* | *0* | 99,313 | *99,313* | *0* | +4,026 |
| B. Measured at fair value through profit or loss | 51 | *51* | *0* | 51 | *51* | *0* | 0 |
| Debt securities issued and other financial liabilities | 24,402 | *24,402* | *1* | 26,732 | *26,732* | *0* | +2,330 |
| A. Measured at amortised cost | 16,069 | *16,068* | *1* | 18,452 | *18,452* | *0* | +2,384 |
| B. Measured at fair value through profit or loss | 8,333 | *8,333* | *0* | 8,279 | *8,279* | *0* | -54 |
| Unit linked products insurance activities | 3,813 | *0* | *3,813* | 4,228 | *0* | *4,228* | +414 |
| Derivatives | 18,310 | *18,253* | *57* | 14,878 | *14,855* | *23* | -3,432 |
| Provisions for insurance activities | 12,659 | *0* | *12,659* | 12,034 | *0* | *12,034* | -625 |
| Subordinated debts | 1,151 | *1,151* | *0* | 1,134 | *1,134* | *0* | -17 |
| A. Measured at amortised cost | 1,151 | *1,151* | *0* | 1,134 | *1,134* | *0* | -17 |
| TOTAL SHAREHOLDERS' EQUITY | 10,209 | *9,476* | *733* | 10,568 | *9,760* | *808* | +359 |
| Of which | | | | | | | |
| Shareholders' core equity | 9,815 | *9,429* | *387* | 10,150 | *9,668* | *482* | +335 |
| Gains and losses not recognised in the statement of income | 393 | *47* | *346* | 418 | *92* | *326* | +24 |
| TOTAL EQUITY | 10,733 | *9,973* | *760* | 11,092 | *10,257* | 835 | +359 |
| of which | | | | | | | |
| Total shareholders' equity | 10,209 | *9,476* | *733* | 10,568 | *9,760* | *808* | +359 |
| Additional Tier-1 instruments included in equity | 497 | *497* | *0* | 497 | *497* | *0* | 0 |
| Non-controlling interests | 28 | *0* | *27* | 27 | *0* | *27* | -1 |

(1) Information based on non-audited figures

Total assets increased by EUR 6.0 billion, or 3.2%, from EUR 188.0 billion as of 31 December 2020, to EUR 194.0 billion as of 30 June 2021. The total assets are composed of EUR 176.3 billion for the Belfius Banking Group (compared with EUR 170.2 billion at 31 December 2020) and EUR 17.6 billion for the Belfius Insurance Group (compared with EUR 17.8 billion at 31 December 2020). These amounts represent the contribution of the Banking and Insurance Groups to the consolidation scope and do not reflect their respective standalone total assets.

The increase in assets and liabilities stems primarily from additional funding received from the participation in the TLTRO III for EUR 1.4 billion and from deposits from customers for EUR 4.0 billion due to the organic growth of current and savings accounts. A continuous increase in commercial lending can be noted as well as a decrease in the fair value of the derivatives, mainly due to the impact of higher interest rates as well as reassignments to LCH (London Clearing House) and unwinds of bilateral agreements.

# 1. Assets

## 1.1. Cash and balances with central banks

Cash and balances with central banks increased by EUR 8.3 billion, or 32.6%, to EUR 33.7 billion (31 December 2020: EUR 25.4 billion). Belfius deposits part of its cash at the National Bank of Belgium, within the framework of its liquidity management.

## 1.2. Loans and advances due from credit institutions

Loans and advances due from credit institutions decreased with EUR 1.3 billion, or -11.0%, to EUR 10.6 billion (31 December 2020: EUR 11.9 billion). The decrease in cash collateral paid of EUR 1.9 billion, was partially offset by an increase of term loans and sight accounts.

## 1.3. Loans and advances

Loans and advances increased by EUR 2.0 billion, or 2.0%, to EUR 100.1 billion (31 December 2020: EUR 98.1 billion), stemming from an increase in loans of EUR 2.3 billion (mainly mortgage and term loans) in line with our strategy to further develop our commercial franchise and to support the Belgian economy. Cash collateral paid decreased by EUR 0.2 billion.

Certain loans do not pass the Solely Payment of Principal and Interest-test and are therefore measured at fair value through profit or loss. These mostly relate to loans to the public and social sector, with specifically structured interest rate features. The outstanding volume decreased by EUR 0.1 billion to EUR 1.2 billion as of the end of 2020, mainly due to repayments.

The asset quality ratio, indicating the ratio between impaired (stage 3) loans and advances and the gross outstanding loans and advances, remained stable at 2.02% in comparison to 31 December 2020 (see chapter on Risk for additional information).

## 1.4. Debt securities and equity instruments

The Belfius Banking Group contributed EUR 17.2 billion (31 December 2020: EUR 17.3 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 11.1 billion (31 December 2020: EUR 11.6 billion).

The debt securities measured at amortised cost decreased by EUR 0.3 billion, or -1.3%, to EUR 21.7 billion (31 December 2020: EUR 22.0 billion) following redemptions of corporate bonds.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.3 billion, or -5.0%, to EUR 4.9 billion (31 December 2020: EUR 5.2 billion). This is ascribed to negative fair value adjustments on bonds following higher interest rates compared with the 2020 year-end despite lower credit spreads (EUR 0.2 billion) as well as disposals and redemptions of bonds (EUR 0.1 billion).

Debt securities and equity instruments measured at fair value through profit or loss increased by EUR 0.1 billion, or 3.2%, to EUR 1.7 billion (31 December 2020: EUR 1.6 billion).

## 1.5. Unit-linked products insurance activities

Unit-linked products within our insurance activities (Branch 23) increased by EUR 0.4 billion, or 10.9%, to EUR 4.2 billion (31 December 2020: EUR 3.8 billion), mainly resulting from positive fair value adjustments and transfers of customer investments from Branch 21 policies coming to maturity in line with specific commercial actions of 1H 2021.

## 1.6. Derivatives

Derivatives decreased by EUR 2.4 billion, or -20.0%, to EUR 9.8 billion (31 December 2020: EUR 12.2 billion), mainly due to the impact of higher interest rates, offsetting for derivatives concluded with LCH and unwinds of some bilateral agreements. The total impact of the offsetting for derivatives concluded with LCH amounted to EUR 7.1 billion end June 2021, compared with EUR 7.8 billion at the end of 2020.

## 2. Liabilities

Total liabilities increased by EUR 5.6 billion, or 3.2%, to EUR 182.9 billion (31 December 2020: EUR 177.3 billion), resulting from an increase in funding sources in "Deposits" from customers, "Debt securities issued", as well as "Cash and balances from central banks" explained by the additional participation in the TLTRO III.

### 2.1. Cash and balances from central banks

Cash and balances from central banks increased by EUR 1.5 billion to EUR 15.7 billion (31 December 2020: EUR 14.2 billion). Belfius drew an additional EUR 1.4 billion TLTRO III in 2021, resulting in a total TLTRO III participation of EUR 15.65 billion as of 30 June 2021.

### 2.2. Credit institutions borrowings and deposits

Credit institutions borrowings and deposits increased by EUR 1.6 billion, or 32.1%, to EUR 6.6 billion (31 December 2020: EUR 5.0 billion), resulting from an increase in deposits and repurchase agreements explained by short-term liquidity management, partially compensated by a decrease in cash collateral received.

### 2.3. Borrowings and deposits

Borrowings and deposits increased by EUR 4.0 billion, or 4.2%, to EUR 99.4 billion (31 December 2020: EUR 95.3 billion), mainly due to organic growth of demand and savings deposits.

### 2.4. Debt securities issued and other financial liabilities

Debt securities issued and other financial liabilities increased by EUR 2.3 billion, or 9.5%, to EUR 26.7 billion (31 December 2020: EUR 24.4 billion).

The debt securities measured at amortised cost increased by EUR 2.4 billion, or 14.8%, to EUR 18.5 billion (31 December 2020: EUR 16.1 billion), mainly due to the issuance of EUR 1.6 billion in certificates of deposit, EUR 0.5 billion in Preferred Senior bonds and EUR 0.5 billion in Green Non-Preferred Senior bonds.

Debt securities measured at fair value through profit or loss remained stable at EUR 8.3 billion.

### 2.5. Derivatives

Derivatives decreased by EUR 3.4 billion, or -18.7%, to EUR 14.9 billion (31 December 2020: EUR 18.3 billion), mainly due to the impact of higher interest rates, offsetting for derivatives concluded with LCH and unwinds of bilateral agreements. The total impact of offsetting for derivatives concluded with LCH amounted to EUR 7.1 billion end June 2021, compared with EUR 7.8 billion at the end of 2020.

### 2.6. Provisions for insurance activities

Gross technical reserves for life decreased by EUR 681 million, or -6%, to EUR 10.7 billion (31 December 2020: EUR 11.4 billion). In the current low interest rate environment, a continued shift can be noted from Branch 21 products towards alternative investment forms, such as Branch 23 or Branch 44 products. As a result, a substantial part of the Branch 21 investment policies coming to maturity were not reinvested in new Branch 21 investment policies. In addition, the reassessment of the life provisions resulted in a release of EUR 15 million (no release in 2020)

A shadow loss of EUR 258 million was recognised in 1H 2021, compared to EUR 301 million at year-end 2020. The decrease of EUR 43 million stems mainly from the increase in interest rates over the first semester, partially compensated by decreased credit spreads and the negative impact of the revision of the non-financial assumptions for the calculation of the Best Estimate Life. For the funds with dedicated assets managed by Belfius Insurance, shadow accounting was recognised for EUR 33 million, a decrease of EUR 16 million compared to year-end 2020, mainly explained by the decrease in the fair value of the debt instruments resulting from higher interest rates.

The technical provision for non-life products increased by EUR 51 million, or 4%, to EUR 1.4 billion (31 December 2020: EUR 1.3 billion) mainly due to an increase in the non-life portfolio and relating to claims incurred awaiting settlement. As a result of the update of the indicative tables in May 2021, Belfius Insurance released the additional provisions of EUR 31 million which were accounted for in December 2020, partially compensated by a further reassessment of the related technical provisions, resulting in an increase in bodily injury provisions for EUR 26 million in 1H 2021. Note that in 1H 2020 a reassessment of the general non-life claims provisions resulted in a release of EUR 13 million, in line with the risk appetite framework.

### 2.7. Subordinated debts

Subordinated debts decreased by EUR 17 million, or -1.5%, to EUR 1.1 billion (31 December 2020: EUR 1.2 billion).

# 3. Equity

Total equity increased by EUR 359 million, or 3.3%, to EUR 11.1 billion (31 December 2020: EUR 10.7 billion) mainly attributable to the profit for the period amounting to EUR 406 million and an increase of EUR 24 million in gains and losses not recognised in the statement of income. A total of EUR 13 million (after tax) of realised gains on equity instruments was accounted for in 1H 2021 (mainly at Belfius Insurance).

### 3.1. Shareholders' core equity

Shareholders' core equity increased by EUR 335 million, 3.4%, to EUR 10.2 billion (31 December 2020: EUR 9.8 billion). This increase was due mainly to the profit for the period of EUR 406 million and the realised results on equity instruments that are recognised directly in retained earnings, partially offset by the payment of the dividend over 2020 of EUR 77 million. The retained earnings include EUR 130 million of remaining dividend over 2020. The payment on Additional Tier 1 amounted to EUR 7 million after tax (considered as dividend under IFRS).

### 3.2. Gains and losses not recognised in the statement of income

Gains and losses not recognised in the statement of income increased by EUR 24 million, or 6.2%, to EUR 418 million (31 December 2020: EUR 393 million). The contribution of the Belfius Banking Group amounted to EUR 92 million (increase of EUR 45 million) and the Belfius Insurance Group to EUR 326 million (decrease of EUR 20 million).

The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 65 million, or -30.3%, to EUR 149 million (31 December 2020: EUR 214 million) and stems from higher interest rates compared with last year, partially offset by the recognition of a shadow loss of EUR 127 million (after tax) compared with EUR 170 million (after tax) per end 2020.

The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 36 million, or 29.4%, to EUR 157 million (31 December 2020: EUR 121 million), due to increasing stock markets and the recognition of a shadow loss of EUR 77 million (after tax) compared with EUR 66 million (after tax) per end 2020.

Gains (losses) on cash flow hedges decreased by EUR 12 million to EUR -80 million (31 December 2020: EUR -69 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.

The remeasurement of defined benefit plans increased by EUR 57 million, or 82.9%, to EUR 126 million (31 December 2020: EUR 69 million), due mainly to the effect of an increase in the discount rate and the positive return on plan assets.

The discretionary participation feature of insurance contracts increased by EUR 8 million, or 13.6%, to EUR 65 million (31 December 2020: EUR 58 million). The total amount of future profit-sharing amounts to EUR 156 million. An amount of EUR 74 million was recorded through the statement of income compared with EUR 84 million at year-end 2020. The remaining EUR 82 million (EUR 72 million after tax) is accounted for via equity.

### 3.3. Additional Tier-1 instruments included in equity

There was no variation in the value of the additional Tier 1 issue.

# Analysis of the condensed consolidated interim statement of income

### Summarised condensed consolidated interim statement of income

| (In millions of EUR) | 1H 2020 | *Contribution Bank into group*[(1)] | *Contribution Insurance into group*[(1)] | 1H 2021 | *Contribution Bank into group*[(1)] | *Contribution Insurance into group*[(1)] | Evolution |
|---|---|---|---|---|---|---|---|
| INCOME | 1,132 | *872* | *259* | 1,232 | *952* | *280* | +100 |
| Of which | | | | | | | |
| Net interest income | 982 | *779* | *203* | 988 | *797* | *191* | +6 |
| Net income from financial instruments at fair value through profit or loss | (52) | *(15)* | *(36)* | 35 | *33* | *2* | +87 |
| Net income on investments and liabilities | 59 | *20* | *39* | 7 | *6* | *1* | -52 |
| Net fee and commission income | 311 | *302* | *10* | 372 | *360* | *12* | +60 |
| Technical result from insurance activities | 30 | *0* | *30* | 51 | *0* | *51* | +21 |
| Other income and expense | (231) | *(222)* | *(9)* | (267) | *(262)* | *(5)* | -36 |
| EXPENSES | (711) | *(586)* | *(124)* | (720) | *(594)* | *(126)* | -9 |
| GROSS INCOME | 421 | *286* | *135* | 512 | *358* | *154* | +92 |
| Impairments on financial instruments and provisions for credit commitments | (393) | *(387)* | *(5)* | 31 | *30* | *1* | +423 |
| Impairments on tangible and intangible assets | (2) | *0* | *(2)* | (1) | *0* | *0* | +2 |
| NET INCOME BEFORE TAX | 26 | *(101)* | *127* | 542 | *387* | *155* | +517 |
| Tax (expense) income | (5) | *34* | *(39)* | (136) | *(98)* | *(39)* | -131 |
| Attributable to non-controlling interests | (1) | *0* | *(1)* | 0 | *0* | *0* | +1 |
| NET INCOME GROUP SHARE | 21 | *(68)* | *89* | 406 | *290* | *116* | +384 |

(1) Information based on non-audited figures

## 1. Income

Total income increased by EUR 100.4 million, or 8.9%, to EUR 1,232 million (1H 2020: EUR 1,132 million). Belfius Banking Group contributed EUR 952 million (1H 2020: EUR 872 million) and Belfius Insurance Group contributed EUR 280 million (1H 2020: EUR 259 million).

### 1.1. Net interest income

Net interest income increased by EUR 6.1 million, or 0.6%, to EUR 988 million (1H 2020: EUR 982 million), mainly due to higher volumes in loans combined with a strict pricing discipline despite the pressure of the lower interest rate environment, lower outstandings in Branch 21 and reinvestments at lower market yields. The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2021 amounts to EUR 75 million (vs EUR 10 million in 1H 2020, of which EUR 8 million from the TLTRO III). The interest paid on lending to ECB/NBB and accounted for in 1H 2021 amounts to EUR 66 million (vs EUR 4 million in 1H 2020).

Based on current and forecast net lending volumes, there is a reasonable expectation that the conditions of the TLTRO programme will be met and therefore the effective interest rate includes the additional reduction of 50 basis points.

Note that 1H 2020 was positively impacted by the extensive restructuring of a specific corporate leasing file. Furthermore, in 1H 2020 a modification loss of EUR 9.7 million was recognised as a result of the relief granted to vulnerable customers, following the moratorium granted on mortgage loans in light of the Covid-19 crisis. In 1H 2021, no modification loss was recognised.

### 1.2. Net income from financial instruments measured at fair value through profit or loss

Net income from financial instruments measured at fair value through profit or loss increased by EUR 86.7 million to EUR 35 million (1H 2020: EUR -52 million). Net trading income increased by EUR 28 million to EUR 54 million end June 2021, due mainly to the negative impact of the Covid-19 outbreak on credit spreads as well as equity markets in 1H 2020 whereas the markets stabilized in 1H 2021. The net result from financial instruments mandatorily measured at fair value through profit or loss decreased by EUR 4 million to EUR -28 million end June 2021. The net result of hedge accounting increased by EUR 59 million to EUR 8 million end June 2021 and was positively impacted, among other factors, by favorable evolutions on some basis spreads and basis risks.

### 1.3. Net income on investments and liabilities

Net income on investments and liabilities decreased by EUR 51.7 million, or -88.2%, to EUR 7 million (1H 2020: EUR 59 million).

Belfius realised capital gains of EUR 6.5 million on the sale of tangible fixed assets from the sale of different bank offices and the sale of a building in Mechelen. Note that capital gains of EUR 40 million were realised in 1H 2020, mainly on the partial sale of the Galilee building.

Furthermore, Belfius Insurance realised EUR 22 million from the sale of bonds in 1H 2020 in order to manage its duration gap while no capital gains on bonds were realized in 1H 2021.

### 1.4. Net fee and commission income

Net fee and commission income increased by EUR 60.4 million, or 19.4%, to EUR 372 million (1H 2020: EUR 311 million). The increase was mainly attributed to an increase in commission income on asset management services resulting from increased subscriptions, higher average outstanding volumes thanks to organic growth, increasing equity markets, and higher (entry and servicing) fees, as well as on payment services.

### 1.5. Technical result from insurance activities

The technical result from insurance activities life and non-life improved by EUR 20.9 million to a profit of EUR 51.1 million (1H 2020: profit of EUR 30.2 million).

The technical result from insurance activities life improved by EUR 29.3 million. The interest guarantees decreased by EUR 11 million due to the declining outstanding volume in Branch 21. Belfius Insurance also observed better mortality results compared to 1H 2020. Furthermore, the reassessment of the life provisions resulted in a release of EUR 15 million in line with the risk appetite framework (no release in 2020).

In non-life, the technical result decreased by EUR 8.4 million, mainly resulting from higher claims charges, especially in Car, as last year's results were positively impacted by the lockdown period during the Covid-19 crisis. The decrease was partially offset by a lower cost for natural catastrophes (net of reinsurance) of EUR 13 million. As a result of the update of the indicative tables in May 2021, Belfius Insurance released the additional provisions of EUR 31 million which were accounted for at year end 2020, partially compensated by a further reassessment of the related technical provisions, resulting in an increase in bodily injury provisions for EUR 26 million in 1H 2021. Note that in 1H 2020 a reassessment of the general Non-Life claims provisions resulted in a release of EUR 13 million, in line with the risk appetite framework.

### 1.6. Net other income and expenses

Net other income and expenses decreased by EUR 35.7 million, or -15.4%, to a loss of EUR 267 million (1H 2020: a loss of EUR 231 million).

Belfius recognised an expense of EUR 277 million in 1H 2021 as levies (including the contribution to the Single Resolution Board), an increase of EUR 40 million compared to 1H 2020, explained by increased bank levies and the introduction of the tax on securities accounts. Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment.

## 2. Expenses

Expenses increased by EUR 8.8 million, or 1.2%, to EUR 720 million (1H 2020: EUR 711 million), stemming from further investments in human capital, digitalization and innovation efforts. Belfius combines this with a strict cost control in other areas, leading to an overall controlled increase in expenses.

### 2.1. Staff expense

Staff expense increased by EUR 1.3 million, or 0.4%, to EUR 302 million (1H 2020: EUR 301 million).

### 2.2. General and administrative expense

General and administrative expense increased by EUR 6.4 million, or 2.6%, to EUR 252 million (1H 2020: EUR 245 million), in line with our investments in digital and automatization, which also result in an increase of the professional fees (mainly due to increasing use of interims in line with the strong commercial dynamics and use of consultancy services for some major strategic projects).

### 2.3. Network costs

Network costs increased by EUR 5.2 million, or 5.1%, to EUR 109 million (1H 2020: EUR 103 million), in line with increased commercial activities.

### 2.4. Depreciation and amortisation of fixed assets

Depreciation and amortisation of fixed assets decreased by EUR 4.1 million, or -6.7%, to EUR 57 million (1H 2020: EUR 61 million) following the accelerated depreciations accounted for at year-end 2020 due to the revised useful life of internally developed software given the rapid changes in technology and the accelerated uptake of digital services.

## 3. Gross income

Gross income increased by EUR 91.6 million, or 21.8%, to EUR 512 million (1H 2020: EUR 421 million). Belfius Bank contributed EUR 358 million (1H 2020: EUR 286 million) and Belfius Insurance contributed EUR 154 million (1H 2020: EUR 135 million).

## 4. Impairments

### 4.1. Impairments on financial instruments and provision for credit commitments

Impairments on financial instruments and provision for credit commitments decreased by EUR 423.2 million to EUR 31 million (1H 2020: EUR 393 million).

In 1H 2020 the stage 1 and 2 impairments reflected the update of the underlying macro-economic scenarios and their weighting, in line with EBA guidance, to reflect the changes in the economic environment and prospects following the Covid-19 crisis. Furthermore, Belfius applied management overlays on expected credit losses for certain risk pockets (defined in terms of sectors, groups of companies or individual exposures) in the loan portfolios that were hit, or anticipated to be hit, particularly hard by the Covid-19 pandemic. As customary, impairments were also recognised on a limited number of corporate customers that entered stage 3 during 1H 2020.

In 1H 2021 Belfius updated the underlying macro-economic scenarios due to general macro-economic improvement as well as the management overlays, resulting in reversals of part of the stage 1 and 2 impairments accounted for in 2020. As customary, impairments were also recognised on a limited number of defaulted (stage 3) exposures during 1H 2021.

Overall, this resulted in a net positive cost of risk of EUR +31 million in 1H 2021 (vs EUR -393 million in 1H 2020)

### 4.2. Impairments on tangible and intangible fixed assets

Impairments on tangible and intangible assets decreased by EUR 1.7 million to EUR 1 million (1H 2020: EUR 2 million).

Note that in 1H 2020 Belfius reassessed its intangible and tangible assets for the Covid-19 impacts, whereby an impairment of EUR 2 million was enacted on the intangible assets of Jaimy.

## 5. Net income before tax

Net income before tax increased by EUR 516.5 million to EUR 542 million (1H 2020: EUR 26 million). Belfius Bank contributed EUR 387 million (1H 2020: EUR -102 million) and Belfius Insurance contributed EUR 155 million (1H 2020: EUR 127 million).

## 6. Tax expense

The tax expense, including deferred taxes, increased by EUR 131.4 million to EUR 136 million (1H 2020: EUR 5 million), due mainly to higher taxable profit in main entities of Belfius.

Per 1H 2021 an effective tax rate of 25% was observed, in line with statutory tax rate. This compared with 19% in 1H 2020.

Net deferred tax cost increased by EUR 101.4 million to EUR -32 million (1H 2020: EUR 70 million), due mainly to temporary differences for impairments and fair value adjustments.

## 7. Net income group share

Total net income amounted to EUR 406 million and no share attributable to non-controlling interests. As a result, the net income attributable to Belfius amounted to EUR 406 million (30 June 2020: EUR 21 million).

## 8. Dividend

The Board of Directors of 25 March 2021 decided upon a proposal for dividend over 2020 year-end results of EUR 207 million. However, due to the binding restriction imposed by the ECB as a result of the Covid-19, the effective pay-out ratio on FY2020 results was set at 15% or EUR 77 million for Belfius in 1H 2021 and EUR 130 million (i.e. 25% of pay-out ratio) was included in Reported Earnings in the 2020 end year accounts. Following the release of the restrictions by the ECB and subject to approval by competent authorities and an Extraordinary General Assembly, Belfius will distribute a residual dividend of EUR 130 million related to 2020 results.

# 9. Solvency

## 9.1. Solvency at Bank level

At the end of June 2021, CET 1 ratio amounted to 16.16%, a decrease of 95 bps compared with the end of 2020.

The decrease in CET 1 ratio is the result of higher total risk exposure (-124 bps) partially offset by the positive effects from higher CET 1 capital (+28 bps).

CET 1 capital amounted to EUR 10,318 million, compared to the CET 1 capital of EUR 10,150 million at the end of 2020. The increase in CET 1 capital of EUR 168 million results mainly from

- the increase in regulatory core own funds by EUR 335 million and
- the decrease in the deduction for foreseeable dividends based on the pay-out ratio of 40% on the result of 2021, partially offset by
- a decrease of the transitional measure IFRS 9 on impairments due to the degressive character of the transitional measures and
- increased deductions and prudential filters mainly following the additional CRR Article 3 deduction for the remaining dividend over 2020 of EUR 130 million and the impact of the end of a Covid-19-related regulatory relaxation measures.

At the end of June 2021, total risk exposure[1] of Belfius amounted to EUR 63,848 million, an increase of EUR 4,539 million compared with EUR 59,309 million at the end of 2020.

The credit risk exposure amount, including counterparty credit risk increased by EUR 4,163 million to EUR 48,722 million due to

- higher volumes, mainly in the corporate segment,
- the impact of TRIM decisions affecting the large corporates and bank models, and
- the implementation of CRR 2.

The total risk exposure amount for Danish Compromise increased by EUR 250 million to EUR 9,641 million, due mainly to an increase of the equity value of Belfius Insurance.

The CVA exposure amount remained stable and was only slightly impacted by the implementation of CRR 2.

The market risk exposure amount decreased by EUR 85 million thanks to the exit of last year's most volatile Covid scenarios from the internal model historical window which has been fully offset by the add-on on the stress VaR which will slowly be phased out in the coming months.

Operational risk exposure, based on the standardized approach, remained stable at EUR 3,246 million

At the end of June 2021, the Tier 1 capital ratio amounted to 16.94%, a decrease of 101 bps compared with the end of 2020. This increase follows the evolution of the CET 1 ratio since there are no new AT 1 elements.

The total capital ratio amounted to 19.14%, a decrease of 123 bps compared with the end of 2020.

More detailed information is provided in the "Capital management" section of this half-yearly report.

## 9.2. Solvency at Insurer level

The Solvency II-ratio (after dividend) of Belfius Insurance stood at 197% at the end of June 2021, in line with the ratio as of December 2020 (200%).

The increase in regulatory own funds was fully compensated by a same proportionate increase in SCR.

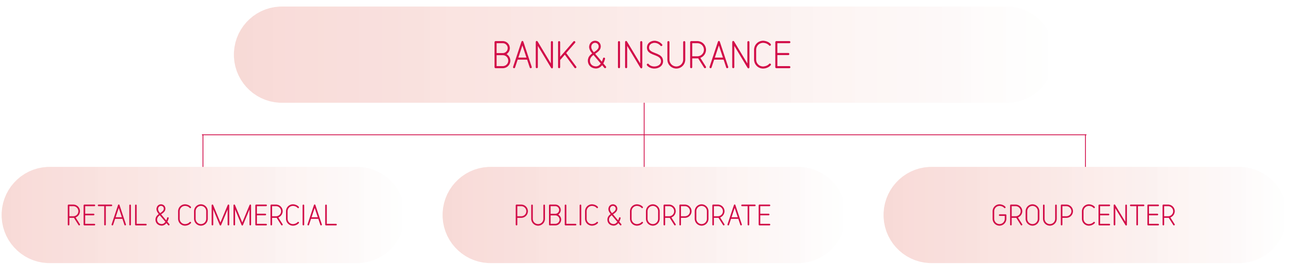
1 Total Risk Exposure Amount (TREA) also known as Risk Weighted Assets (RWA).

# Segment reporting

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level;
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level;
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from bond and derivative portfolio management.

Please refer also to the operating segment reporting in the financial statements. Some figures may not add up due to rounding.



# Key figures of the segment reporting (unaudited)

## Balance Sheet

| (In billions of EUR) | 31/12/20[1] Assets | Liabilities | Equity |
|---|---|---|---|
| Retail and Commercial (RC) | 64.9 | 90.6 | 2.7 |
| Public and Corporate (PC) | 44.8 | 29.6 | 3.1 |
| Group Center (GC) | 78.3 | 57.0 | 4.9 |
| **TOTAL** | **188.0** | **177.3** | **10.7** |
| of which banking group[2] | 170.2 | 160.2 | 10.0 |
| of which insurance group[2] | 17.8 | 17.0 | 0.8 |

1) Early 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Note that the assets, liabilities and equity represent the contribution of the Belfius Bank and Belfius Insurance group to the consolidated balance sheet.

| (In billions of EUR) | 30/06/21 Assets | Liabilities | Equity |
|---|---|---|---|
| Retail and Commercial (RC) | 65.8 | 94.3 | 3.1 |
| Public and Corporate (PC) | 45.1 | 29.4 | 3.5 |
| Group Center (GC) | 83.0 | 59.2 | 4.5 |
| **TOTAL** | **194.0** | **182.9** | **11.1** |
| of which banking group[1] | 176.3 | 166.1 | 10.3 |
| of which insurance group[1] | 17.6 | 16.8 | 0.8 |

(1) Note that the assets. liabilities and equity represent the contribution of the Belfius Insurance group to the consolidated balance sheet.

The assets and liabilities allocated to Retail and Commercial (RC) and Public and Corporate (PC) reflect the commercial activities of those business lines. Where RC shows an excess of funding, PC is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 88% loan to deposit ratio at the end of June 2021.

The equity allocated to Retail and Commercial and Public and Corporate is a normative regulatory equity. The normative regulatory equity (NRE) of the business line is equal to 13.5% of the regulatory risk exposures allocated to the business line. The average NRE is equal to the 4 quarter-rolling average NRE. And the Return on NRE (RoNRE) is calculated as the sum of the Net Income over the last 4 quarters as a percentage of the average NRE.

# Key figures of the segment reporting (unaudited)

## Statement of income

| (In millions of EUR) | 1H 2020 Retail and Commercial | 1H 2020 Public and Corporate | 1H 2020 Group Center | 1H 2020 Total |
|---|---|---|---|---|
| INCOME | 847 | 299 | (14) | 1,132 |
| EXPENSES | (521) | (125) | (65) | (711) |
| GROSS OPERATING INCOME | 325 | 174 | (79) | 421 |
| Cost of risk | (132) | (285) | 24 | (393) |
| Impairments on (in)tangible assets | (2) | 0 | 0 | (2) |
| NET INCOME BEFORE TAX | 191 | (110) | (55) | 26 |
| Tax (expense) income | (50) | 28 | 17 | (5) |
| NET INCOME AFTER TAX | 141 | (83) | (38) | 21 |
| Non-controlling interests | (1) | 0 | 1 | (1) |
| NET INCOME GROUP SHARE | 142 | (83) | (38) | 21 |
| of which banking group(2) | 65 | (92) | (41) | (68) |
| of which insurance group(2) | 77 | 9 | 3 | 89 |

(1) Begin 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Note that the statement of income represents the contribution of the Belfius Insurance group to the consolidated statement of income.

| (In millions of EUR) | 1H 2021 Retail and Commercial | 1H 2021 Public and Corporate | 1H 2021 Group Center | 1H 2021 Total |
|---|---|---|---|---|
| INCOME | 921 | 343 | (32) | 1,232 |
| EXPENSES | (535) | (128) | (56) | (720) |
| GROSS OPERATING INCOME | 386 | 215 | (88) | 512 |
| Cost of risk | (14) | 41 | 3 | 31 |
| Impairments on (in)tangible assets | (1) | 0 | 0 | (1) |
| NET INCOME BEFORE TAX | 372 | 256 | (86) | 542 |
| Tax (expense) income | (90) | (62) | 16 | (136) |
| NET INCOME AFTER TAX | 282 | 194 | (70) | 406 |
| Non-controlling interests | 0 | 0 | 1 | 0 |
| NET INCOME GROUP SHARE | 282 | 194 | (70) | 406 |
| of which banking group | 185 | 174 | (69) | 290 |
| of which insurance group(1) | 97 | 20 | (1) | 116 |

(1) Note that the statement of income represents the contribution of the Belfius Insurance group to the consolidated statement of income.

# Retail and Commercial (RC)

## 1. Commercial performance RC in 1H 2021

The commercial activity continues to show excellent dynamics despite Covid-19 crisis environment. On 30 June 2021, **total savings and investments** stood at EUR 129.7 billion, an increase of 6.5% compared with the end of 2020. The organic growth in 1H 2021 amounted to EUR 4.8 billion, stemming mainly from the large increase in Non Maturing Deposits (saving and payment accounts) explained by the context of uncertainty linked to the Covid-19 crisis.

**On-balance sheet deposits** amounted EUR 81.3 billion on 30 June 2021, up 4.9% from the end of 2020. This was driven by strong growth in the funds deposited in current and savings accounts, which reached EUR 21.2 billion (+11.4%) and EUR 52.2 billion (+4.2%) respectively at the end of June 2021. The investments in term products continued to decrease: -12.6% for savings certificates and -18.2% for term accounts.

**Off-balance sheet investments** increased by 12.6% compared to the end of 2020, to EUR 38.5 billion, despite turbulent and uncertain economic context. This strong increase stems from both positive market effect and positive organic growth.

**Life insurance reserves for investment products** amounted to EUR 9.9 billion, down -2.0% compared to the end of 2020. Investments in Branch 21 life insurance guaranteed products decreased due to the low interest rates environment; that drop was partially offset by an increase in Branch 23 and Branch 44 products.

**Total loans** to RC customers rose strongly to EUR 57.3 billion at the end of June 2021. The increase occurred mainly in mortgage loans (+3.4% vs end of 2020) and business loans (+3.2% vs end of 2020). Mortgage loans, which account for almost 70% of all loans, amounted to EUR 39.3 billion at the end of June 2021, while consumer loans and business loans stood at EUR 1.7 billion and EUR 15.8 billion respectively.

**New long term loans** granted to retail and commercial clients during 1H 2021 amounted to EUR 6.7 billion compared to EUR 5.4 billion in 1H 2020. In 1H 2021, the new production of mortgage loans increased from EUR 2.9 billion in 1H 2020 to EUR 3.8 billion. During the same period, EUR 2.5 billion in new long-term business loans were granted, up 16.4% compared to 1H 2020.

### Retail and Commercial (Unaudited)

| (In billions of EUR) | 31/12/20[1] | 30/06/21 | Evolution |
|---|---|---|---|
| TOTAL SAVINGS AND INVESTMENTS | 121.7 | 129.7 | +6.5% |
| DEPOSITS | 77.4 | 81.3 | +4.9% |
| Savings accounts | 50.1 | 52.2 | +4.2% |
| Savings certificates | 0.8 | 0.7 | -12.6% |
| Bonds issued by Belfius | 7.4 | 7.0 | -4.5% |
| Current accounts | 19.0 | 21.2 | +11.4% |
| Term accounts | 0.1 | 0.1 | -18.2% |
| OFF-BALANCE SHEET INVESTMENTS | 34.2 | 38.5 | +12.6% |
| LIFE INSURANCE RESERVES[2] | 10.1 | 9.9 | -2.0% |
| Capital guaranteed products (Branch 21) | 4.9 | 4.3 | -12.4% |
| Unit-linked products (Branch 23) | 2.7 | 3.0 | +11.2% |
| Combination of capital guaranteed and unit-linked products (Branch 44) | 2.5 | 2.6 | +4.2% |
| o.w. capital guaranteed products | 1.4 | 1.4 | +0.8% |
| o.w. unit-linked products | 1.1 | 1.2 | +8.7% |

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

### Retail and Commercial (Unaudited)

| (In billions of EUR) | 31/12/20 | 30/06/21 | Evolution |
|---|---|---|---|
| TOTAL LOANS TO CUSTOMERS | 55.5 | 57.3 | +3.4% |
| Mortgage loans | 38.0 | 39.3 | +3.4% |
| Consumer loans | 1.7 | 1.7 | +1.2% |
| Business loans | 15.3 | 15.8 | +3.2% |
| Other retail loans | 0.5 | 0.5 | +13.7% |

### Retail and Commercial (Unaudited)

| (In billions of EUR) | 31/12/20 | 31/06/21 | Evolution |
|---|---|---|---|
| TOTAL LIFE INSURANCE RESERVES[1] | 12.3 | 12.0 | -1.5% |
| Guaranteed products (Branch 21/26) | 8.4 | 7.8 | -7.2% |
| Unit-Linked (Branch 23) | 3.8 | 4.2 | 11.2% |

(1) Investment products and insurance products.

The **total insurance production** from customers in the Retail and Commercial segment amounted to EUR 1,296 million in 1H 2021, compared with EUR 1,196 million in 1H 2020, an increase of 8%.

**Life insurance production** stood at EUR 890 million in 1H 2021[1], up by 10% compared to 1H 2020[2]. Unit-linked (Branch 23) production increased (+16%) thanks to favourable stock markets in combination with commercial actions. Traditional Life (Branch 21/26) production decreased (-4%) because of low guaranteed rates.

**Non-Life insurance production** in 1H 2021 stood at EUR 406 million, up 5% compared to 1H 2020, boosted by the bank distribution channel (+11.3%) and DVV-Insurance (+4.0%). The premium collection at Corona Direct Insurance, Belfius' direct insurer, amounts to more than EUR 34 million, up 1% compared to 1H 2020.

The mortgage loan cross-sell ratio for credit balance insurance stood at 130% at the end of 1H 2021. The slightly lower cross-sell is mainly due to a switch of production towards more Singles and Private clients. The mortgage loan cross-sell ratio for property insurance also slightly decreased to 84%.

**Total insurance reserves**, in the Retail and Commercial segment, amounted to EUR 13.1 billion. Life insurance reserves decreased slightly (-1.5%) since end 2020 to EUR 12.0 billion at the end of June 2021. Unit-linked reserves (Branch 23) increased by 11.2%, while traditional guaranteed life reserves (Life Branch 21/26) decreased by -7.2%, demonstrating the life product mix transformation from guaranteed products to unit-linked products. Non-life reserves increased (+4.3%) to EUR 1.1 billion.

(1) of which EUR 447 million gross written premiums and EUR 443 million transfers/renewals.
(2) of which EUR 331 million gross written premiums and EUR 477 million transfers/renewals.

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its **digitally supported business model**. On 30 June 2021, Belfius apps for smartphones and tablets had 1.67 million users (+5.4% compared to end of 2020) and were consulted by RC customers on average 34 times per month. The very high satisfaction figures show that continuous innovation, combined with our focus on user-friendliness and usefulness for the customer, pays off.

Belfius continues to extend the functionalities of its direct channels. In 1H 2021, 67% of the new pension saving contracts, 39% of the new credit cards and 40% of the new savings accounts were subscribed via direct channels.

## 2. Financial results RC in 1H 2021

**RC net income after tax** increased strongly from EUR 142 million in 1H 2020 to EUR 282 million in 1H 2021.

In 1H 2021, **total income** amounted to EUR 921 million, up 8.8% compared to 1H 2020, demonstrating the resilience of Belfius RC's business model in the context of the Covid-19 crisis and adverse interest rate environment.

- net interest income at the Bank amounted to EUR 426 million, an increase of 5.9%, driven by the strong loans volume growth at increasing margins partially compensated by the margin pressure on non-maturing deposits;
- net fee and commission of the Bank strongly increased by 19.1% and amounted to EUR 331 million in 1H 2021. This increase is mainly driven by higher fees from savings & investments thanks to strong volume growth with increasing entry and management fees and by higher fees from payment products;
- life insurance contribution amounted to EUR 124 million, up 18.1% compared to 1H 2020. Life income is benefiting from solid ALM management leading to strong financial margins, and some release of technical provisions, compared to negative fair value impacts in less benign financial markets in 1H 2020;
- non-life insurance contribution decreased by 6.0% and amounted to EUR 113 million following a decrease in results stemming from prior years' claims reassessments;
- other income amounted to EUR -72 million compared to EUR -59 million in 1H 2020, a decrease of EUR -14 million, mainly stemming from higher cost of bank levies for EUR -9 million, lower income from financial market activities partially offset by higher received dividends.

In 1H 2021 **total expenses** amounted to EUR 535 million, an increase of EUR 14 million or +2.7% compared to 1H 2020. This increase mainly stems from increasing staff expenses, network costs and general expenses.

As a result, **gross income** increased to EUR 386 million in 1H 2021, up EUR 61 million or +18.6% compared to 1H 2020.

The **cost of risk** amounted to EUR 14 million in 1H 2021 compared to EUR 132 million in 1H 2020. This decrease is mainly due to the partial reversal of the anticipative provisions that were set up last year in the context of the Covid-19 crisis.

The **impairments on (in)tangible assets** amounted to EUR 1 million.

**Pre-tax income** stood at EUR 372 million, up EUR 181 million or +94.6% compared to 1H 2020.

**Tax expenses** amounted to EUR 90 million in 1H 2021 compared to EUR 50 million in 1H 2020. This increase is mainly due to higher profit before taxes.

As a result, **RC net income group share** increased by 98% and amounts to EUR 282 million in 1H 2021.

**RC cost-income ratio** amounted to 58.1%, compared to 61.6% in 1H 2020. The Return on Normative Regulatory Equity (RoNRE) stood at 16.8%.

## Financial Results RC

| (In millions of EUR) | 1H 2020[1] | 1H 2021 | Evolution |
|---|---|---|---|
| INCOME | 847 | 921 | +8.8% |
| Net interest income bank | 402 | 426 | +5.9% |
| Net fee and commissions bank | 278 | 331 | +19.1% |
| Life insurance contribution | 105 | 124 | +18.1% |
| Non-life insurance contribution | 120 | 113 | -6.0% |
| Other | (59) | (72) | +23.4% |
| COSTS | (521) | (535) | +2.7% |
| GROSS INCOME | 325 | 386 | +18.6% |
| Cost of risk | (132) | (14) | -89.7% |
| Impairments on (in)tangible assets | (2) | (1) | -68.3% |
| NET INCOME BEFORE TAXES | 191 | 372 | +94.6% |
| Tax (expense) income | (50) | (90) | +80.0% |
| NET INCOME AFTER TAXES | 141 | 282 | +99.7% |
| Non controlling interests | (1) | 0 | -78.0% |
| NET INCOME GROUP SHARE | 142 | 282 | +98.0% |
| ADJUSTED NET INCOME[2] | 142 | 282 | +98.0% |

(1) Early 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM-document on the website: *www.belfius.com*.

## Ratios

| (In %) | 1H 2020[1] | 1H 2021 |
|---|---|---|
| Cost-income ratio[2] | 61.6% | 58.1% |
| RoNRE[3] | 13.5% | 16.8% |

(1) Early 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Costs relative to income.
(3) Return on Normative regulatory equity (RoNRE) is calculated by Belfius as the sum of the last 4 quarters Net Income as a percentage of last 4 quarters rolling average RWA* 13.5%.

## Normative regulatory equity & risk exposures

| (In millions of EUR) | 31/12/20[1] | 30/06/21 |
|---|---|---|
| Normative regulatory equity[2] | 3,035 | 3,076 |
| Regulatory risk exposures | 22,482 | 22,788 |

(1) Early 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Since 30 June 2021, the method for the calculation of the Normative Regulatory Equity has slightly changed : NRE = 13.5% of the regulatory risk exposures.

# Public and Corporate (PC)

## 1. Commercial performance PC in 1H 2021

On 30 June 2021, total savings and investments of PC customers stood at EUR 41.3 billion, a decrease of 1.9% compared with the end of 2020. On-balance sheet deposits decreased by EUR 0.2 billion (-0.5%), to EUR 26.7 billion. The off-balance sheet investments also dropped slightly to EUR 14.2 billion, mostly due to lower volumes in Treasury bills of Corporate and Public & Social sector clients.

### Public and Corporate (Unaudited)

| (In billions of EUR) | 31/12/20[1] | 30/06/21 | Evolution |
|---|---|---|---|
| TOTAL SAVINGS AND INVESTMENTS | 42.1 | 41.3 | -1.9% |
| Deposits | 26.9 | 26.7 | -0.5% |
| Off-balance sheet investments | 14.8 | 14.2 | -4.1% |
| Life insurance reserves[2] | 0.4 | 0.4 | -12.7% |

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

**Total loans** to PC increased by EUR 0.5 billion (+1.2%) to EUR 42.3 billion. Outstanding loans in Public and Social banking decreased by 2.2%. The Corporate outstanding loans recorded a growth of 6.0% compared to year-end 2020. The total off-balance sheet commitments increased by EUR 0.9 billion to reach EUR 23.2 billion.

### Public and Corporate (Unaudited)

| (In billions of EUR) | 31/12/20[1] | 30/06/21 | Evolution |
|---|---|---|---|
| OUTSTANDING LOANS | 41.8 | 42.3 | +1.2% |
| Public and Social | 24.2 | 23.7 | -2.2% |
| Corporate | 17.6 | 18.6 | +6.0% |
| OFF-BALANCE SHEET COMMITMENTS | 22.2 | 23.2 | +4.5% |

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

Belfius granted EUR 3.8 billion of **new long-term loans** to corporate customers and the public sector in 1H 2021. Long-term loan production for corporate customers reached the same high level as H1 2020: EUR 2.7 billion. This very good result was not only the continuation of our growth ambition in this corporate segment but also the testimony that Belfius intends to be "Meaningful" for the Belgian Society by (also) supporting the corporate sector in the Covid-19 crisis context.

Moreover, Belfius granted EUR 1.1 billion in new long-term funding to the public sector. The Bank is and remains undisputable market leader and responds to every loan request tender from public sector entities. Belfius services the management of the treasury of practically all local authorities.

Belfius also established its position as leader in **Debt Capital Markets** (DCM) for (semi-) Public and Corporate customers by offering diversified financing solutions. During 1H 2021, the Bank has placed a total funding amount of EUR 4.6 billion short term and EUR 1.5 billion long term notes (allocated amount). This further increase in comparison to 2020 confirms the position of Belfius as leader in bond issues for Belgian corporate and public sector clients.

With regard to **insurance** activities, total gross written premiums in the Public and Corporate segment amounted to EUR 183 million in 1H 2021.

- gross written premiums in the life segment amounted to EUR 128 million in 1H 2021, a decrease of 5.0% compared to 1H 2020. This is merely a timing impact due to single premiums paid in another month or as monthly premiums;
- gross written premiums in the non-life segment amounted to EUR 55 million in 1H 2021, a decrease of EUR 3 million or -5.2% compared to 1H 2020. As a reminder, this decrease reflects the decision of Belfius Insurance (since 2Q 2018) to focus its non-life insurance business on the segment of social sector through direct distribution and to put in run-off the non-life activities towards other institutional and corporate customers through the brokerage and bank channel. This decision enabled to reallocate freed-up resources to its strong development in non-life insurance business with SME customers through its own (bank and DVV) distribution channels.

**Public and Corporate** (Unaudited)

| (In millions of EUR) | 1H 2020 | 1H 2021 | Evolution |
|---|---|---|---|
| TOTAL PREMIUMS RECEIVED | 193 | 183 | -5.1% |
| Life | 135 | 128 | -5.0% |
| Non-life | 58 | 55 | -5.2% |

# Financial results PC in 1H 2021

**Total income** was EUR 44 million higher in 1H 2021 compared to 1H 2020 and stood at EUR 343 million.

- net interest income of the Bank amounted to EUR 256 million, or -1.4% less than in 1H 2020. Note that the first semester of 2020 benefitted from the "one-shot" file that materially increased interest income (with EUR 25 million). High loan volumes, disciplined control of the margins and pricing in a negative rate environment, allowed to safeguard the net interest income;
- net fee and commission income of the Bank increased by EUR 5 million compared to 1H 2020 to EUR 33 million in 1H 2021;
- income from life insurance contribution amounted to EUR 30 million, up EUR 12 million compared to 1H 2020. This positive evolution results mainly from the negative evolution on the fair value through P&L from the Covid-19 crisis back in 1H 2020. Income from non-life insurance stood at EUR 10 million in line with last year, and continue to benefit from a relatively low current year claims charge in the Covid-19 context;
- other income amounted to EUR 15 million in 1H 2021. This is EUR 30 million more than 1H 2020 and equivalent to 1H 2019. This positive result is mainly explained by better results from financial markets activities than last year which was strongly hit by the sanitary crisis.

The **total expenses** increased by EUR 3 million compared to 1H 2020, to reach EUR 128 million in 1H 2021.

As a result, the **gross income** increased with EUR 41 million compared to 1H 2020, to EUR 215 million in 1H 2021.

The **cost of risk** amounted to EUR +41 million in 1H 2021 due to the partial reversal of the anticipative provisions that were set up last year in the context of the Covid-19 crisis. This impacts mainly the Corporate segment.

As a result, **pre-tax income** stood at EUR 256 million.

Belfius' **PC net income group share** amounted to EUR 194 million in 1H 2021, compared to EUR -83 million in the same period of last year.

**PC cost-income ratio** was 37.4% in 1H 2021. The Return on Normative Regulatory Equity (RoNRE) stood at 10%.

## Financial Results PC

| (In millions of EUR) | 1H 2020(1) | 1H 2021 | Evolution |
|---|---|---|---|
| **INCOME** | **299** | **343** | **+14.7%** |
| Net interest income bank | 259 | 256 | -1.4% |
| Net fee and commissions bank | 27 | 33 | +19.5% |
| Life insurance contribution | 18 | 30 | +64.9% |
| Non-life insurance contribution | 9 | 10 | +0.4% |
| Other | (15) | 15 | N.m.(3) |
| **COSTS** | **(125)** | **(128)** | **+2.8%** |
| GROSS INCOME | 174 | 215 | +23.2% |
| Cost of risk | (285) | 41 | N.m.(3) |
| Impairments on (in)tangible assets | 0 | 0 | |
| NET INCOME BEFORE TAXES | (110) | 256 | N.m.(3) |
| Tax (expense) income | 28 | (62) | |
| NET INCOME AFTER TAXES | (83) | 194 | N.m.(3) |
| Non controlling interests | 0 | 0 | |
| NET INCOME GROUP SHARE | (83) | 194 | N.m.(3) |
| ADJUSTED NET INCOME(2) | (83) | 194 | -335.1% |

(1) Early 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM-document on the website: *www.belfius.com*.
(3) Not meaningful

## Ratios

| (In %) | 1H 2020(1) | 1H 2021 |
|---|---|---|
| Cost-income ratio(2) | 41.7% | 37.4% |
| RoNRE(3) | -0.5% | 10.0% |

(1) Early 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Costs relative to income.
(3) Return on Normative regulatory equity (RoNRE) is calculated by Belfius as the sum of the last 4 quarters Net Income as a percentage of last 4 quarters rolling average RWA* 13.5%.

## Normative regulatory equity & risk exposures

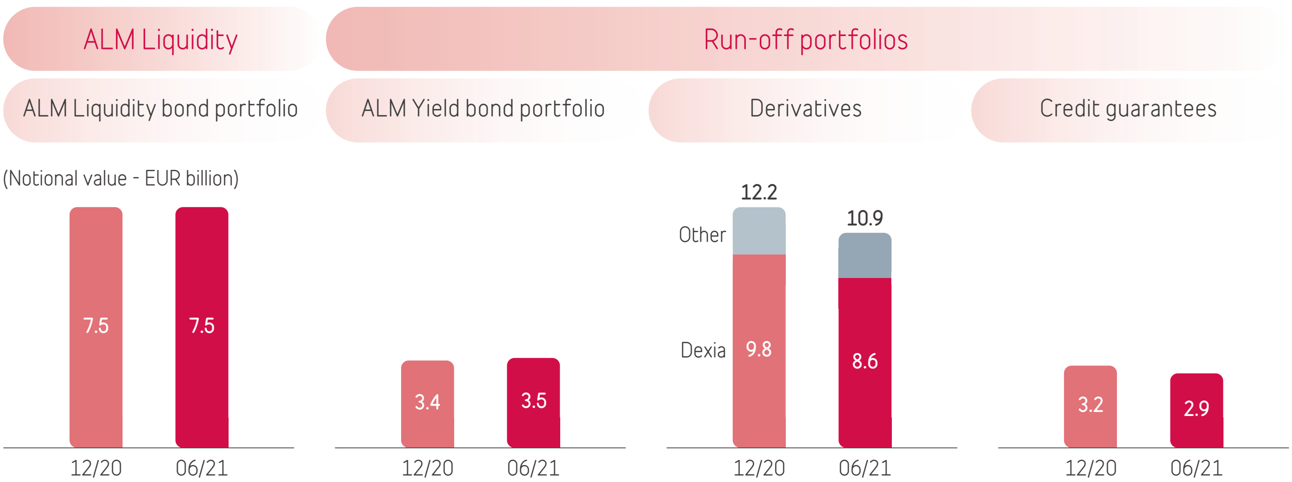
| (In millions of EUR) | 31/12/20(1) | 30/06/21 |
|---|---|---|
| Normative regulatory equity(2) | 3,202 | 3,493 |
| Regulatory risk exposures | 23,719 | 25,874 |

(1) Early 2021, the Local Corporate clients have been transferred from RC to PC Corporate business line. A proforma has been applied on 1H 2020 figures. Local Corporate clients are companies with an annual turnover between EUR 10 and 25 million. The results and volumes generated by these customers were previously reported under the RC segment. Since the beginning of 2021, the results and volumes generated by these clients are included in the Corporate segment of PCB, even if they are served by local corporate advisers & bankers.
(2) Since 30 June 2021, the method for the calculation of the Normative Regulatory Equity has slightly changed : NRE = 13.5% of the regulatory risk exposures.

# Group center (GC)

Group Center operates through two sub-segments:

- Run-off portfolios, inherited from the Dexia era, which mainly comprise:
  - a portfolio of bonds issued by international issuers, especially active in the public and regulated utilities sector (which includes UK inflation-linked bonds), covered bonds and ABS/RMBS, the so-called ALM Yield bond portfolio;
  - a portfolio of credit guarantees, comprising credit default swaps and financial guarantees written on underlying bonds issued by international issuers, and partially hedged by Belfius with monoline insurers (mostly Assured Guaranty); and
  - a portfolio of derivatives with Dexia entities as counterparty and with other foreign counterparties.
- ALM liquidity and rate management and other Group Center activities, composed of liquidity and rate management of Belfius (including its ALM Liquidity bond portfolio, derivatives used for ALM management and the management of central assets) and other activities not allocated to commercial activities, such as corporate and financial market support services (e.g., Treasury), the management of two former specific loan files inherited from the Dexia era (loans to Gemeentelijke Holding/Holding Communal and Arco entities), and the Group Center of Belfius Insurance.




## 1. ALM Liquidity bond portfolio

The ALM Liquidity bond portfolio is part of Belfius Bank's total LCR liquidity buffer and is well diversified with high credit and liquidity quality.

At the end of June 2021, the ALM Liquidity bond portfolio stood at EUR 7.5 billion[1], unchanged to year-end 2020. At the end of June 2021, the portfolio was composed of sovereign and public sector bonds (66%), covered bonds (28%), corporate bonds (5%) and asset-backed securities (1%). The Belgian and the Italian government bonds in the ALM Liquidity bond portfolio amounted EUR 1.5 billion[1] and EUR 0.9 billion[1] respectively.

At the end of June 2021, the ALM Liquidity bond portfolio had an average life of 7.2 years, and an average rating of A- (100% of the portfolio being investment grade (IG)), the same as at year end 2020.

(1) Nominal amount.

# 2. ALM Yield bond portfolio

The ALM Yield bond portfolio of Belfius Bank was used to manage excess liquidity (after optimal commercial use in the business lines) and consisted mainly of high quality bonds of international issuers.

At the end of June 2021, the ALM Yield bond portfolio stood at EUR 3.5 billion[(1)], up EUR 0.1 billion compared with year-end 2020. At the end of June 2021, the portfolio was composed of corporates (73%), sovereign and public sector (12%), asset-backed securities (10%), and financial institutions (6%). Almost 85% of the corporate bonds, mainly composed of long-term inflation linked bonds, are issued by highly regulated UK hospitals, infrastructure companies and utilities such as water and electricity distribution companies. These bonds are of satisfactory credit quality, and the majority of these bonds are covered with a credit protection by a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of June 2021, the ALM Yield bond portfolio had an average life of 18.9 years and the average rating remained at A. 97% of the portfolio was investment grade (IG).

# 3. Derivatives with Dexia-entities and foreign counterparties

During the period during when it was part of the Dexia Group, former Dexia Bank Belgium (now Belfius Bank) was Dexia Group's "competence center" for derivatives (mainly interest rate swaps): this meant that all Dexia entities were able to cover their market risks through derivatives with Dexia Bank Belgium, mainly under standard contractual terms related to cash collateral. Former Dexia Bank Belgium systematically re-hedged these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius' accounts: once in relation to Dexia entities and once for hedging.

The total outstanding notional amount of derivatives with Dexia entities and interest rate derivatives with international counterparties amounted to EUR 10.9 billion at the end of June 2021, down EUR 1.3 billion compared to year-end 2020.

The derivatives with Dexia entities decreased by EUR 1.2 billion to EUR 8.6 billion at the end of June 2021. This decrease is mainly due to amortizations and novations. The derivatives with international counterparties decreased by EUR 0.1 billion to EUR 2.3 billion at the end of June 2021.

The fair value of the Dexia and international counterparties' derivatives amounted to EUR 2.3 billion at the end of June 2021. After collateralisation the Exposure At Default (EAD) amounted to EUR 1.2 billion.

At the end of June 2021, the average rating of the total portfolio stood at BBB and the average residual life of the portfolio stood at 12.2 years[(2)].

# 4. Credit guarantees

At the end of June 2021, the credit guarantees portfolio amounted to EUR 2.9 billion[(1)] , down EUR 0.3 billion compared to December 2020. It related essentially to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (88%) and ABS (12%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius mainly from various monoline insurers (US re-insurance companies, essentially Assured Guaranty) result in a portfolio that is 97% investment grade (IG) in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.4 billion[(1)].

At the end of June 2021, the average rating of the portfolio stood at BBB+ (compared to A- at year end 2020) and the average residual life of the portfolio stood at 9.4 years.

(1) Nominal amount.
(2) Calculated on EAD.

# 5. Other Group Center activities

The other activities allocated to Group Center include:

- the interest rate and liquidity transformation activity performed within ALM, after internal transfer pricing with commercial business lines, including the use of derivatives for global ALM management;
- the management of two legacy loan files inherited from the Dexia era, i.e. the investment loans to two groups in liquidation, namely Gemeentelijke Holding/Holding Communal and some Arco entities;
- the flow management, among others. hedge management, of internal and external interest rate derivative flows given that Group Center is Belfius' Competence Center for interest rate derivatives;
- treasury activities (money market activities); and
- the results including revenues and costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is also fully allocated to these other Group Center activities. The Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance's subordinated debt, the results of certain of its subsidiaries and costs that are not allocated to a specific business line.

# 6. Financial results GC in 1H 2021

**GC net income** stood at EUR -70 million in 1H 2021, compared to EUR -38 million in 1H 2020.

In 1H 2021, **total income** amounted to EUR -32 million, which is EUR 18 million lower than in 1H 2020. Total income decreased mainly following higher bank levies which are still 50% allocated to GC at the end of the first half year.

**Total expenses** decreased from EUR 65 million in 1H 2020 to EUR 56 million in 1H 2021.

The **gross income** lowered from EUR -79 million in 1H 2020 to EUR -88 million in 1H 2021.

### Financial Results GC

| (In millions of EUR) | 1H 2020 | 1H 2021 | Evolution |
|---|---|---|---|
| INCOME | (14) | (32) | +130.4% |
| Net interest income bank | 117 | 115 | -2.0% |
| Net fee and commissions bank | (4) | (4) | +1.3% |
| Life insurance contribution | (8) | (10) | +22.8% |
| Non-life insurance contribution | 0 | 0 | -100.0% |
| Other | (120) | (134) | +11.8% |
| COSTS | (65) | (56) | -13.7% |
| GROSS INCOME | (79) | (88) | +12.0% |
| Cost of risk | 24 | 3 | -88.8% |
| Impairments on (in)tangible assets | 0 | 0 | |
| NET INCOME BEFORE TAXES | (55) | (86) | +55.9% |
| Tax (expense) income | 17 | 16 | -7.7% |
| NET INCOME AFTER TAXES | (38) | (70) | +84.6% |
| Non controlling interests | 1 | 1 | -10.1% |
| NET INCOME GROUP SHARE | (38) | (70) | +83.1% |
| ADJUSTED NET INCOME[1] | 30 | 26 | -11.1% |

(1) Adjusted results are Alternative Performance Measures and are defined and reconciled in the APM-document on the website: *www.belfius.com*.

The **cost of risk** stood at EUR +3 million in 1H 2021, compared to EUR +24 million in 1H 2020. The positive amounts are related to the reversal of some credit risk provisions.

There is no **impairment on (in)tangible assets** in both 1H 2021 and in 1H 2020.

**Pre-tax income** stood at EUR -86 million in 1H 2021 compared to EUR -55 million in 1H 2020.

**Taxes** amounted to EUR +16 million in 1H 2021 compared to EUR +17 million in 1H 2020, in spite of the lower pre-tax income. This is mainly due to the tax impact of the result of our Irish subsidiary, which was positive in 1H 2020 and negative in 1H 2021, with no tax on the fiscal gain in 1H 2020 and no recognition of DTA on the fiscal loss in 1H 2021 of this subsidiary.

As a result, **Belfius' GC** net income group share amounted to EUR -70 million in 1H 2021, compared to EUR -38 million in 1H 2020.

Excluding special items, the **adjusted net income GC** stood at EUR +26 million in 1H 2021, compared to +30 million in 1H 2020.

# Capital management

## Capital management at the Bank

### 1. Prudential supervision

#### 1.1. Minimum Requirement

Belfius Bank reports on its solvency position on a consolidated level and on a statutory level in line with CRR/CRD IV regulations, amended by CRR2/CRD5:

- the minimum capital requirements ("Pillar 1 requirements") as defined by Article 92 of Regulation (EU) No 575/2013 (CRR);
- the capital requirements that are imposed by the decision following the SREP pursuant to Article 16(2)(a) of Regulation (EU) No 1024/2013 and which go beyond the Pillar 1 requirements ("Pillar 2 requirements");
- -the combined buffer requirement as defined in Article 128(6) of Directive 2013/36/EU (CRD IV).

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) finalised by the ECB at the end of 2019, Belfius must comply for 2020 with a minimum CET 1 ratio of 10.57% (including the countercyclical capital buffer), composed of:

- Pillar 1 minimum of 4.5%;
- Pillar 2 Requirement (P2R) of 2%;
- capital conservation buffer (CCB) of 2.5%;
- buffer for (other) domestic systemically important institutions (O-SII buffer) of 1.5% (imposed by the National Bank of Belgium); and
- countercyclical capital buffer (CCyB) of 0.07%.

Belfius has to respect the full combined buffer requirements (capital conservation buffer, countercyclical capital buffer, buffer for systemically important institutions and systemic risk buffer) and the Pillar 2 buffer requirements. Note that the ECB also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 ratio for 2020, a recommended buffer to be held over the minimum requirements set out above.

Following various announcements over 2019 and 2020 by a number of regulatory bodies, the countercyclical capital buffer requirement for Belfius is now below 0.5bp, relating to Belfius' very limited exposures under the countercyclical buffer requirements of Luxembourg, Hong Kong, Slovakia, Norway, Bulgaria and the Czech Republic.

Due to ECB measures, notified to Belfius on 8 April 2020, banks are able to use capital instruments that do not qualify as Common Equity Tier 1 (such as Additional Tier 1 or Tier 2 instruments) to partially meet Pillar 2 Requirements (P2R – Article 104-a of CRD IV). As a result, the P2R total capital buffer of 2% can be split into:

→ 1.125% to meet CET 1 instruments;
→ 0.375% to meet Additional Tier 1 instruments; and
→ 0.5% to meet Tier 2 instruments.

As from 1H 2020, Belfius had therefore to comply with a minimum CET 1 ratio of 9.625%, which is composed of:

→ a Pillar 1 minimum of 4.5%;
→ a Pillar 2 Requirement (P2R) of 1.125%;
→ a capital conservation buffer (CCB) of 2.5%;
→ a O-SII buffer of 1.5%; and
→ a total countercyclical capital buffer of 0%.

The ECB has also confirmed the Pillar 2 Guidance (P2G) for Belfius of 1% CET 1 ratio for 2020, setting the minimum requirement at 10.625%.

For 1H 2021, Belfius had to comply with a minimum CET 1 ratio of 9.635%

Indeed, the countercyclical capital buffer requirement for Belfius is now at 1 bp, relating to Belfius' very limited exposures under the countercyclical buffer requirements of Luxembourg and Hong Kong.

### Minimum CET 1 Requirement

| (In %) | 2020 | 1H2021 |
|---|---|---|
| Pillar I minimum | 4.5% | 4.5% |
| Pillar II requirement | 1.125% | 1.125% |
| Capital conservation buffer | 2.5% | 2.5% |
| Buffer for (other) domestic systemically important institutions | 1.5% | 1.5% |
| Countercyclical buffer | 0.00% | 0.01% |
| **MINIMUM CET 1 - RATIO REQUIREMENT** | **9.625%** | **9.635%** |

At the end of 2020 the ECB informed Belfius that the ECB is not issuing a SREP decision for the 2020 SREP cycle and that the previous '2019 SREP Decision' from the end of 2019 and its amendments remains into force for 2021.

The ECB has also confirmed the Pillar 2 Guidance (P2G) for Belfius of 1% CET 1 ratio for 2021, setting the minimum requirement at 10.635%.

The consolidated CET 1 ratio of Belfius at the end of June 2021 stood at 16.16%, well above the 2021 applicable CET 1 capital requirement mentioned above.

Further to these regulatory requirements, Belfius stated in its Risk Appetite Framework that, in normal market circumstances and under stable regulations, it would strive to respect a minimum operational CET 1 ratio of 13.5%, on solo and consolidated levels – this was defined before the Covid-19 pandemic. Even during the Covid-19 pandemic, Belfius continued its support of the Belgian economy, in line with the request of the regulators. As a result, a temporary exemption was validated by the Board of Directors in 1H 2020, to reduce the minimum operational CET 1 ratio to a zone of 12.5% - 13.5%. The reduction in the CET 1 ratio should exclusively cover any credit risk deterioration and loss provisioning, if needed, in order to keep on supporting the Belgian economy. The former minimum operational CET 1 ratio level of 13.5% will be restored once the economic and financial context has normalised.

### 1.2 Applied methodology

In line with CRR/CRD IV regulations part TEN, Belfius was authorised to apply transitory measures in the calculation of its regulatory own funds with limited impact on the regulatory risk exposure. The Belgian application of these measures is described in the Royal Decree of 10 April 2014 (published on 15 May 2014) and was referenced as the "phased in" calculation. The measures impacting the CET 1 capital ended on 31 December 2017 and Belfius Bank has no Tier 2 Instruments subject to the transitional measures applicable until 31 December 2021.

Following the amendments of CRR article 473a in 2020, Belfius requested and was granted by the ECB the application of transitional measures for the first time adoption impact and all subsequent impacts of IFRS 9 on the expected credit loss model from 31 December 2020. As a result, the solvency metrics of 2021 are referenced as "transitional" for both the CET 1 capital and the risk exposure amounts.

The regulator authorised Belfius to apply article 49 of the CRR and to monitor and report solvency within the prudential scope, where Belfius Insurance is accounted for using the equity method (i.e. not fully consolidated), and to include the capital instruments of Belfius Insurance, subscribed by Belfius Bank, in the total regulatory risk exposure by applying a weighting of 370% (the so-called "Danish Compromise"). Following a modification to article 18 in the CRR regulations, Belfius notified the ECB that, as from 4Q 2020, the IFRS equity value of Belfius Insurance would be recognised in the prudential accounts. This modification resulted in a higher CET 1 capital, partially offset by higher risk exposure amounts.

In addition to the CRR/CRD IV regulations, Belfius is considered as a financial conglomerate with significant banking and insurance activities and is required to comply with the Financial Conglomerate Directive (FICO 2002/87/EC). For this purpose, specific reporting requirements with financial statements, regulatory capital, risk concentration and leverage ratio are sent to the regulator. These calculations and reports are made on the consolidated position of the Bank and insurance group. At the end of June 2021, Belfius complied with all requirements requested from a financial conglomerate point of view.

## 2. Regulatory own funds on consolidated level

As indicated above, for regulatory reporting purposes, Belfius Insurance group is not consolidated but accounted for using the equity method. As a result, the core shareholders' equity and consolidated net income reported in the consolidated financial statements is equal to those reported in the regulatory reporting used for the regulatory core own funds.

At the end of June 2021, the starting point for the regulatory core own funds amounted to EUR 10,151 million, the increase of EUR 335 million compared with the end of 2020 is stemming mainly from the Belfius' consolidated net result of EUR 406 million for the first half of 2021 and the realized result on equity instruments at Belfius Insurance amounting of EUR 13 million (after tax) recognised directly in Core shareholders' equity, compensated by the (first partial) dividend payment on the result of 2020 of EUR 77 million and the AT1 cost of EUR 7 million for the first half year of 2021 (considered as dividend under IFRS).

## Regulatory own funds

| (In millions of EUR) | 31/12/20 Transitional | 30/06/21 Transitional |
|---|---|---|
| STARTING POINT FOR THE REGULATORY CORE OWN FUNDS | 9,816 | 10,151 |
| DEDUCTION OF FORESEEABLE DIVIDEND | (210) | (162) |
| TRANSITIONAL MEASURES ON IFRS 9 PROVISIONS | 413 | 322 |
| GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME | 404 | 433 |
| Remeasurement defined benefit plans | 69 | 127 |
| OCI reserves - portfolios measured at FVTOCI | 335 | 306 |
| Other reserves | (69) | (80) |
| Prudential filter on the fair value reserves related to gains and losses on cash flow hedges on financial instruments | 69 | 80 |
| DEDUCTIONS AND PRUDENTIAL FILTERS | (273) | (425) |
| Investments in securitisation positions | 0 | 0 |
| Deferred tax assets on losses carried forward | 0 | 0 |
| Changes in the value of own credit standing | (2) | (2) |
| Value adjustments due to the requirements for regulatory prudent valuation | (74) | (101) |
| Intangible fixed assets | (74) | (58) |
| Goodwill | (104) | (104) |
| Shortfall of provisions over expected losses for IRB portfolios | (2) | (2) |
| Defined Benefit Pension Plan assets | 0 | (10) |
| Payment Commitments IPC | (17) | (17) |
| COMMON EQUITY TIER 1 CAPITAL (CET1 CAPITAL) | 10,150 | 10,318 |
| Additional Tier 1 capital instruments | 497 | 497 |
| TIER 1 CAPITAL | 10,647 | 10,815 |
| Tier 2 capital instruments | 1,066 | 1,022 |
| Excess of provisions over expected losses for IRB portfolios | 190 | 206 |
| General credit risk adjustments SA (standard approach) | 176 | 175 |
| TIER 2 CAPITAL | 1,433 | 1,404 |
| REGULATORY OWN FUNDS (AFTER APPROBATION OF RESULT) | 12,080 | 12,218 |

CET 1 capital amounted to EUR 10,318 million, compared to the CET 1 capital of EUR 10,150 million at the end of 2020. The increase in CET 1 capital of EUR 168 million results mainly from the increase in regulatory core own funds by EUR 335 million.

The deduction for foreseeable dividends decreased by EUR 48 million and includes a foreseeable dividend of EUR 159 million based on the pay-out ratio of 40% on the result of 2021 and the correction the Additional Tier 1 cost (accounting wise to be treated as dividend) which remained stable at EUR 3 million.

Furthermore, a decrease of EUR 91 million of the transitional measure IFRS 9 on impairments due to the degressive character of the transitional measures (from a 0.7 factor to a 0.5 factor) can be noted.

The increase of "gains and losses not recognised in the statement of income" of EUR 28 million is mainly related to the increase of EUR 57 million in the remeasurement of defined benefit pension plans mainly due to higher discount rate, partially offset by a decrease of the fair value of the bond portfolio of EUR 29 million related to negative fair value adjustments due to higher interest rates despite lower credit spreads.

In addition, the deductions and prudential filters increased by EUR 152 million to EUR 425 million following the additional CRR Article 3 deduction for the remaining dividend over 2020 of EUR 130 million, which was recorded in retained earnings and will be paid in 2H 2021, an increase of EUR 27 million in the additional valuation adjustment mainly due to the end of a Covid-19-related regulatory relaxation measures; partially offset by a lower deduction for software and intangible assets positive impact of EUR 16 million.

Tier 1 capital amounted to EUR 10,815 million, compared to EUR 10,647 million at the end of 2020 and it includes the Additional Tier 1 issue of EUR 500 million (nominal value) dated February 2018.

Tier 2 capital decreased to EUR 1,403 million compared to EUR 1,433 million at the end of 2020. The decrease of EUR 29 million is mainly related to the decrease of EUR 44 million of the useful prudential value of subordinated Tier 2 instruments partially offset by the increase of EUR 15 million of the excess of provisions in comparison to expected losses for IRB portfolios.

At the end of June 2021, the total regulatory own funds amounted to EUR 12,218 million, compared to EUR 12,080 million at the end of 2020.

## 3. Regulatory risk exposure on consolidated level

| (In millions of EUR) | 31/12/20 | 30/06/21 | Evolution |
|---|---|---|---|
| Regulatory credit risk exposure | 44,559 | 48,722 | 4,163 |
| Regulatory CVA exposure | 740 | 755 | 15 |
| Regulatory market risk exposure | 1,373 | 1,288 | -85 |
| Regulatory operational risk exposure | 3,245 | 3,246 | 0 |
| Danish Compromise | 9,391 | 9,641 | 250 |
| Additional risk exposure (Art 3 CRR) | 0 | 195 | 195 |
| REGULATORY RISK EXPOSURE | 59,309 | 63,848 | 4,539 |

Total risk exposure (RWA) includes risk-weighted exposures for credit risk, CVA risk, market risk and operational risk. Each of the underlying risks is detailed in the section on Risk Management in this report. Included in the risk exposure amount is an amount stemming from the application of the Danish Compromise, whereby the capital instruments issued by Belfius Insurance and held by Belfius Bank are included in the RWA via a weighting of 370%.

At the end of June 2021, regulatory risk exposure of Belfius amounted to EUR 63,848 million, an increase with EUR 4,539 million compared to EUR 59,309 million at the end of 2020.

The credit RWA increased by EUR 4,163 million to EUR 48,722 million due to higher volumes, essentially in the corporate segment (EUR +1.9 billion) as well as the impact of TRIM decisions affecting the large corporates and banks models (EUR +1.3 billion) and of the implementation of CRR 2 (EUR +0.9 billion).

The RWA for the Danish Compromise increased by EUR 250 million to EUR 9,641 million mainly due to an increase of the equity value of Belfius Insurance.

The CVA RWA remained stable and was only slightly impacted by the implementation of CRR 2.

The market risk RWA decreased with EUR 85 million thanks to the exit of last year's most volatile Covid scenarios from the internal model historical window which has been fully offset by the important add-on on the stress VaR which will slowly be phased out in the coming months.

The regulatory operational risk exposure – based on the standardized approach – remained stable at EUR 3,246 million.

## 4. Solvency ratios for Belfius Bank on consolidated level

At the end of June 2021, CET 1 ratio amounted to 16.16%, a decrease of 95 bps compared to end 2020.

The decrease in CET 1 ratio to 16.16% is mainly the result of the higher total regulatory risk exposure (-124 bps), partially offset by the positive effects from higher CET 1 capital (+28 bps).

At the end of June 2021, Tier 1 capital ratio amounted to 16.94%, a decrease of 101 bps compared to end 2020.

The total capital ratio amounted to 19.14%, a decrease of 123 bps compared to end 2020.

Note that if the IFRS 9 transitional measures were not applied, the fully loaded CET 1 ratio would decrease by 54 bps, the Tier 1 capital ratio would decrease by 55 bps and the Total Capital ratio would decrease by 55 bps.

Applying the deduction method for capital instruments of Belfius Insurance (equity participation deducted from CET 1 capital and subordinated debt instruments deducted from Tier 2 capital) instead of the current application of "Danish Compromise" had the following impacts: an increase of 15 bps on the CET 1 ratio and a decrease of 45 bps on the Total Capital ratio.

| (In %) | 31/12/20 Full | | 30/06/21 Transitional | |
|---|---|---|---|---|
| CRR/CRD IV | Danish Compromise | Deduction method | Danish Compromise | Deduction method |
| Common Equity Tier 1 ratio (CET 1-ratio) | 17.11% | 17.42% | 16.16% | 16.31% |
| Tier 1-capital ratio (T1-ratio) | 17.95% | 18.05% | 16.94% | 16.88% |
| Total Capital Ratio | 20.37% | 20.05% | 19.14% | 18.68% |

## 5. Solvency ratios for Belfius Bank on statutory level

At the end of June 2021, CET 1 ratio on Belfius Bank statutory level amounts to 15.2% compared to 16.7% end 2020, a decrease due to the increased credit risk exposures.

At the end of June 2021, the available distributable items on statutory level amounted to EUR 4,425 million.

## 6. Leverage ratios for Belfius Bank on consolidated level

In December 2010, the Basel Committee on Banking Supervision (BCBS) published guidelines for calculating the leverage ratio as a non-risk based ratio which primarily intends to restrict the size of the Bank's balance sheets and consequently the use of excessive leverage.

The leverage requirement is as from June 2021 a binding requirement with CRR 2, published in the EU Official Journal on 7 June 2019. The CRR 2 integrates the leverage ratio in the Pillar I requirement and sets the level of minimum requirement at 3% as well as a surcharge set by the EBA for G-SIB or potentially O-SIB banks.

The leverage ratio is defined as the Tier 1 capital (the numerator) divided by the exposure measure (the denominator), computed as balance sheet assets after certain restatements on derivatives, securities financing transactions, off-balance-sheet items and prudential adjustments (for items already deducted from the numerator).

In order to be consistent with the calculation of the regulatory Tier 1 capital (numerator), the calculation of the leverage exposure (denominator) is based on the prudential consolidation perimeter, where Belfius Insurance is accounted for using the equity method.

Furthermore, the application of transitional measures for IFRS 9 provisions from December 2020 and the COVID-19-related regulatory measure to temporarily exclude certain exposures to central banks from June 2020 have an impact on the denominator.

The risk of excessive leverage is managed through the Financial Plan process. The leverage ratio as defined in the CRR is further an integrated part of the Risk appetite framework for which internal limits and targets are set which is validated by the Board of Directors. The risk of excessive leverage is included in the Belfius reporting and control processes and is monitored regularly. Any important deviation and/or prudential changes in the leverage ratio is reported to the appropriate committees for management actions.

At the end of June 2021, the Belfius transitional leverage ratio stood at 6.89%, an increase of 4 bps compared with the end of 2020 and well above the minimum pillar 1 requirement of 3%.

The increase is the result of positive effects (11 bps) from the higher level of Tier 1 capital (see above) and negative effects (-7 bps) from the higher total leverage exposure measure, mainly from higher volumes of loans to customers and an increase in the leverage exposure value for derivatives, partially offset by a Covid-19 relief measure allowing banks to partially exclude certain Central Bank exposures from the total leverage exposure measure

| (In millions of EUR) | 31/12/20 Full | 30/06/2021 Transitional |
|---|---|---|
| **TIER 1 CAPITAL** | **10,647** | **10,815** |
| Total assets | 187,991 | 193,962 |
| Deconsolidation of Belfius Insurance (equity method) | (16,810) | (16,620) |
| Adjustment for derivatives | (16,678) | (12,403) |
| Adjustment for securities financing transactions exposures | 9,628 | 8,951 |
| Adjustment for Central Banks reserves | (25,434) | (33,722) |
| Adjustment for prudential corrections in calculation of Tier 1 capital | 233 | 147 |
| Off-balance sheet exposures | 16,500 | 16,637 |
| **LEVERAGE RATIO EXPOSURE** | **155,431** | **156,953** |
| **LEVERAGE RATIO (IN%)** | **6.85%** | **6.89%** |

Without the temporary partial exclusion of Central Bank exposures, the transitional leverage ratio would decrease with 122 bps.

Please note that the leverage ratio excluding the transitional measures for IFRS 9 provisions but including the temporary partial exclusion of certain Central Bank exposures would decrease with 19 bps.

## 7. Minimum requirement for own funds and eligible liabilities (MREL)

On 28 January 2021, the NBB notified Belfius that going forward it is to execute the SRB MREL instruction regarding the minimum requirement own funds and eligible liabilities at the consolidated level of Belfius Bank under BRRD2. For Belfius Bank, the MREL requirement on a consolidated basis is set at 22.87% of Total Risk Exposure Amount (TREA) and 6.84% of Leverage Ratio Exposure (LRE).

Belfius Bank must meet the target no later than 1 January 2024 and must provide for a linear build-up of equity and eligible liabilities towards the requirement. The SRB also determined an intermediate target of 22.37% of TREA and 6.84% of LRE which must be met by 1 January 2022.

The SRB MREL instruction also provides for a subordination requirement: Belfius Bank must meet at least 15.25% of TREA and 6.84% of LRE by means of subordinated MREL. Own funds used to meet the combined buffer requirement (CBR) set out in Directive 2013/36/EU (at 4,01% of TREA for Belfius currently) are not eligible to meet the requirements expressed in TREA. Belfius Bank must comply with this subordination requirement by 1 January 2024, subject to an intermediate target of 15.25% of TREA and 6.84% of LRE by 1 January 2022.

With the annual review of MREL requirements by SRB, Belfius currently estimates that its MREL subordination requirement could be lowered from 2023 onwards, to 13.5% of TREA (or 17.51% of TREA including current CBR requirement), based on forward looking assessment of the formula applied by SRB.

Belfius already meets its expected BRRD2 MREL requirements end 1H 2021. Indeed, expressed in TREA, Belfius MREL of EUR 18.8 billion amounts 29.5% to be compared with 26.88% of the 2024 final binding target (including a CBR of 4.01%).

In the same way, Belfius MREL subordination of EUR 15.0 billion amounts 23.5% to be compared with EUR 19.26% of the binding target (including a CBR of 4.01%). Expressed in LRE, Belfius MREL subordination of 9.6% stands in excess of 6.84% MREL requirement.

# Capital management at Belfius Insurance

## 1. Prudential supervision

Belfius Insurance reports to its regulator, the NBB. Amongst others a quarterly report concerning its solvency margin and liquidity is required, both at a consolidated and at a statutory level.

As part of prudential supervision on systemic insurers, highly detailed information is also provided to the NBB about the company's strategy, its ALM policy and the sufficiency of its technical provisions.

## 2. Regulatory own funds

The own funds of Belfius Insurance are determined according to the valuation and eligibility principles defined in the Solvency II regulation, Directive 2009/38/EU, implemented in order to better protect insurance clients and to restore the confidence in the financial sector.

Within Belfius Insurance, the capital management process is a key management process and aims at reaching an optimal balance between regulatory requirements, market expectations and management ambitions.

The regulatory own funds of Belfius Insurance amounted to EUR 2,313 million at the end of June 2021. It was composed for 74% of the highest quality capital (Tier 1). Tier 2 capital equalled EUR 376 million and consisted mainly of two subordinated loans. Tier 3 (Deferred tax assets) amounts to EUR 58 million.

### Belfius Insurance consolidated

| (In millions of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND | 2,390 | 2,486 |
| Tier 1 | 1,786 | 1,881 |
| IFRS Equity | 2,079 | 2,153 |
| Valuation difference (after tax) | (293) | (272) |
| Restricted Tier 1 | 171 | 171 |
| Tier 2 | 375 | 376 |
| Subordinated debt | 364 | 365 |
| Others | 11 | 11 |
| Tier 3 | 58 | 58 |
| DTA | 58 | 58 |
| AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND | 2,250 | 2,313 |
| AFR before foreseeable dividend | 2,390 | 2,486 |
| Foreseeable dividend | 140 | 173 |

Compared to December 2020 (EUR 2,250 million), the regulatory own funds of Belfius Insurance increased with EUR 63 million thanks to the good performance of the financial markets over the first semester but which was mitigated by the annual review of the non-economic liability assumptions.

## 3. Solvency requirement

The Solvency II Capital Requirement (SCR) is calculated based on the consolidated asset and liability portfolio of Belfius Insurance, Corona and the investment entities that are fully consolidated for Solvency II purposes.

The SCR for Belfius Insurance is determined using the "Standard Formula" as defined in the Solvency II regulation, taking into account a volatility adjustment and making use of the transitional measure for equities and it includes the application of the restriction on the use of Loss Absorbing Capacity of Deferred Taxes as prescribed by the NBB.

Belfius Insurance's required capital is equal to EUR 1,172 million at the end of June 2021, an increase of EUR +47 million compared to the end 2020 (EUR 1,125 million). The reasons for the increase in SCR are the same as for the evolution of the own funds i.e. impact of the good performance of the financial markets mitigated by the annual review of the non-economic liability assumptions.

Market Risk remains the main contributor to the required capital due to the spread and equity risk. The SCR linked to the interest rate risk is rather limited thanks to the ALM management of Belfius Insurance, targeting a limited global duration mismatch between the assets and liabilities.

| (In millions of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| SOLVENCY CAPITAL REQUIREMENT | 1,125 | 1,172 |
| Market risk | 798 | 851 |
| Credit Risk | 179 | 181 |
| Insurance Risk | 701 | 706 |
| Operational Risk | 96 | 92 |
| Diversification | (528) | (537) |
| Loss absorbing capacity of technical provisions and deferred taxes | (122) | (121) |

## 4. Solvency ratios for Belfius Insurance

The Solvency II-ratio after dividend at 30 June 2021 amounted to 197% in line with the Solvency II-ratio compared to year-end 2020 (200%) and remains strong and above the risk appetite trigger of 160%.

### Solvency II-ratio

| (in %) | 31/12/20 | 30/06/21 |
|---|---|---|
| Solvency II ratio (before dividend) | 212% | 212% |
| Solvency II ratio (after dividend) | 200% | 197% |

The impact on the Solvency ratio of several sensitivity analyses applied to financial parameters are shown in the table below.

| | Shock | Solvency II Ratio (in %) |
|---|---|---|
| Base case (after dividend) | | 197% |
| Stress scenarios | | |
| Interest rate | -50 bps | 202% |
| Equity | -30% | 195% |
| Credit Spread | | |
| Credit spread on corporate bonds | +50 bps | 191% |
| Credit spread on government bonds | +50 bps | 177% |
| Credit spread on corporate & government bonds | +50 bps | 172% |
| Real Estate | -15% | 191% |
| Volatily Adjustment (VA) | no | 194% |
| Ultimate forward rate (UFR) @ 3% | 3% | 194% |

# Capital adequacy

As required by Pillar 2 of the Basel regulation, Belfius disposes of an internal mechanism for the quarterly monitoring of main risk appetite and capital adequacy ratios. This quarterly reporting is completed with a monthly monitoring addressing some of the key risk appetite and capital adequacy ratios.

## 1. Economic capital

The economic capital is defined as the potential deviation of Belfius' economic value from its expected economic value, and this within a given interval of confidence and time horizon. The confidence threshold (99.94%) chosen for scenarios involving losses in value corresponds to the Bank's targeted senior unsecured debt rating at a horizon of one year (A- rating for 2021).

The economic capital quantification process is organised in three phases: identifying the risks (definition and cartography, reviewed on an annual basis, in collaboration with the various business lines), measuring the risks (mainly on the basis of statistical methods and/ or scenarios) and aggregating the risks based on an interrisk correlation matrix.

Most risks are capitalised based on measuring the unexpected loss. However, if alternative management techniques (limits, other buffers than capital, governance) are considered more appropriate to cover them, some risks are not capitalised.

The economic capital is central in the context of Belfius' risk appetite and is also complementary to the Stress Tests framework for Internal Capital Adequacy Assessment Process (ICAAP) purposes.

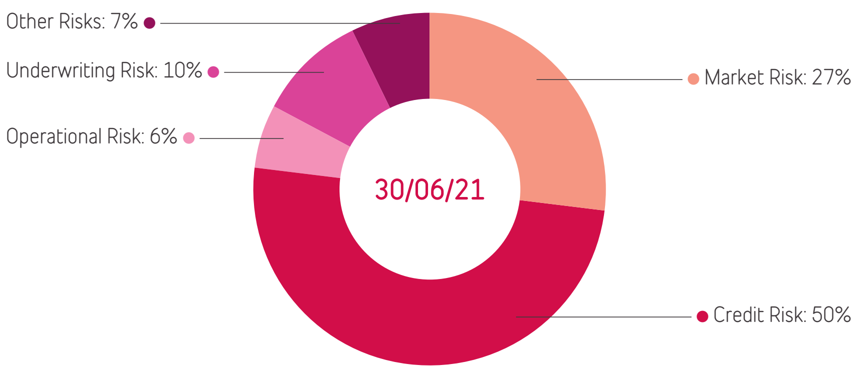
## 2. Economic capital adequacy

The Management Board, which also acts as the Risk Appetite Committee (RAC), is responsible for managing the capital level and allocation process and has authority in all matters relating to economic capital. The RAC analyses among others the various models involved in calculating the economic capital and also monitors the (regulatory and economic) ratios, limits and triggers.

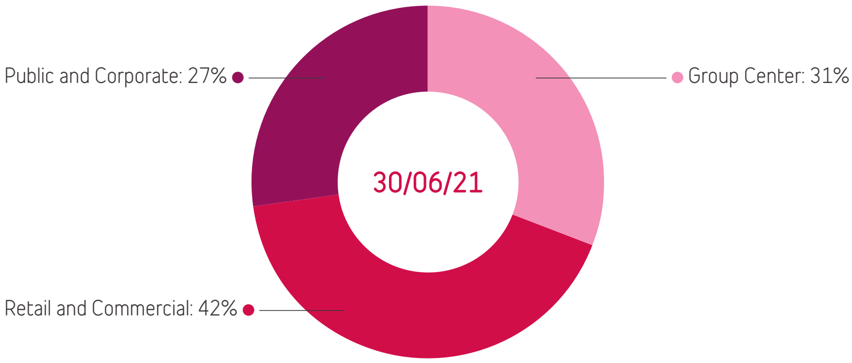
Belfius' economic capital was EUR 5,683 million at the end of June 2021 (against EUR 5,479 million at the end of 2020).

Credit risk represented approximately 50% of the economic capital and was the main contributor; market risk (inter alia including interest rate risk, foreign-exchange rate risk, spread risk and equity risk) was 27%, underwriting risk 10%, operational risk 6% and other risks (prepayment, funding,...) 7%.

### Breakdown of economic capital by type of risk



### Breakdown of economic capital by business line




By business line, the economic capital was allocated as follows: Retail and Commercial and Public and Corporate represented 42% and 27% respectively of Belfius' economic capital; the balance was made up of 31% allocated to the Group Center (mainly for the Belfius' general balance sheet management in terms of interest and funding risks, including the bonds investment portfolios and for the portfolios of derivatives and run off credit guarantees).

# Normative regulatory equity

The total normative regulatory equity is derived from the starting point of the regulatory core own funds adjusted for the deduction of foreseeable dividend, and further without any other prudential filter or deduction and amounts to EUR 9,988 million at the end of June 2021 compared to EUR 9,606 million end 2020.

The normative regulatory equity of each business line is calibrated. The business line's CET 1 ratio is brought at 13.5% taking into account the regulatory risk exposures and some CET 1 capital deductions allocated to the business line (the latter to a very limited extent, since the most important part of CET 1 capital deductions are allocated to GC). The delta with the total normative regulatory equity is allocated to Group Center.

| (In millions of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| REGULATORY CORE OWN FUNDS | 9,816 | 10,051 |
| Deduction of foreseeable dividend | (210) | (162) |
| TOTAL NORMATIVE REGULATORY EQUITY | 9,606 | 9,988 |
| of which allocated to | | |
| Retail and Commercial Banking | 2,833 | 3,076 |
| Public and Corporate Banking | 2,768 | 3,493 |
| Group Center | 4,005 | 3,419 |

# Risk management

This chapter is an integrated part of the condensed consolidated interim financial statements.

## Introduction

Belfius' activities are exposed to a number of risks such as - but not exclusively - credit risks, market risks, liquidity risk, non-financial risks and insurance risk. These risks can be affected by a.o. changes in regulations, the macro-economic environment and geopolitical risks in general, that may also have a negative impact on the Bank's balance sheet and profit and loss accounts.

To manage adequately these risks, Belfius has a robust risk framework (including a strict governance) and a clear risk culture in place.

Risk management governance and data are more in detail described in Belfius' bank report and Belfius risk report 2020 which is available at www.belfius.com.

### 1. Macroeconomic environment in the first half of 2021

The European economy entered 2021 on a weak footing amid a resurgence in infections and tighter containment measures. However, the economic damage of the second and third Covid-19 waves has been more limited than in the spring of 2020. In the eurozone, lockdowns hurt economic activity during the first quarter of 2021, causing GDP to contract by 1.3% on a quarterly basis. Since April 2021, vaccination campaigns have progressed well, enabling most containment measures to be gradually lifted. Global trade has recovered strongly, benefiting industrial activity although bottlenecks in production and transportation are causing delays and price pressures in some sectors.

In the first quarter of 2021, GDP in Belgium fell by 0.6%, following negative GDP growth of 6.3% in 2020. Thanks to the lifting of most lockdown measures and the increased pace of vaccination, the economy is expected to post positive GDP growth from the second quarter 2021 onwards. Belfius expects the Belgian economy to grow by 5.5% in 2021 on the back of revived consumer spending and stronger external demand.

The economic outlook remains however uncertain, with downside risks mainly related to lower vaccine effectiveness (e.g. against new virus mutations) which could delay the lifting of the containment and depress growth for longer.

### 1.1. Firms and investment

Business activity has been significantly less impacted by the latest lockdown than in 2020. The activity in the services sector was weak in the first quarter of 2021, especially in the hospitality, leisure and retail sectors while the manufacturing and construction industries reported strong demand.

The resilience of business investments has been remarkable. While investments fell by nearly 25% in the first half of 2020, they rebounded sharply in the subsequent three quarters. By the end of March 2021, business investments were already just 1% below their pre-crisis level.

### 1.2. Private Consumption

Private consumption is recovering as restrictions are being lifted and pent-up demand is released. Household disposable income has increased despite the recession because of automatic stabilisers and government support measures in response to the Covid-19 crisis. When support measures to the labour market get lifted later this year, unemployment in sectors that were hit hard during the crisis is expected to rise. However, the overall effect on employment may be limited for the economy as a whole.

### 1.3. Inflation

Headline inflation in Belgium has picked up to 2.6% in June 2021 due to higher energy prices and strong base effects. With the economy picking up and supply constraints putting pressure on input prices, transport costs and commodity prices, inflation for non-energy industrial goods are rising as well. A similar upward trend is expected for services inflation in the form of "reopening inflation": businesses will be looking to offset some of the losses incurred during the Covid-19 lockdown, by charging higher prices to consumers. Energy inflation should prove moderate in 2022 and even turn negative, causing overall inflation pressure to decline again in 2022.

### 1.4. International context

Global surveys showed strong momentum in global activity in the first half of 2021. Robust external demand, mainly in the U.S. and China, has supported the growth of exports in the eurozone. The large fiscal stimulus approved by the Biden administration is projected to strengthen the economic recovery in the United States, with positive global spill overs. As demand is recovering faster than supply, the global trade and output outlook could be temporarily threatened by supply-side constraints and shortages of intermediate inputs. Many firms are reporting longer delivery times, alongside upward pressure on commodity prices.

### 1.5. Fiscal policy

In 2020, the general government deficit reached 9.4% of GDP, its highest level since the mid-1980s. However, the deficit was not as large as expected at the end of last year given that fiscal stimulus turned out to be less costly than anticipated and containment measures have also contributed to slow down some government expenditures. In 2021, public health spending will be significantly higher due to the vaccination campaign and the normalization in non-Covid-19-related medical treatments that were postponed in 2020. Still, the budgetary situation is expected to improve in 2021, as the economy fully recovers from the Covid-19 shock, leading to higher tax revenues and the progressive unwinding of the temporary support measures.

Regional and federal governments are starting to roll out recovery initiatives centered around the Recovery and Resilience Plan, that was submitted in the context of Next Generation EU recovery facilities and that will start in 2021. As a complement to national fiscal measures, the Next Generation EU (NGEU) package is expected to play a key role by contributing to a faster, stronger and more uniform recovery.

### 1.6. Monetary policy

The Covid-19 pandemic was an unprecedented shock to the euro area economy. The ECB's Governing Council took a series of measures that collectively provided a substantial monetary policy stimulus aimed at safeguarding the effective transmission of monetary policy and preventing a serious deterioration of financial conditions. The new pandemic emergency purchase program (PEPP) was introduced and subsequently increased to EUR 1.85 trillion. It is extended until March 2022.

On 11 March 2021, the ECB announced that purchases under the PEPP will be conducted at a significantly higher pace over the second quarter than during the first months of 2021. The ECB's abundant purchases have provided ample liquidity to the Euro zone sovereign primary market. The combined impact of ECB buying programs and the investors' hunt for yield have allowed for sovereign spreads to head back to their pre-crisis levels.

## 2. Financial conditions

Financial conditions reflected the expectation of a gradual recovery of the economy after the Covid vaccination program around the world – including anticipations of temporarily higher inflation. This situation has been reinforced by recent statements from Central banks (Fed and ECB) of their intention to strengthen Quantitative easing by increasing their bond purchases.

- the EUR interest rate curve has strongly increased in the medium-long term part of the curve and slightly in the short term part of the curve;
- the EuroStoxx50 (like all the other stocks markets) continued its ascent to end in June 2021 at a higher level than pre-pandemic levels;
- the EUR continued to be very volatile against USD and against GBP;
- the Itraxx 5Y spread evolved with ups and downs to end slightly lower than at the start of the year.

## 3. EBA Stress test 2021

The 2021 stress test conducted by the European Banking Authority (EBA) on the 50 largest European banks has delivered its results. It once again confirms Belfius' strong financial solidity and resilience.

In an extremely severe adverse scenario, Belfius was able to limit the decline of its fully loaded CET 1 ratio to 2.70%. This is less than the impact of all previous stress tests in which Belfius has participated.

Starting from a strong CET 1 fully-loaded ratio of 16.36% as at 1 January 2021 (corresponding to a CET 1 ratio of 17.11% on a transitional IFRS 9 basis), Belfius has a high CET 1 fully-loaded ratio of 13.66% at the end of the stress period (corresponding to a CET 1 ratio of 14.02% on a transitional IFRS 9 basis).

This outcome also compares favorably to the average of the participating banks. It confirms the strong solvency position of Belfius, its solid resilience towards adversities and the pertinence of having a sound financial & risk management as a cornerstone of its consistent long-term diversification strategy.

## 4. Ratings

During the first half of 2021, the rating agencies took the following decisions:

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

### Ratings of Belfius Bank as at 5 August 2021

| | Stand-alone rating(1) | Long-term rating | Outlook | Short-term rating |
|---|---|---|---|---|
| Fitch | a- | A- | Stable | F1 |
| Moody's | baa1 | A1 | Stable | Prime-1 |
| Standard & Poor's | a- | A- | Stable | A-2 |

(1) Intrinsic creditworthness

# Fundamentals of credit risk 1H 2021

Since the start of the pandemic, major concerns grew with respect to the impact of the pandemic on the macro-economic situation, that could lead to a substantial increase of the credit risk level in the loan portfolios. However, in the first half of 2021 the rebound of the Belgian and European economy proved faster than initially expected. At the level of the Belfius loan portfolios, so far very few signs of deterioration of the credit quality have been detected, which is evidenced by a limited inflow of defaults, a normalization of the rating downgrade levels and a very high pick-up rate on the moratoria loans which have matured.

At the same time, it must be acknowledged that this relatively positive outlook has been made possible thanks to a series of well-targeted fiscal and social policy measures taken by the different governments and to support measures from the banking system, the most important of them (payment moratoria for mortgages, business and corporate loans and a state-guaranteed loan mechanism) having recently expired on 30 June 2021 after several extensions. The upcoming periods could therefore be less favourable from a bankruptcy perspective. In addition, the emergence of new Covid-19 variants, the difficulty for companies to attract new staff and the increasing supply chain bottlenecks combined with rising input costs in some sectors (wholesale, construction, manufacturing and agriculture sectors) further stress the fact that the crisis is not yet behind us.

In this context of remaining uncertainty, with favourable social and economic perspectives on the one hand and continued vigilance for second order economic effects of the pandemic on the other hand, Belfius has updated its economic forecasts and reviewed the Covid-19 specific provisioning approach that was developed in 2020 to absorb potential risks, related to Covid-19 sensitive sector or less resilient companies. Based on this analysis and the limited inflows of default so far, the Cost of Risk (CoR) reached EUR +31 million (reversal) in 1H 2021, compared to EUR -393 million in 1H 2020.

Simultaneously, Belfius further strengthened its credit risk management process: the best practices identified during the detailed screening on the loan portfolios in 2020 for Covid-19 sensitivities have been structurally embedded into the risk-based monitoring framework, based on a joint effort by the teams of risk management, customer data, the loan department and the front offices. In addition, Belfius has constantly reviewed its credit standards at origination for the mortgage portfolio, in line with the expectations of the National Bank of Belgium.

## 1. Measures in Covid-19 crisis to support the Belgian Society

When it became apparent in 2020 that the pandemic would last longer than expected, the payment holiday and state guarantee mechanisms to support individuals, the self-employed and businesses affected by the Covid-19 crisis were extended. An extensive description of the measures under each of these two pillars, is available in the 2020 Belfius Annual Report.

Towards the end of 2020, the payment holiday schemes (moratoria) designed by the Belgian financial sector were extended, first to the end of 2020 and then until end of March 2021, provided that the total deferral period did not exceed nine months. At the beginning of February 2021, in light of the ongoing second wave and to avoid terminating such an important support measure too abruptly, it was decided to extend the moratoria once again between March and June 2021, including for companies that had already reached the above-mentioned limit of nine months, on condition that these companies met specific viability criteria.

These moratoria for companies and households were extensively used: by the end of September 2020, they had been applied to 13% of outstanding business loans and 6% of outstanding mortgage loans of all Belgian banks. By the end of April 2021, however, use of these moratoria had dropped to 2.1% for companies and 0.4% for mortgages[(1)]. At the end of June, the outstanding moratoria within Belfius amounted to 1.6% of the Corporate and Business portfolio. The hotel/accommodation and arts sector remained the sectors with the highest outstanding moratoria at the end of June, with respectively 19 % and 6% of the sector exposure still under an open outstanding moratorium. For the mortgages, the use of moratoria was less than 0.1% with principally contractual payment holidays still outstanding.

With respect to the State Guarantee mechanisms, the second state guarantee scheme was set up in July 2020 and originally ran until the end of 2020, before it was extended until the end of June 2021. At first, it covered new loans with a term of between 12 and 36 months to non-financial SMEs, but the maximum term of these loans was subsequently increased to five years starting from January 2021. As of 30 June 2021, Belfius still has EUR 28 million and EUR 68 million of outstanding loans under the first and second state guarantee mechanisms, respectively.

(1) Information Financial Stability Report BNB 2021.

Since the beginning of the Covid-19 crisis, Belfius has fully delivered on its societal role by providing the necessary liquidity and by granting deferred payments for individuals, companies and SMEs in temporary difficulties – and this with an overall contribution materially higher than its market share would have suggested. As from March 2020 until June 2021:

- the 25,740 accepted requests for deferred payments on EUR 5.3 billion of loans, including renewals on roll-over loans, to corporate and business customers;
- 13,855 accepted requests for deferred payments on EUR 914 million of leasing contracts of corporate and business customers;
- 424 accepted requests for deferred payments on EUR 400 million of loans to the public sector (mainly social sector);
- 19,614 accepted requests for deferred payments on EUR 2 billion of mortgage loans under the general Covid-19 scheme, in addition to 9,938 accepted requests for deferred payments on EUR 1,114 million of mortgage loans under contractual terms;
- EUR 556 million of new loans, to corporate, business, public and social sector customers, under the Belgian State guarantee scheme, were granted.

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

## 1.1. Covid-19 sensitive sectors

| Sector sensitivity | | % of total portfolio(1) |
|---|---|---|
| CATEGORY 1 | Sectors directly forced to stop the major part of their activities due to Government's decision (Such as hospitalities, arts, events and retail trade excluding food) | 1.4% |
| CATEGORY 2 | Other sectors with activities heavily impacted by the social distancing measures (Such as travel, transport, airlines, automotive and wholesale trade) | 4.0% |
| CATEGORY 3 | Other sectors delivering services for directly impacted sectors at levels 1 and 2 (Such as construction, shipping, warehousing, non-residential real estate and service companies) | 6.8% |
| CATEGORY 4 | Sectors that will be suffering from the global economical impact of the crisis (Macro-economic effect with demand and production disruptions) | 15.5% |

(1) Total loans and debt instruments portfolio (FEAD) on Belfius Bank balance sheet amounts to EUR 191,785 billion (incl.GC) as per end June 2021.

Since the impact of the pandemic is significantly more severe in some economic sectors than in others, Belfius established at the very beginning of the Covid-19 crisis four categories of sectors with different estimated impact levels:

- the sectors suffering the most are those which have been forced to discontinue the main part of their activities due to the Government's decision (such as hotel and catering, arts, events and retail trade (excluding food));
- the second most affected sectors are those which are heavily impacted by social distancing measures;

The businesses and market players active in the sector categories 1 and 2 are being severely hit financially as it is extremely difficult for them in the short term to offset the turnover they have lost or to return swiftly to the same level of turnover as before the crisis when the economy rebounds (such as travel, transport, airlines, automotive and wholesale trade).

- global trade has weakened across all regions. Disruption to trade flows and supply chains have further amplifying the negative effects, especially for the sectors delivering goods and services to directly impacted counterparts belonging to the sectors categories 1 and 2 (such as construction, shipping, warehousing, non-residential real estate and service companies);
- finally, the effects of the Covid-19 virus on the economy, i.e. the uncertainty created by the potential return of (local) lockdowns and renewed restrictions on mobility, result in falling consumer demand and production disruptions. This macro-economic impact is adding an extra burden on practically all economic actors.

So far, our analyses have revealed that only a small fraction (5.4 %) of our outstanding exposure is in the highly impacted sectors categories 1 and 2.

In addition to our existing risk monitoring before the crisis and as part of the management of the Covid-19 situation, Belfius has put in place a robust risk mitigation strategy with specific action plans, reporting and monitoring activities. These activities have been further strengthened in 1H 2021 to allow Belfius to periodically screen portfolios for Covid-19 impact and to mitigate risks.

## 1.2. Cost of risk in 1H 2021

### 1.2.1. IFRS 9 impairment methodology at Belfius

Reference is made to Belfius' Risk Report 2020 for a full description of the Belfius process to compute IFRS 9 expected credit losses (ECL).

The basic principles of the process to compute IFRS 9 expected credit losses (ECL) are as follows:

- Belfius Bank and its subsidiaries recognize loss allowances for ECL on financial instruments at amortized cost or at fair value through OCI;
- ECL are measured through a loss allowance that depends on the financial instrument's status:
  - for performing exposures (i.e. instruments that have not incurred a significant increase in credit risk since origination), referred to as stage 1, a 12-month ECL is computed;
  - for underperforming exposures (i.e. instruments that have incurred a significant increase in credit risk since origination), referred to as stage 2, Lifetime ECL are computed;
  - non-performing exposures (i.e. exposures that become credit-impaired), are classified in stage 3 and the ECL reflect the remaining exposure after a best-estimate of future recoveries.
- ECL are probability-weighted estimates of credit losses. This is expressed as the present value of cash shortfalls i.e. the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive;
- ECL calculations use probability of default (PD) and loss given default (LGD) parameters. Point-in-time PD's are used that inter alia incorporate forward-looking macroeconomic information through the use of four different macro-economic scenarios. These scenarios are built upon internal information delivered by the Belfius Research Department, who uses external and internal information to generate a forward-looking "neutral" scenario of relevant economic variables along with a representative range of other possible scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities;
- Belfius assigns probabilities to the four forecast scenarios (neutral, optimistic, pessimistic and stress) and makes the link between the following:
  - macro-economic variables; and
  - credit risk and credit losses through identified and documented relationships between key drivers of credit risk and credit losses for each portfolio of financial instruments on the one hand and statistical analysis of historical data on the other hand;
- Given that ECL estimates are complex and to a certain extent judgmental, the afore-mentioned mechanical approach is completed by management judgment through "management call" layers. These layers can be positive or negative and aim to include any elements entering in the ECL computation which have not been taken into account by the mechanical computation on an individual level or a (sub) portfolio level. These layers have been reinforced to account for the heterogenous nature of the Covid-19 crisis on Belfius' portfolio.

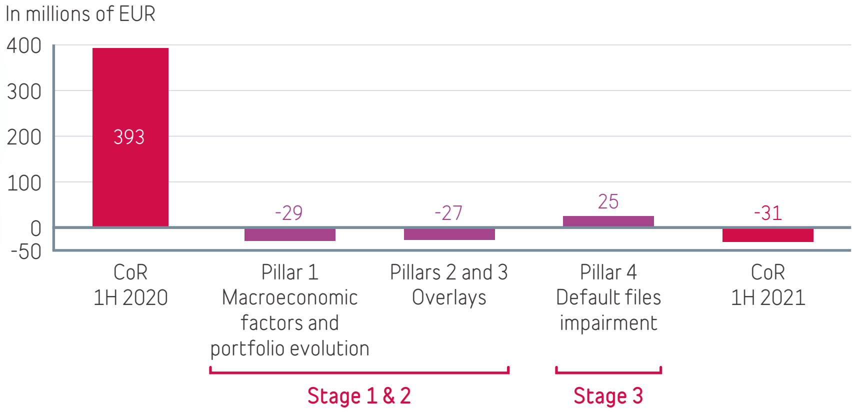
### 1.2.2. Drivers of the cost of risk in 1H 2021

In the Covid-19 perspective, the cost of risk is built according to a waterfall principle:

- the provisions for stage 1 and 2 are calculated in a mechanical mode, based on a view on the macro-economic conditions (past and future) (pillar 1);
- if Belfius considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert overlays are added (pillar 2);
- in addition, expert analysis may point to counterparts with a potentially increased credit risk (counterparts that were not detected by the mechanical approach and not yet classified "as unlikely to pay"), for which the provisions constituted may be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3);
- for counterparties in a default status (stage 3), the normal impairment process is carried out and specific provisions are calculated and booked accordingly (pillar 4). Provision levels are based on an individual assessment of exposure and collateral.

The positive cost of risk 1H 2021 of EUR 84 million is composed of a decrease of ECL's in stages 1 and 2 for a net amount of EUR 56 million, a provision for defaulted loans of EUR 25 million and a provision for normal portfolio evolutions of EUR 28 million.

#### Waterfall CoR 1H 2021




### 1.2.3. Covid-19 adjustments to the impairment methodology: further insights

The crisis is unprecedented with very unusual features such as its speed and scale. Despite the easing of the lockdown measures, uncertainties about the timing and shape of the economic recovery remain and the full impact of the measures taken by the Federal State, the Regions, central banks and regulators, etc. cannot yet be fully predicted.

In this context, Belfius' basic principles for ECL computations have remained fundamentally unchanged, however some material adjustments to the aforementioned approach were required in order to maintain an adequate coverage for potential risks in the Covid-19 sensitive parts of the portfolio.

Therefore, the following adjustments were made as described below:

#### Pillar 1: methodology for macroeconomic factors

Expected credit loss calculations are based on a long-term average (2009-2022) for all the relevant macroeconomic factors, with a backward and a forward-looking part.

To calculate ECL, Belfius still defines four probability weighted forward-looking scenarios each with their own macro-economic parameters to build optimistic, neutral, pessimistic and stress cases. Yet, the scenarios have been adapted to the current circumstances.

Counteractive dampening measures have been implemented by national and regulatory authorities. These have been included in the ECL calculations. They refer, inter alia:

- to changes to avoid, to some extent, pro-cyclicality in ECL calculations by giving a greater weight to long-term normalized outlook evidenced by past experience when estimating long-term ECL (giving weight to through-the-cycle approach);
- to account for moratoria and guarantee schemes: regulatory guidance was given with respect to the treatment of exposures covered by public and private moratoria related to Covid-19, both from a prudential (forbearance as unlikely-to-pay classification) and an accounting perspective (as an indication of significantly increased credit risk).

### Pillar 1: macroeconomic factors used in 1H 2021

Belfius' neutral scenario takes into account the 2020 recession (Belgian GDP: -6.3%). This recession is expected to be followed by a partial rebound in 2021 and 2022 (Belgian GDP: +5.5% in 2021 and +3.3% in 2022) supported by the vaccination campaign and assuming that no new major lockdown occurs.

In terms of unemployment, the neutral scenario implied an unemployment increase from 5.4% in 2019 to 5.6% in 2020. For 2021 and 2022 a deterioration to 7.9% and 6.6%, respectively, is forecasted. The 2021 unemployment figures assume that the exceptional temporary unemployment scheme is extended until the end of the year.

The neutral case is complemented with an optimistic, a pessimistic and a stress scenario. The table (adjoining) illustrates the Belgian GDP growth assumptions, as of 2Q 2021, under the four scenarios.

A 50% weight has been assigned to the neutral scenario, while the weight of the more negative scenarios has been increased due the Covid-19 crisis, bringing the weight of these scenarios to 45%. The more optimistic scenario is given a 5% probability. The weights have been modified in 2Q 2020 and were unchanged since then. These adjustments of the macroeconomic factors, led to a reversal of provision of EUR 57 million.

### GDP BE (% YoY)

| Scenarios | As of end 2020 | As of 2Q 2021 | |
|---|---|---|---|
| | 2021 | 2021 | 2022 |
| Optimistic | 9.0 | 6.5 | 3.9 |
| Neutral | 3.9 | 5.5 | 3.3 |
| Pessimistic | 3.1 | 4.2 | 2 |
| Stress | 2.3 | 2 | 1.4 |

### Sensitivity of the impairment stock stage 1 & 2 to changes in scenario weights

The following table provides an overview of the stage 1 & 2 impairments sensitivity to:

- the weight of macroeconomic scenarios; and
- the most relevant macro-economic factors being GDP and unemployment level assuming the current Covid-19 IFRS 9- method is maintained. Note that the sensitivity is not linear and cannot be simply extrapolated.

| (In millions of EUR) | What if 85% optimistic(1) | Weighted average scenario 2Q21 | What if 85% pessimistic(1) | What if 85% stress(1) |
|---|---|---|---|---|
| Impairment stock stage 1&2 | 829 | 914 | 940 | 1,021 |
| % change vs WA scenario | -9% | 0% | 3% | 12% |
| | | Optimistic 5%<br>Neutral 50%<br>Pessimistic 40%<br>Stress 5% | | |

(1) 5% on each of the 3 other scenarios.

### Pillar 2 and 3: overlays to cover for certain risk pockets

The Covid-19 adjusted mechanical calculations are completed with expert overlays. The overlays are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated (potentially) insufficiently covered by the mechanical provisions.

Concretely, one or more IFRS 9 parameters have been stressed when computing the ECL. For mortgages a stressed LGD value has been applied, while for commercial real estate and vulnerable companies an add-on has been applied on the mechanically computed expected credit loss, reflecting the specific features of the risk pocket.

This approach fed the formal quarterly impairment process and resulted into shifts of individual files or risk pockets from stage 1 to 2 and into the application of the Expected Credit Loss levels that were deemed adequate to cover the increased credit risk.

During 1H 2021, as Belfius gained more granular insights into the financial parameters of the underlying exposures, the various overlays were carefully reviewed and either increased, maintained or reversed. At the end of 1H 2021 the following adjustments were made:

- regarding the overlays to exposures under moratoria: Belfius removed the overlay provisions for matured moratoria with a stable repayment patterns for at least 6 months. For matured moratoria that do present past dues in their repayment schemes, careful monitoring showed current provisions to be adequate. Finally, for the moratoria that were still active, Belfius decided to increase the provisioning for those running for more than 9 months;
- regarding the overlays to Covid-19 sensitive exposures focusing on retail trade-linked real estate and vulnerable companies, provisions were either increased or reversed based on the observed evolutions, with reclassifications to another risk category and rating evolutions as ECL driver;
- for overlays linked to individual names identified as having a potential low Covid-19 resilience, a line-by-line review by Belfius was performed. This allowed to remove the overlay for some files associated with positive evolutions such as obtaining additional collateral, strengthened shareholder support to the company or a recovery of financial results after the end of the lockdown.
- These adjustments led to a release of EUR 27 million of provisions.

## 2. Exposure to credit risk

The definition of Full Exposure at Default "FEAD" is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before credit risk adjustments);
- for derivatives: the exposure at default calculated under the standardized approach for counterparty credit risk (SA-CCR);
- for Securities Financing Transactions (repos and reverse repos): the carrying amount as well as the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of credit facilities or the maximum commitment of Belfius for guarantees granted to third parties.

FEAD for instance provides a consistent metric to present a combined view of the Bank and Insurance respective exposures to credit risk.

The figures in the table below are after elimination of intra-group exposures and exclusion of equity positions and other assets not qualified as credit exposure, but with inclusion of credit exposure of trading activities and counterparty credit risk.

Exposures are allocated to the final counterparty, apart from ABS/MBS for which the exposure to the original counterparty is used.

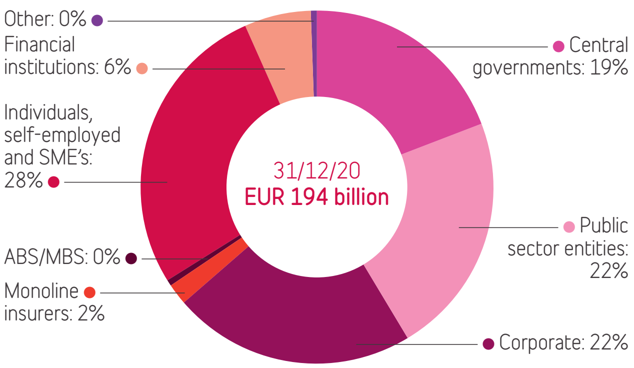
As at 30 June 2021, the total credit risk exposure within Belfius reached EUR 205.8 billion, an increase of EUR 11.7 billion or 6.0 % compared to the end of 2020.

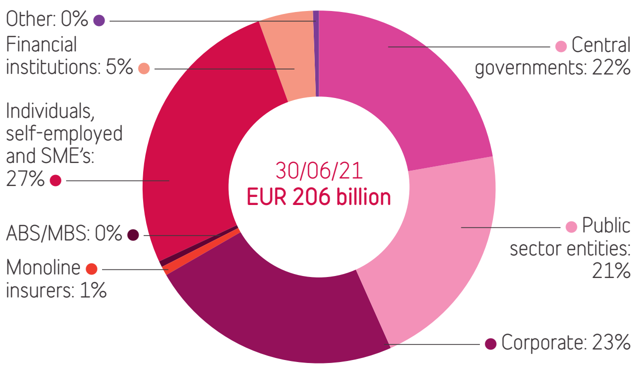
At bank level the credit risk exposure increased with 6.7 % to EUR 191.8 billion. At the level of Belfius Insurance, the credit risk exposure declined by 2.7% to EUR 14.0 billion at 30 June 2021.

### Breakdown of credit risk by counterparty

| (FEAD, in EUR million) | 31/12/20 | 30/06/21 | Of which Bank | Of which Insurer |
|---|---|---|---|---|
| Central governments | 36,570 | 44,702 | 38,665 | 6,037 |
| of which government bonds | 9,703 | 9,532 | 3,703 | 5,828 |
| of which EU Central Bank | 25,418 | 33,708 | 33,708 | 0 |
| Public sector entities | 43,585 | 43,004 | 41,332 | 1,672 |
| Corporate & Project Finance | 42,958 | 47,632 | 46,392 | 1,240 |
| Monoline insurers | 4,600 | 2,454 | 2,454 | 0 |
| ABS/MBS | 427 | 364 | 331 | 33 |
| Individuals, self-employed and SME's | 54,554 | 56,500 | 52,262 | 4,239 |
| Financial institutions | 11,456 | 11,146 | 10,350 | 796 |
| Other | 0 | 0 | 0 | 0 |
| TOTAL | 194,149 | 205,802 | 191,785 | 14,016 |

### Breakdown of credit risk by counterpart




The increase by EUR 8.3 billion observed on the segment central governments is mostly due to the additional liquidity reserve taken up by Belfius and deposited at the NBB. Nearly half (49%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 44% of the total government bond portfolio, the relative proportion at Belfius Insurance stands at 52%.

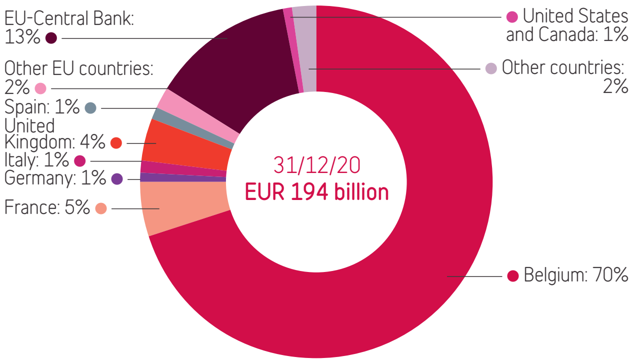
The credit risk exposure on individuals, self-employed and SMEs (27% of the total) and corporates (23% of the total) constitute the two main categories. The exposure on those categories increased by EUR 1.9 billion and EUR 4.7 billion respectively, reflecting Belfius' strategy to support the Belgian economy. However, a part of the increase observed in the corporates segment is due to a methodological change induced by the CRR2.

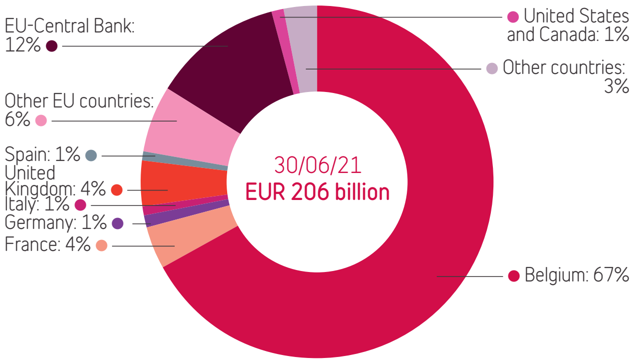
The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities decreased by EUR 0.6 billion.

The credit risk exposure on financial institutions declined by EUR 0.3 billion during the first half of 2021.

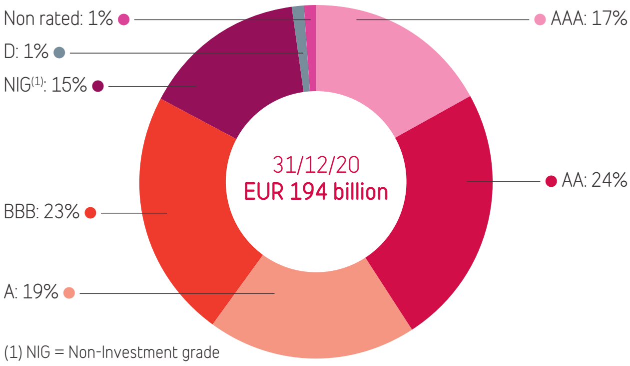
The credit risk on monoline insurers on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers. With the implementation of CRR2, part of these exposures is now reported under the corporate category.

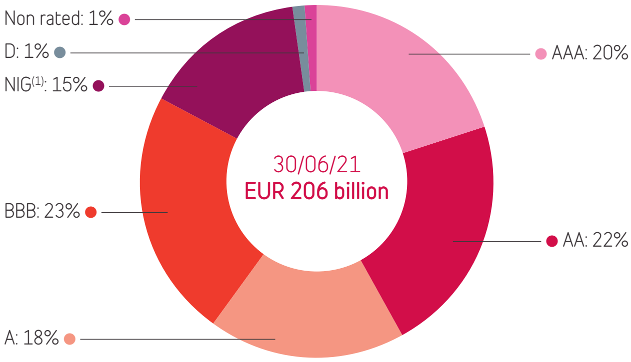
### Breakdown of credit risk by geographical region




### Breakdown of credit risk by rating




(1) NIG = Non-Investment grade

Belfius' positions are mainly concentrated in the European Union: 92% or EUR 177.0 billion at bank level and 90% or EUR 13.7 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 68%, 4% in the United Kingdom and in France, 1.2% in the United States and Canada, 0.8% in Germany, Italy and Spain.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 8.4 billion. About 70% of this credit risk exposure relates to bonds, of which close to two-thirds are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of satisfactory credit quality, and moreover the majority of the outstanding bonds are covered with a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder relates to the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of good credit quality.

At 30 June 2021, 83% of the total credit risk exposure had an internal credit rating of investment grade (IG).

# 3. Asset quality

## 3.3. The risk management process concerning Forbearance, Watchlist, Default and Impairments

### 3.3.1. Forbearance

Forbearance measures boil down to the granting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments. These concessions may take the form of modifications to the loan contract or some refinancing.

They apply to all loans and debt securities that are on-balance sheet and also to some off-balance sheet commitments. They do not apply to debt securities held for trading exposures.

Specific criteria are established for each business segment. These provide a practical interpretation of the concepts of "financial difficulties" and "concession". When granting a concession, the Bank is always led by a number of mainly business-related and economic factors. The fact that concessions are made is one of the Watchlist indicators at Belfius and lead to a transfer of the exposures from stage 1 to stage 2 under IFRS 9.

Due to the unprecedented situation which customers and institutions faced with the Covid-19 pandemic and given that authorities have fully acknowledged that payment moratoria are effective tools to address short-term liquidity difficulties caused by the limited operations of many enterprises or by short-term unemployment for households, the EBA has provided flexibility and guidance to the banks with regard to forbearance reclassification.

According to the EBA Guidelines on legislative and non-legislative moratoria[1], institutions are allowed to grant payment holidays for a pre-defined set of obligors, for which there need not be an automatic regulatory reclassification as forbearance. However, the EBA clearly clarifies that banks are required to continue to correctly identify those situations where borrowers may face longer-term financial difficulties and classify exposures in accordance with the regulation. In addition, the EBA clarified that the existence of any credit risk mitigation (including state guarantees due to Covid-19) should not exempt the banks from performing the assessment of the obligor's unlikeliness to pay or affect the results of such an analysis.

In December 2020, the EBA published an addendum[2] to its Guidelines to extend the deadline for the application of new general moratoria from 30 September 2020 to 31 March 2021. Additionally, the EBA introduced a cap of 9 months on the total duration of general moratoria, beyond which the favourable treatment in terms of forbearance reclassification would no longer apply[3].

In 2020, Belfius reviewed its forbearance criteria established within this purpose. In line with the EBA guidance, there is no automatic change in the forbearance classification towards borrowers only due to new loans granted under the state guarantee scheme or requested moratoria. However, clients which were granted legislative, non-legislative and other moratoria during the Covid-19 pandemic continued to be assessed on an individual basis, taking into consideration the existing forbearance criteria and longer-term capacity to repay. In this context, the most vulnerable clients associated with high PD's and, with potentially longer-term use of moratoria are recognised as forborne.

In 1H 2021 Belfius was faced with certain borrowers having moratoria that exceeded the 9-month time limit that was foreseen by the EBA Guidance. In these cases, using risk-based criteria, Belfius classified the exposures in question as being forborne. For moratoria that did not exceed the 9-month threshold, the Bank continued its 2020 policy.

At the end of June 2021, an amount of EUR 1,941 million of loans at Belfius complied with the forbearance definition, of which EUR 60 million related to Belfius Insurance. EUR 1,451 million or 75% of these forborne exposures are still performing. The most relevant contributors to the Forbearance are Corporate (EUR 573 million) and Business customers (EUR 905 million).

More details on forborne exposures are provided in the note 9.2.2. Forbearance in the financial statements.

(1) EBA/GL/2020/02.
(2) EBA/GL/2020/15.
(3) This cap of 9 months does not apply to payment holidays granted under a general moratorium before 30 September.

#### 3.3.2. Watchlist

The Watchlist Guideline defines internal and external (early warning) indicators to identify a significant increase of credit risk that may lead to an intensive follow-up and/or management of credit files. This allows the Bank to closely monitor increasing credit risks and to take adequate credit mitigation measures in order to reduce credit risks.

This is also reflected in the provisioning policy by applying a stage 2 for the majority of these exposures. On a quarterly basis, dedicated Risk Committees identify the files requiring a higher level of monitoring.

More information is provided in Note 9.2. Credit risk exposure in the financial statements.

#### 3.3.3. Default

A transversal default definition is applied within the entire Belfius Group and on all market segments in line with the EBA Guideline[1].

A default status is assigned to the debtors who satisfy either one or both of the following criteria:

- the debtor has material exposures which are more than 90 days past due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless the existence of any past due amount or the number of days past due.

Belfius Default guideline provides in-depth description of indicators used to categorize an exposure in default. The Default Committee within the Risk department is competent to define the default status.

Based on regulatory evolutions, Belfius has implemented the EBA updated definition of default as of mid-March 2020[2]. Its internal guidelines are updated accordingly. The aim of the EBA guideline is to harmonize the definition of default across the EU prudential framework.

Main impacts are the materiality threshold for obligations past due that are now composed of both an absolute and a relative threshold, and the introduction of a probation period of 3 months before reclassification to a non-defaulted status.

#### 3.3.4. Impairments

At the end of June 2021, the total impairment stock amounted EUR 2,114 million compared to EUR 2,184 million to the end of 2020. This decrease of EUR 70 million is mainly explained by the improved macro-economic outlook.

### 3.4. Asset quality ratio

At the end of June 2021, the amount of impaired loans was EUR 2,032 million, an increase of 1.75% compared to year-end 2020. During the same period, the gross outstanding loans to customers increased by 2.0% and amounted to EUR 100,638 million. As a consequence, the asset quality ratio remained stable at 2.02% at the end of June 2021. The stage 3 impairments on impaired loans slightly decreased by 1.3%. As a consequence, the coverage ratio slightly decreased to 58.2% at the end of June 2021 compared to 60.0% at the end of 2020. At the end of June 2021 the stage 1 impairments amount to EUR 121 million (down EUR 13 million compared to December 2020), and the stage 2 impairments amount to EUR 462 million (down 33 million compared to December 2020).

#### Asset Quality[1]

| (in millions of EUR, except where indicated) | 31/12/20 | 30/06/21 |
|---|---|---|
| Gross outstanding loans and advances to customers (measured at amortised cost) | 98,640 | 100,638 |
| Impaired loans and advances to customers (measured at amortised cost) | 1,997 | 2,032 |
| Stage 1 impairments on loans and advances to customers | 134 | 121 |
| Stage 2 impairments on loans and advances to customers | 495 | 462 |
| Stage 3 impairments on loans and advances to customers | 1,199 | 1,183 |
| Asset quality ratio[2] | 2.02% | 2.02% |
| Coverage ratio[3] | 60.0% | 58.2% |

(1) Belfius Insurance included.
(2) The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(3) The ratio between the Stage 3 impairments and impaired loans and advances to customers.

(1) EBA/GL/2016/07.
(2) EBA/GL/2016/07.

# Market risk

## 1. Overview

Overall, market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or changes in the correlations between the levels of market prices.

Management of market risk within Belfius is focused on all Financial Markets activities of the Bank and encompasses interest rate risk, spread risk and associated credit risk/ liquidity risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk.

Market risk of Belfius Insurance is separately managed by its ALCo. Belfius Insurance's strategic ALCo makes strategic decisions affecting the balance sheets of the insurance companies and their financial profitability taking into consideration the risk appetite pre-defined with the Belfius Bank and Insurance group (i.e. directional ALM position in interest rate risks, equity and real estate risks, volatility and correlation risks).

Market risk conditions were favourable in the first semester, supporting profit in financial market activities. In addition, Belfius took different measures to further reduce risk profile and P&L volatility in this environment.

Existing hedges in place since 1H 2020 on CVA/FVA perform well, keeping the P&L volatility to a minimum. These have been formalized by new limits on credit spreads, making this a structural hedge. Only a limited number of non-hedgeable risks remain like bond-CDS basis and own funding spread.

Market risk RWA slightly increased since end 2020 (EUR +110 million) because of a prudent add-on taken above regulatory calculations. This add-on is now fading down with time passing and the removal of the Covid-19 related scenarios.

More information is available in the Note 9.3 on market risk and ALM in the financial statements.

## 2. Structural & ALM risk

### 2.1. Interest rate risk of the banking activities

In respect to the interest rate risk, Belfius Bank pursues a risk management of its interest rate positions in the Banking book within a well-defined internal and regulatory limit framework, with a clear focus on generating stable earnings and preserving the economic value of the balance sheet and this in a macro-hedging approach, thoughtfully considering natural hedges available in the Bank balance sheet.

The management of non-maturing deposits (such as sight and savings accounts) and non-interest-bearing products use portfolio replication techniques. The underlying hypotheses concerning expected duration, rate-fixing period and tariff evolution are subject to constant monitoring and, if necessary, they are adjusted by the ALCo. Implicit interest rate options like prepayment risk are integrated through behavioural models.

Interest rate risk has two aspects: economic value volatility and earnings volatility. The measurement of both is complementary in fully understanding the interest rate risk in the Banking book.

Banks' ALM objective is to protect the net interest income for downward pressures in current historically low interest rate environment, while respecting the limits on variation of economic value.

Economic value indicators capture the long-term effect of the interest rate changes on the economic value of the Bank. Interest rate sensitivity of economic value measures the net change in the ALM balance sheet's economic value if interest rates move by 10 bps across the entire curve. The long-term sensitivity of the ALM perimeter was EUR -69 million per 10 bps at 30 June 2021 (compared to EUR -35 million per 10 bps at 31 December 2020), excluding interest rate positions of Belfius Insurance and of the pension funds of Belfius Bank.

The Earnings at Risk indicators capture the more shorter-term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a shorter-term solvency impact. A 50 bps increase of interest rates has an estimated impact on net interest income (before tax) of EUR +30 million of the next book year and an estimated cumulative impact of EUR +146 million over a three year period, whereas a 35 bps decrease would lead to an estimated impact of EUR -14 million over the next book year and an estimated cumulative impact of EUR -80 million over a three year period (compared to EUR +31 million, resp. EUR +168 million and EUR -20 million, resp. EUR -143 million for similar rate shocks end of last year).

Next to directional interest rate risk, also curvature risk, due to steepening or flattening of the interest rate curve, is monitored within a normative framework by the ALCo. The same applies to basis spread risk between Euribor and Eonia and cross-currency spread risk.

The low interest rate environment puts considerable pressure on the Bank's standard transformation model. On the one hand, the interest paid to depositors remains close to zero or is even legally prohibited to go below 11 bps while the interest received on commercial loans is lowering continuously following markets rates and competitive pressures. On the other hand, customers continue to refinance and prepay some mortgages. Furthermore, the negative interest rate policy of the ECB increases the collateral cost for derivative contracts used to hedge the Bank's exposure to interest rate risk.

### 2.2. Interest rate risk of the insurance activities

For Belfius Insurance, the ALM objective is to limit the volatility of the P&L and the economic value of the company induced by potential changes in the interest rates.

The long-term sensitivity of the Net Asset Value of Belfius Insurance to interest rates was EUR 6.7 million per 10 bps as of 30 June 2021 (against EUR 6.1 million one year ago). The earnings have a low sensitivity to interest rates for the next years, thanks to good matching in terms of duration.

Sensitivity tests on our Solvency II ratio are also quarterly perform on top of specific stress tests to monitor our exposure to the interest rate risk. Results show that our risk is limited and respect the risk appetite of the company.

### 2.3. Aggregate interest rate risk for Belfius Group

The figures below show the impact on the Belfius group Net Asset Value and the Earnings at Risk for the next book year of a parallel upward shift of the yield curve of 10 bps, resp. 50 bps.

| (In thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| BELFIUS BANK | | |
| Sensitivity (+10 bps) | (34,770) | (69,261) |
| Earnings at risk (+50 bps) | 30,889 | 29,558 |
| BELFIUS INSURANCE | | |
| Sensitivity (+10 bps) | 5,224 | 6,716 |
| Earnings at risk (+50 bps) | 2,981 | 2,777 |

## 3. Trading market risk

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank.

The financial market activities of Belfius Bank manage both the financial markets services rendered to our two business segments WEP and PBR, as well as to Group Centre portfolios and activities like the ALM of the Bank and the non-core portfolios. Within the latter, Belfius Bank P&L remains somewhat sensitive especially for credit spread movement within its derivatives portfolio (both for WEP customers and in the non-core portfolios), GBP real rate movements within its non-core ALM yield bond portfolio and for funding conditions.

No Financial Markets activities are undertaken at Belfius Insurance. For their needs in Financial Markets products, they turn to Belfius Bank or other banks.

## 3.1. Market risk exposure

At the end of June 2021, the global VaR level of Financial Market activities amounts EUR 7.9 million, a decrease of EUR 8 million compared to end 2020 as a reduction of active actions and exit of Covid-19 scenarii in the VaR calculation.

During 1Q 2021, a brief exceeding of the VaR limit was observed where both sub-limits for IR/FX and Equity were also in breach. Swift action from both Front Office (reducing the exposure) and Risk Management (fine-tuning the calculation method aligned with P&L reporting) resulted in a drastic decrease. After this, the global VaR remained far below the limit.

The market RWA increased by EUR 110 million up to EUR 1.5 billion. For a couple of months, the SVaR (Stressed VaR) level was below the HVaR (Historical VaR) level due to higher Covid-19 shocks and more diversification in SVaR between different activities. To remain prudent, an add-on was taken to mimic the impact of flooring the SVaR/HVaR ratio at 110%. This add-on is now fading down with removal of Covid-19 related scenarios from the rolling window towards the end of 2Q 2021.

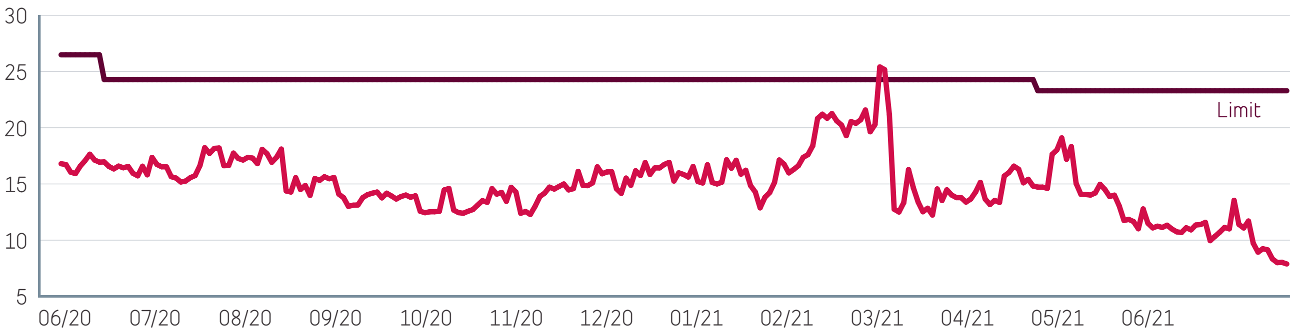
### Value-at-risk by activity

| VaR(1) (99% 10 days) | 31/12/20 | | | | 30/06/21 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions of EUR) | IR(2) & FX(3) | Equity | Spread | Other risks(4) | IR(2) & FX(3) | Equity | Spread | Other risks(4) |
| By activity | | | | | | | | |
| Average | 7.3 | 5.8 | 1.2 | 0.4 | 7.0 | 6.3 | 0.9 | 0.4 |
| EOY | 8.7 | 6.2 | 0.5 | 0.4 | 3.2 | 3.5 | 0.9 | 0.3 |
| Maximum | 12.3 | 8.4 | 3.6 | 0.4 | 14.4 | 9.7 | 1.5 | 0.4 |
| Minimum | 4.5 | 2.6 | 0.2 | 0.3 | 3.2 | 3.4 | 0.4 | 0.3 |
| Global | | | | | | | | |
| Average | | 14.7 | | | | 14.6 | | |
| EOY | | 15.8 | | | | 7.9 | | |
| Maximum | | 21.5 | | | | 25.4 | | |
| Minimum | | 9.4 | | | | 7.9 | | |
| Limit | | 24.3 | | | | 23.3 | | |

(1) The Value at Risk (VaR): is a measure of the potential change in market value with a probability of 99% and over a periode of 10 days.
(2) IR: interest rate risk and inflation risk.
(3) FX: forex risk.
(4) $CO_2$ risk.

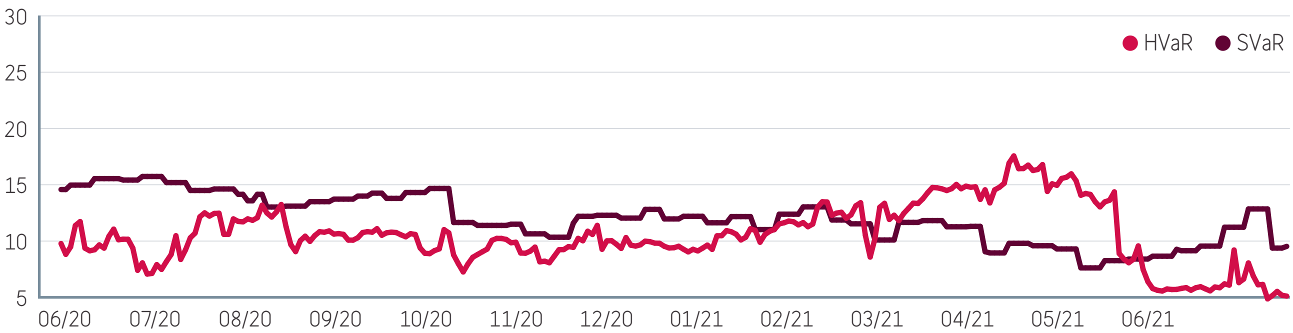
### Evolution of global VaR

In millions of EUR




### Evolution of HVaR and SVaR (Internal Model)

In millions of EUR



# Liquidity risk

## 1. Liquidity risk at Belfius Bank

### 1.1. Liquidity management framework

Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the Risk Appetite Framework (RAF) approved by the Board of Directors and reported on a quarterly basis. Available liquidity reserves also play a key role: at any time, Belfius Bank ensures it has sufficient quality assets to cover a temporary liquidity shortfall, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in liquidity guidelines, approved by the ALCo.

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial and Strategic Officer (CFSO), is the front-line manager for the liquidity requirements of Belfius Bank. ALM analyses and reports on current and future liquidity positions and risks. It defines and coordinates funding plans and actions under the operational responsibility of the ALCo and under the general responsibility of the Management Board. The ALCo also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department.

ALM organises a regular Assets and Liabilities Forum (ALF), in presence of the Risk department, the Treasury department and representatives of the commercial business lines. This forum coordinates the implementation of the funding plan validated by ALCo.

ALM monitors the funding plan to guarantee Belfius Bank will continue to comply with its internal and regulatory liquidity ratios.

ALM reports on a daily basis to the CFSO and CRO and on a monthly basis to the Board of Directors about the Bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate, challenges the retained assumptions and models, realises simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity Guidelines.

### 1.2. Exposure to liquidity risk

The liquidity risk at Belfius Bank is mainly stemming from:

→ the variability of the amounts of commercial funding collected from retail and private customers, small, medium-sized and large companies, public entities and similar customers and allocation of these funds to customers through loans;
→ the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so called cash & securities collateral);
→ the value of the liquid reserves which allow Belfius Bank to collect funding on the repo market and/or from the ECB;
→ the capacity to obtain interbank and institutional funding.

Since the start of the Covid-19 pandemic, the Bank focused on the management of the liquidity risk under the Covid-19 crisis. From the start, Belfius Bank maintained its already strong liquidity position, mainly thanks to a strong increase in commercial deposits which compensated (1) the temporary difficulties on the short-term institutional funding markets and (2) the increase of commercial assets also driven by moratoria and increased drawing on credit lines in the first half year of 2020. In 2020, Belfius Bank participated in the TLTRO III for an amount of EUR 11.5 billion and in 2021 for an additional amount of EUR 1.4 billion, thus reaching a total amount of EUR 15.7 billion of TLTRO funding.

### 1.3. Consolidation of the liquidity profile

During the first half of 2021, Belfius preserved its diversified liquidity profile by:

- maintaining a funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors;
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors.

Belfius Bank participated in the ECB TLTRO III funding programme for an amount of EUR 15.7 billion with the purpose to finance investment needs of SME's, social sector and retail clients (mortgage loans excluded).

Belfius Bank reached end of June 2021 a 12-month average Liquidity Coverage Ratio (LCR) of 189%. The LCR of the Bank has remained within our driving range during 2021 with a strong increase after the participation in the TLTRO.

The Net Stable Funding Ratio (NSFR), based on the binding CRR2 rules and calculated according to EBA templates, stood at 136% end of June 2021, an increase also explained by the participation in the TLTRO.

### 1.4. Liquidity reserves

At the end of June 2021, Belfius Bank had readily realisable liquidity reserves of EUR 43.0 billion, a material increase from end 2020 levels (EUR 35.7 billion) mainly due to increase of commercial funding and the participation in the TLTRO. These reserves consisted of EUR 33.4 billion in cash, EUR 7.4 billion in ECB eligible bonds (of which EUR 6.4 billion are CCP-eligible), EUR 1.3 billion in other assets also eligible at the ECB and EUR 0.9 billion in other liquid bonds.

These liquidity reserves represent 8.3 times the Bank's institutional funding outstanding end of June 2021 and having a remaining maturity of less than one year.

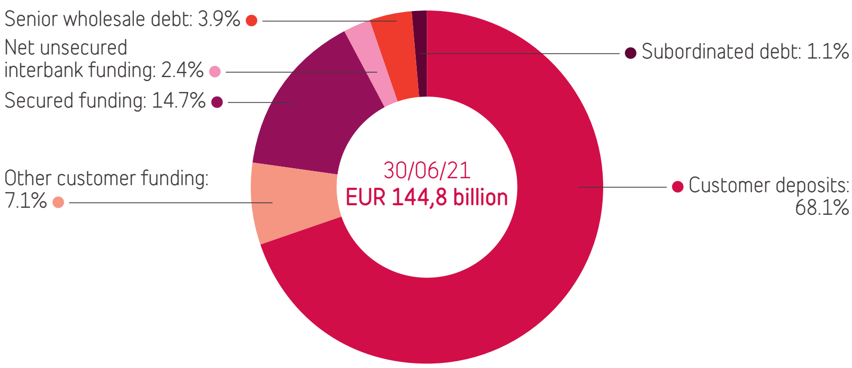
### 1.5. Funding diversification at Belfius Bank

The total funding of Belfius Bank amounted to EUR 145 billion as at 30 June 2021 compared to EUR 135 billion as at end December 2020.

Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. RC and PC funding amounts in total to EUR 108.8 billion. The increase of EUR 3.7 billion commercial funding compared to end of 2020 is mainly used to finance the growth in commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, decreased slightly under Covid-19 crisis and stands at 88% at the end of June 2021.

#### Belfius' main funding sources



Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 7.7 billion from covered bonds, EUR 2.9 billion from Senior Unsecured, and EUR 15.7 billion in TLTRO funding from ECB as at 30 June 2021.

The Non-Preferred Senior Bonds of EUR 2.7 billion enable Belfius to prepare for the regulatory requirement of MREL Subordinated.

Note that during the first half of 2021, Belfius Bank issued EUR 0.5 billion Preferred Senior Bonds and EUR 0.5 billion Non-Preferred Senior Bonds. The Non-Preferred Senior Bonds are in a Green format.

The remainder of the Bank's funding sources comes from institutional short-term deposits (Treasury) mainly by issuing Certificates of Deposit and Commercial Paper.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

As a result of derivative contracts to cover interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash & securities collateral). Against the background of historical low interest rates, in net terms, Belfius Bank posts more collateral than it receives.

### 1.6. Encumbered assets

According to the EBA guideline based on the median values of the encumbrance reportings of the last four quarters, the encumbered assets at Belfius Bank level amount to EUR 46.9 billion in June 2021 and represent 26.4% of total bank balance sheet and collateral received under securities format. This represents a slight increase of the encumbrance ratio of +0.1% compared to end 2020, this increase being entirely explained by the additional withdrawal of EUR 1.4 billion under TLTRO III.

Belfius is active on the covered bond market since the set-up of the first covered bond program in 2012. In June 2021 (point in time), the total amount issued was EUR 7.8 billion. End June 2021, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 9.7 billion (stable since end 2020).

The Bank is also collecting funding through repo markets and other collateralized deposits. End June 2021, the total amount of assets used as collateral for this activity amounts to EUR 22.0 billion, of which EUR 19.6 billion linked to the ECB funding. The increase of this amount is explained by the additional withdrawal under TLTRO III.

The balance of encumbered assets is also linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 11.3 billion point in time (decrease of EUR 2.2 billion compared to end 2020), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

## 2. Liquidity risk at Belfius Insurance

As an insurance company in terms of liquidity management, Belfius Insurance engages mainly in life insurance liabilities at relatively long term that are largely stable and predictable. Consequently, funding requirement is quite limited. The premiums paid by policyholders are placed in long-term investments in order to guarantee the insured capital and committed interests at the contract's maturity date. Our liquidity indicators demonstrate that Belfius Insurance constantly holds enough liquid assets to cover its commitments on the liability side of the balance sheet.

In order to ensure that all short-term liquidity requirements can be met, Belfius Insurance has embedded liquidity management in its day-to-day activities through:

- investment guidelines that limit investments in illiquid assets;
- Asset Liability Management, ensuring that investment decisions take into account the specific features of the liabilities;
- policies and procedures put in place to assess the liquidity of new investments;
- follow up of the short-term treasury needs.

In addition, Belfius Insurance also holds a significant amount of unencumbered assets (mainly in governments bonds) eligible for repos in the context of its liquidity management.

The Investment department of Belfius Insurance is responsible for Belfius Insurance's liquidity and cash-flow management, for which it uses long-term projections of the cash-flows of assets and liabilities. These cash flows are simulated under both normal and stressed situations.

# Operational risk – Non-Financial Risk (NFR)

## 1. General principles

The operational risk management framework has been extended into "Non-Financial Risk" management framework. The term Non-Financial Risk (NFR) must be understood as a broad umbrella covering all risks except "financial risks" (the latter encompassing market, ALM, liquidity, credit and insurance risks). NFR covers among others operational risks (including fraud, HR, IT, IT-security, business continuity, outsourcing, data-related risks, privacy …) as well as reputational, compliance, legal, tax risks, etc.

The NFR management framework determines the principles that ensure an effective management of the non financial risks. The principles are further elaborated in specific Policies/Guidelines adapted to the business activities. These general principles are following the applicable legal and regulatory requirements.

The framework is based on four pillars:

- a risk mapping and taxonomy in order to ensure consistency within the organization, including a regular review of this mapping and taxonomy to identify emerging risks;
- clear roles and responsibilities, as well as a well-defined way of working together for all the risks based on the three LoD model (decentralized responsibility);
- a strong governance/committee structure involving the appropriate level of management; and
- transversal risk processes and related policies, such as: self-assessment of risks and internal controls, incident monitoring, risk reporting, risk appetite definition and follow up, business continuity and crisis management.

## 2. Risk appetite

The formal definition of a Risk Appetite Framework (RAF) is the key reference for the group Risk Management practice and it covers both financial and non-financial risks.

The RAF for NFR contains quantitative elements (target values or ratios) and qualitative elements (statements) and is articulated around three concepts on which limits are defined:

- "Risks": What are the risks? How to appreciate the risk level (past and forward looking)?
- "Risk management capacity": What is the capacity to manage the risks?
- "Loss tolerance": What are the potential P&L and future RWA impacts Belfius tolerates?

## 3. Transversal risk processes

### 3.1. Incident Management

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee regarding operational risk management.

The reporting mechanisms ensure that the responsible parties are notified quickly when incidents occur. Major incidents are investigated thoroughly and are reported to the CRO/Management Board. Such incidents are also subject to specific action plans and appropriate follow-up under the responsibility of the concerned line management for avoidance, mitigation or limitation of the related risk.

The main areas of operational losses were essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management. Other categories remain limited in amount but not necessarily in number of events. The most important part of the financial impact resulting from operational incidents comes from the Bank's retail business.

### 3.2. Self-Assessment of Risks and Internal Controls

Another important task of risk management is the analysis of the overall main potential risks and related key controls, performed within Belfius Group's main entities. This is achieved through a bottom-up Self-Assessment of Risks and Internal Controls in all departments and subsidiaries, using the COSO methodology to determine the internal control level. These exercises may result in the development of additional action plans to further reduce potential risks. These exercises also provide an excellent overview of the main risk areas in the various businesses. These self-assessments are conducted annually, and the results are submitted to the respective Boards of Directors through the reports regarding the assessment of internal control. Belfius Bank also submits the senior management report on the assessment of the internal control to its regulators.

### 3.3. New Product Approval Process (NPAP)

The process of developing or changing a function (product, service, activity, process or system) involves a sound (ex-ante) risk assessment, the so-called New Product Approval Process. Its purpose is to ensure that all risks related to any new or changed function are assessed by relevant experts and addressed accordingly and is overseen by a dedicated steering committee.

### 3.4. Managing insurance policies

The possible financial impact of Belfius' operational risks are also mitigated by taking out insurance policies, principally covering professional liability, fraud, theft and interruption of business and cyber risk. This is standard practice in the financial services' industry.

### 3.5. Business continuity & crisis management

Belfius is committed to its clients, counterparties and regulators to put in place, maintain and test viable alternative arrangements that, following an incident, allow the continuation or the resumption of critical business activities at the agreed operational level and entirely compliant with the Belgian regulation.

The supporting process, the business continuity and crisis management, is applied in a uniform way at all Belfius entities and relies on a.o. threat analysis, business impact analysis, reallocation strategies (dual office, remote and home-working, etc.), effective management reporting, business continuity plans as well as exercise and maintenance programs. In that way, Belfius can demonstrate its resilience also to the current Covid-19 situation.

# 4. Focus on specific risks

## 4.1. Information Security

For Belfius, the purpose of information security is to protect Belfius' information that has a value for the organization: i.e. the information generated by the business, the information belonging to our clients, and also the information, derived from freely accessible or publicly available data, which has acquired a value as a result of the treatment carried out by or on behalf of Belfius. The threats against data and the information are their loss of integrity; their loss of confidentiality; and their unplanned unavailability. The mission of information security is to safeguard against these threats.

Belfius also considers that the objective regarding information security extends to managing the risks linked to the consequences of these threats if they have materialized in terms of customers' trust, finance, reputation, peer confidence (regulators, financial markets) and confidence of our business partners. An information security strategy derived from these principles has been approved and is applicable to all actions pertaining to information security.

In order to guarantee the information security within Belfius, the Information Security Steering (ISS) Committee, managed by the Chief Information Security Officer (CISO) and chaired by the Chief Risk Officer, ensures a well governed and coordinated information security strategy whereby an adequate system of "prevention", "detection", "protection" and "reaction" is put in place, in line with regulatory requirements towards information security. The steering of Belfius information security is relying on tangible figures and quantitative statement: deviations from the risk appetite are challenged. Moreover, large security projects are grouped together in a security roadmap which typically spans the course of two years. Of course, the ever-evolving security threat landscape requires organizations to be resilient and anticipate on existing and future threats.

## 4.2. Data privacy Respect for privacy and customer satisfaction

The respect for privacy and the protection of personal data is a key commitment at Belfius, which is translated into a sound internal governance and principles to be followed in the respect of GDPR. Belfius is very committed to avoid personal data breaches and to manage any incident as quickly as possible. All activities treating personal data are documented by the business lines in a privacy register. GDPR conformity, including a risk assessment for the rights and freedom of the persons whose personal data is treated, is integrated into every process to offer (existing, adapted and new) products, innovative digital tools, services and information sharing to its clients. In order to continuously guarantee data privacy within Belfius, a dedicated steering committee related to GDPR regularly meets. The Data Privacy Officer (DPO) is part of the 2nd line of defence. The Belfius Management and several committees are on a recurrent basis informed about GDPR at Belfius. A network of privacy correspondents, active in each department, work closely with the DPO to continuously raise awareness, control and monitor processes and activities being in line with GDPR. Data subject rights can be executed by data subjects via multiple possibilities, including the Belfius online applications and mobile apps. More than 98% of the data subject rights are asked via the Belfius online app and receive an answer in the same app within 1 business day.

## 4.3. Fraud risk

Belfius applies a zero-tolerance policy for all forms of fraud (internal, external, and mixed fraud schemes), is monitoring the threats continuously and is managing the risk based on a global anti-fraud policy defined and steered by senior management. The roles and responsibilities have been clearly defined which implies in a concrete manner that business and support lines are the first risk managers. The CRO and NFR team including the Anti-Fraud Officer as expert has a clear 2nd LoD role.

In a context of evolving digital channels and faster payments processing, internal controls are continuously screened to prevent fraud and this to protect the interests of Belfius and its employees, customers, suppliers and other stakeholders. More traditional Phishing techniques and cyber fraud cases need continuous investments to protect clients against potential impacts of these fraud schemes.

### 4.4. Outsourcing risk

Belfius is aware that outsourcing & third-party risk must be addressed adequately and fully assumes its responsibilities in that regard, including but not limited to overseeing and managing the concerned arrangements and the risks involved. The Outsourcing risk & material arrangements Policy is compliant with the "Final Report on EBA Draft Guidelines on Outsourcing Arrangements". In particular, the policy provides for the appointment of the outsourcing function and the setup of the Outsourcing Management (steering) Committee ("OMC"), whose mission consists in ensuring a well governed and coordinated outsourcing strategy in line with Belfius strategy, risk appetite and regulatory requirements. Monitoring and control of the significant providers, in particular regarding the treatment of personal data, was further sharpened as of 2021 within the three lines of defense.

### 4.5. Employment Practices (HR) & Workplace Safety, Damage to Assets & Public Safety risk

Concerning physical security and workplace safety, Belfius has a very low appetite for risk. Belfius strives to provide a safe environment for its staff, clients, guests and assets by ensuring that its physical security measures and procedures meet high standards. To meet this goal, a Security Steering Committee with all stakeholders, monitors systematically the overall situation by means of a dashboard. It also acts as a forum to reflect and to dialogue on actual incidents, and to envisage action plans to reduce the risk to acceptable levels.

### 4.6. Managing the Covid-19 crisis

Also in 2021, Belfius has demonstrated its operational resilience and successful crisis management, still focused on the following key objectives: (i) protecting the health and safety of its collaborators and clients; (ii) guaranteeing the continuity of its activities and services to the clients; (iii) communicating pro-actively and openly to all stakeholders; and (iv) assuming the responsibilities to be meaningful and inspiring for Belgian society. Belfius has strictly applied all governments' directives. Telework remained the absolute standard work organization in the first semester of 2021. More than 95% of all collaborators continued to work exclusively from home, as long as telework was compulsory. Finally, when the government announced the possible softening of its restrictions, a scenario was prepared to enable a safe and voluntary return to the offices, to be rolled out over the coming months.

In any case, Belfius will show resilience and will continue to adapt to further evolutions of this pandemic.

# Corporate governance

## Composition of the Management Board and the Board of Directors of Belfius Bank

### 1. Management Board

On 30 June 2021 and since 1 January 2019, the Management Board of Belfius Bank consists of five members:

| | |
|---|---|
| Chairman | Marc Raisière |
| Members | Marianne Collin |
| | Dirk Gyselinck |
| | Olivier Onclin |
| | Johan Vankelecom |

In addition, the Management Board appointed three associated members. They took up their position on 1 January 2019. These are Mr. Patrick Devis, IT manager, Mrs. Camille Gillon, HR & Building Management manager and Mr. Geert Van Mol, Data & Digital manager. The associated members attend the meetings of the Management Board in an advisory capacity.

Within the Management Board of Belfius Bank, the financial conglomerate dimensions received a focused attention. To this end the agenda of the Management Board includes since 2020, at this least on a quarterly basis, a Group Financial Conglomerate Review (GFCR). This GFCR aims at contributing to enable an optimal integration across the Belfius Group. The GFCR covers the following topics:

- overview and analysis of operational and financial/risk performance of the subsidiaries;
- overview and analysis of financial conglomerate solvency, of material risk concentrations, of intercompany deals and conflicts of interests (if any);
- check of compliance of the strategies, solvency and risk profiles of the subsidiaries with the strategy, solvency and risk profile of the Belfius Group as defined and validated by the Board of Directors of Belfius Bank.

Given its size, the GFCR will also pay special attention to Belfius Insurance. As such, a number of additional topics will also be covered, including among others its strategic plan, its capital and dividend policy, and stress tests (integrated in the Group stress tests).

The Chief Corporate Strategy & Deputy Chief Financial Officer participates at the GFCR without voting power.

For topics regarding Belins, the CEO, CFO and CRO of Belins are invited to the Management Board of Belfius Bank without voting power.

For topics regarding other subsidiaries, the CEO of the subsidiary can also be invited to the Management Board of Belfius Bank without voting power.

A Group Committee is also established and is composed of the members of the Management Board of Belfius Bank, and the CEO and CFO of Belfius Insurance with voting power.

The objective of the Group Committee is to work together as a Group in the best possible way by sharing information between the Group entities, by discussing common topics and required actions, by determining how Belfius Group can implement its Group strategy and policies in the most efficient way.

The Group Committee treats important "group topics" impacting different entities of the Belfius Group (Belfius Bank, Belfius Insurance, Belfius Investment Partners and their respective main subsidiaries) that are not discussed in the Group Financial Conglomerate Review or in other committees (such as Alco, Management Committees of the business units, Brand Committee, …) and for which a group alignment is necessary.

### 2. Board of Directors

On 30 June 2021, the Board of Directors had sixteen members, five of whom are members of the Management Board.

The Board of Directors noted the desire of Mr. Jozef (Jos) Clijsters to end his mandate as chairman of the Board of Directors and independent director of Belfius Bank at the ordinary General Meeting of Shareholders in 2021. The Board of Directors has therefore decided to appoint Mr. Chris Sunt as chairman of the Board of Directors at the close of the Ordinary General Meeting of Shareholders in 2021.

Mr. Jean-Pierre Delwart also expressed his intention to end his mandate as independent director at the Ordinary General Meeting of Shareholders in 2021.

The end of their directorships was acted by the Ordinary General Meeting of Shareholders of 28 April 2021.

The Ordinary Shareholders' Meeting of 28 April 2021 appointed Mr. Bruno Brusselmans and Mr. Peter Hinssen as independent directors for a period of 4 years to end at the close of the Ordinary Shareholders' Meeting in 2025.

The Ordinary Shareholders' Meeting of 29 April 2020 also renewed the directorships of Messrs Chris Sunt, Marc Raisière and Mrs. Diane Rosen for a period of 4 years to end at the close of the Ordinary Shareholders' Meeting in 2025.

| Board of directors of Belfius Bank (30 June 2021) | Main function | Non-executive director | Member of the Management Board | Independent director | Audit Committee | Nomination Committee | Remuneration Committee | Risk Committee | Mediation Committee | Technology Committee |
|---|---|---|---|---|---|---|---|---|---|---|
| Chris Sunt | Chairman of the Board of Directors of Belfius Bank SA | ★ | | | | ■ | ■ | | ★ | |
| Marc Raisière | Chairman of the Management Board of Belfius Bank SA | | ★ | | | | | | | |
| Marianne Collin | Member of the Management Board of Belfius Bank SA<br>Chief Risk Officer, responsible for Risk Management & Compliance | | ■ | | | | | | | |
| Dirk Gyselinck | Member of the Management Board of Belfius Bank SA<br>Responsible for Wealth, Entreprises & Public | | ■ | | | | | | | |
| Olivier Onclin | Member of the Management Board of Belfius SA<br>Responsible for Private, Business & Retail Banking | | ■ | | | | | | | |
| Johan Vankelecom | Member of the Management Board of Belfius Bank SA<br>Chief Financial & Strategic Officer, Responsible for Corporate Strategy, M&A/Partnerships/Participations, Capital Management, Financial Conglomerate Steering and Investor Relations, ALM, Legal & Tax, Accounting, Strategic Planning and Performance Management (SPPM), Strategic Research & Belfius' Asset Management. | | ■ | | | | | | | |
| Paul Bodart | Director of companies and non-profit organisations | ■ | | ■ | ■ | | | | | ★ |
| Bruno Brusselmans | Chief Information Officer at Luminus-EDF Group | ■ | | ■ | | | | | | ■ |
| Martine De Rouck | Consultant | ■ | | ■ | ■ | | | ■ | ■ | |
| Carine Doutrelepont | Lawyer and full Professor at the Université Libre de Bruxelles | ■ | | ■ | | | | | ■ | ■ |
| Peter Hinssen | Entrepreneur, keynote speaker and author | ■ | | ■ | | | | | | ■ |
| Georges Hübner | Full Professor at the HEC Liège, Liège University | ■ | | ■ | ★ | | | ■ | | |
| Isabel Neumann | Non-executive Director at King's college London University | ■ | | ■ | | | | ■ | | ■ |
| Diane Rosen | Director at Exochange SRL | ■ | | ■ | ■ | ■ | ■ | | | |
| Lutgart Van den Berghe | Emeritus extraordinary professor at the University of Ghent and emeritus part-time professor at the Vlerick Business School | ■ | | ■ | | ★ | ★ | | | |
| Rudi Vander Vennet | Full Professor in Financial Economics and Banking at the University of Ghent and lecturer Banking and Insurance at Solvay Business School (ULB) | ■ | | ■ | | | | ★ | | |

★ Chairman

# Material litigation

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and taxpayer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events,
- it is probable that Belfius will have to make a payment, and
- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not[1]. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. For litigations for which no provision has been made, such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

## 1. Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded.

The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known. No provision has been made for this claim.

## 2. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in two separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels and another procedure before the Court of First Instance of Brussels:

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. On 16 November 2020, a further "Deminor" procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they will be treated together.
  The plaintiffs have requested that the Brussels Court rules, among other things:
  - in first order, that the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;
  - that the defendants should therefore, in solidum, reimburse the plaintiffs for their financial contribution in these entities plus interest;
  - in the alternative, a compensation is asked to Belfius Bank for an alleged violation of the information duty; and
  - that the defendants are liable for certain additional damages to the plaintiffs.

(1) Note that, where relevant, Art. 92 of IAS37 may apply to this section.

The historical financial contribution of the 2,169 plaintiffs to the Arco Group entities, for which reimbursement is claimed, amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. In the meantime, the VZW Arcoclaim also intervenes in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/shareholders). On 1 February 2021, Belfius Bank submitted its final legal briefs. The case has been pleaded during several pleading sessions in June 2021. Considering standard timings of proceedings before the Commercial Court of Brussels, a judgment could be issued before end 2021.

→ Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 February 2018 to intervene in this procedure and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of end June 2020, approximately 5,380 Arco shareholders did so. The VZW Arcoclaim also intervenes in this litigation procedure. There is not yet a pleading calendar in this case.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

## 3. Funding Loss

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law.

## 4. Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

## 5. Investigation by public prosecutor into the activities of an independent bank agency

Public prosecution has been initiated, a.o. against Belfius Bank, for its alleged role in potential fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations. After consultation of the criminal file in 1H 2021, Belfius continues to believe that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit. No provision has been booked for this case.

# Certificate of a responsible Person

I, Johan Vankelecom, Member of the Board of Directors, Member of the Management Board and Chief Financial and Strategic Officer of Belfius Bank SA, certify, on behalf of the Board of Directors, that, to the best of my knowledge,

**A.** the condensed consolidated interim financial statements, for the period ended 30 June 2021, have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and all the undertakings included in the consolidation;

**B.** the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Brussels, 5 August 2021

**For the Board of Directors**

Johan Vankelecom
Member of the Board of Directors
Member of the Management Board
Chief Financial and Strategic Officer

# Condensed consolidated interim financial statements 1H 2021

This section has been reviewed by the auditors

This section has been reviewed by the auditors

# Condensed consolidated interim balance sheet

| Assets<br>(in thousands of EUR) | | Notes | 31/12/20 | 30/06/21 |
|---|---|---|---|---|
| I. | Cash and balances with central banks PF[1] | 5.1. | 25,433,781 | 33,721,380 |
| II. | Loans and advances due from credit institutions | 5.2. | 11,911,684 | 10,596,494 |
| | A. Measured at amortised cost PF[1] | | 11,911,684 | 10,596,494 |
| | B. Measured at fair value through other comprehensive income | | 0 | 0 |
| | C. Measured at fair value through profit or loss | | 0 | 0 |
| III. | Loans and advances | 5.3. | 98,108,050 | 100,103,844 |
| | A. Measured at amortised cost | | 96,811,908 | 98,872,136 |
| | B. Measured at fair value through other comprehensive income | | 0 | 8,638 |
| | C. Measured at fair value through profit or loss | | 1,296,142 | 1,223,070 |
| IV. | Debt securities & equity instruments | 5.4. | 28,848,865 | 28,347,749 |
| | A. Measured at amortised cost | | 22,039,067 | 21,745,763 |
| | B. Measured at fair value through other comprehensive income | | 5,170,430 | 4,910,105 |
| | C. Measured at fair value through profit or loss | | 1,639,368 | 1,691,881 |
| V. | Unit linked products insurance activities | | 3,813,059 | 4,227,511 |
| VI. | Derivatives | 5.5. | 12,188,113 | 9,752,470 |
| VII. | Gain/loss on the hedged item in portfolio hedge of interest rate risk | 5.5. | 4,631,922 | 3,980,765 |
| VIII. | Investments in equity method companies | | 98,880 | 90,250 |
| IX. | Tangible fixed assets | | 1,189,898 | 1,164,467 |
| X. | Intangible assets | | 195,833 | 200,991 |
| XI. | Goodwill | | 103,966 | 103,966 |
| XII. | Tax assets | | 403,390 | 422,477 |
| | A. Current tax assets | | 33,622 | 81,084 |
| | B. Deferred tax assets | | 369,769 | 341,393 |
| XIII. | Technical insurance provisions - part of the reinsurer | | 107,075 | 104,382 |
| XIV. | Other assets | 5.6. | 931,216 | 1,117,437 |
| XV. | Non current assets (disposal group) held for sale and discontinued operations | | 25,700 | 27,741 |
| TOTAL ASSETS | | | 187,991,433 | 193,961,925 |

(1) Pro forma due to refinement of presentation.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

## Liabilities

| (in thousands of EUR) | | Notes | 31/12/20 | 30/06/21 |
|---|---|---|---|---|
| I. | Cash and balances from central banks | 6.1. | 14,173,519 | 15,676,144 |
| II. | Credit institutions borrowings and deposits | 6.2. | 5,008,193 | 6,615,913 |
| | A. Measured at amortised cost | | 5,008,193 | 6,615,913 |
| | B. Measured at fair value through profit or loss | | 0 | 0 |
| III. | Borrowings and deposits | 6.3. | 95,337,975 | 99,364,177 |
| | A. Measured at amortised cost | | 95,286,940 | 99,312,904 |
| | B. Measured at fair value through profit or loss | | 51,036 | 51,272 |
| IV. | Debt securities issued and other financial liabilities | 6.4. | 24,402,198 | 26,731,798 |
| | A. Measured at amortised cost | | 16,068,804 | 18,452,374 |
| | B. Measured at fair value through profit or loss | | 8,333,394 | 8,279,424 |
| V. | Unit linked products insurance activities | | 3,813,059 | 4,227,511 |
| VI. | Derivatives | 5.6. | 18,310,156 | 14,877,895 |
| VII. | Gain/loss on the hedged item in portfolio hedge of interest rate risk | 5.6. | 373,447 | 209,494 |
| VIII. | Provisions for insurance activities | 6.5. | 12,659,377 | 12,034,185 |
| IX. | Provisions and contingent liabilities | 6.6. | 624,107 | 537,421 |
| X. | Subordinated debts | 6.7. | 1,150,681 | 1,133,851 |
| | A. Measured at amortised cost | | 1,150,681 | 1,133,851 |
| | B. Measured at fair value through profit or loss | | 0 | 0 |
| XI. | Tax liabilities | | 84,660 | 59,941 |
| | A. Current tax liabilities | | 68,470 | 46,134 |
| | B. Deferred tax liabilities | | 16,190 | 13,806 |
| XII. | Other liabilities | | 1,320,664 | 1,401,641 |
| XIII. | Liabilities included in disposal group and discontinued operations | | 0 | 0 |
| TOTAL LIABILITIES | | | 177,258,036 | 182,869,970 |

## Equity

| (in thousands of EUR) | | Notes | 31/12/20 | 30/06/21 |
|---|---|---|---|---|
| XIV. | Subscribed capital | | 3,458,066 | 3,458,066 |
| XV. | Additional paid-in capital | | 209,232 | 209,232 |
| XVI. | Treasury shares | | 0 | 0 |
| XVII. | Reserves and retained earnings | | 5,616,576 | 6,077,431 |
| XVIII. | Net income for the period | | 531,615 | 405,691 |
| CORE SHAREHOLDERS' EQUITY | | | 9,815,490 | 10,150,420 |
| XIX. | Fair value changes of debt instruments measured at fair value through other comprehensive income | | 213,853 | 148,990 |
| XX. | Fair value changes of equity instruments measured at fair value through other comprehensive income | | 121,161 | 156,829 |
| XXI. | Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income | | 0 | 0 |
| XXII. | Fair value changes of derivatives following cash flow hedging | | (68,761) | (80,370) |
| XXIII. | Remeasurement pension plans | | 69,161 | 126,468 |
| XXIV. | Discretionary participation features of insurance contracts | | 57,552 | 65,407 |
| XXV. | Other reserves | | 208 | 208 |
| GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME | | | 393,173 | 417,531 |
| TOTAL SHAREHOLDERS' EQUITY | | | 10,208,663 | 10,567,951 |
| XXVI. | Additional Tier-1 instruments included in equity | | 497,083 | 497,083 |
| XXVII. | Non-controlling interests | | 27,651 | 26,921 |
| TOTAL EQUITY | | | 10,733,397 | 11,091,955 |
| TOTAL LIABILITIES AND EQUITY | | | 187,991,433 | 193,961,925 |

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

# Condensed consolidated interim statement of income

| (in thousands of EUR) | | Notes | 30/06/20 | 30/06/21 |
|---|---|---|---|---|
| I. | Interest income | 7.1. | 1,689,616 | 1,664,426 |
| II. | Interest expense | 7.1. | (707,571) | (676,238) |
| III. | Dividend income | | 29,568 | 43,895 |
| IV. | Net income from equity method companies | | 2,478 | 1,754 |
| V. | Net income from financial instruments at fair value through profit or loss | 7.2. | (51,572) | 35,158 |
| VI. | Net income on investments and liabilities | 7.3. | 58,683 | 6,934 |
| VII. | Fee and commission income | 7.4. | 396,235 | 457,512 |
| VIII. | Fee and commission expenses | 7.4. | (84,768) | (85,662) |
| IX. | Technical result from insurance activities | 7.5. | 30,157 | 51,137 |
| | A. Gross earned premiums | | 709,091 | 730,083 |
| | B. Other technical income and charges | | (678,934) | (678,946) |
| X. | Other income | 7.6. | 93,561 | 116,044 |
| XI. | Other expenses | 7.7. | (324,741) | (382,891) |
| INCOME | | | 1,131,647 | 1,232,070 |
| XII. | Staff expenses | | (301,087) | (302,378) |
| XIII. | General and administrative expenses | | (245,384) | (251,794) |
| XIV. | Network costs | | (103,290) | (108,514) |
| XV. | Depreciation and amortisation of fixed assets | | (61,043) | (56,925) |
| EXPENSES | | | (710,804) | (719,611) |
| NET INCOME BEFORE TAX AND IMPAIRMENTS | | | 420,843 | 512,459 |
| XVI. | Impairments on financial instruments and provisions for credit commitments | | (392,695) | 30,543 |
| XVII. | Impairments on tangible and intangible assets | | (2,414) | (720) |
| XVIII. | Impairments on goodwill | | 0 | 0 |
| NET INCOME BEFORE TAX | | | 25,734 | 542,281 |
| XIX. | Current tax (expense) income | | (74,589) | (104,589) |
| XX. | Deferred tax (expense) income | | 69,648 | (31,727) |
| Total tax (expense) income | | | (4,941) | (136,316) |
| NET INCOME AFTER TAX | | | 20,793 | 405,965 |
| XXI. | Discontinued operations (net of tax) | | 0 | 0 |
| NET INCOME | | | 20,793 | 405,965 |
| Attributable to non-controlling interests | | | (686) | 274 |
| Attributable to equity holders of the parent | | | 21,479 | 405,691 |

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

# Condensed consolidated interim statement of comprehensive income

| (in thousands of EUR) | 30/06/20 PF Before-tax amount | 30/06/20 PF Tax (expense) income | 30/06/20 PF Net-of-tax amount | 30/06/21 Before-tax amount | 30/06/21 Tax (expense) income | 30/06/21 Net-of-tax amount |
|---|---|---|---|---|---|---|
| RESULT RECOGNISED IN THE STATEMENT OF INCOME | 25,734 | (4,941) | 20,793 | 542,281 | (136,316) | 405,965 |
| OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS | | | | | | |
| Fair value changes of equity instruments measured at fair value through other comprehensive income PF[(1)(2)] | (165,909) | 10,162 | (155,747) | 47,712 | (190) | 47,522 |
| Remeasurement pension plans[(3)] | (9,978) | 2,494 | (7,484) | 76,410 | (19,103) | 57,308 |
| Other movements | (2) | 0 | (2) | 0 | 0 | 0 |
| TOTAL OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS | (175,889) | 12,656 | (163,233) | 124,122 | (19,293) | 104,830 |
| OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS | | | | | | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income[(4)] | (96,926) | 24,450 | (72,476) | (86,639) | 21,774 | (64,865) |
| Gains (losses) on cash flow hedges[(5)] | (18,016) | 3,579 | (14,437) | (16,468) | 4,859 | (11,609) |
| Discretionary participation features of insurance contracts[(6)] | 652 | (132) | 520 | 9,607 | (1,752) | 7,855 |
| TOTAL OF OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS | (114,290) | 27,897 | (86,392) | (93,500) | 24,881 | (68,619) |
| OTHER COMPREHENSIVE INCOME | (290,179) | 40,553 | (249,626) | 30,622 | 5,588 | 36,210 |
| TOTAL COMPREHENSIVE INCOME | (264,445) | 35,612 | (228,833) | 572,903 | (130,728) | 442,175 |
| Attributable to equity holders of the parent | (267,034) | 35,486 | (231,548) | 574,477 | (130,668) | 443,809 |
| Attributable to non-controlling interests[(7)] | 2,589 | 126 | 2,715 | (1,574) | (60) | (1,634) |

(1) The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 36 million, or 29.4%, to EUR 157 million (31 December 2020: EUR 121 million), due to increasing stock markets, partially offset by the recognition of a shadow loss of EUR 77 million (after tax) compared with EUR 66 million (after tax) per end 2020.
(2) Pro forma for refined presentation of transfers to retained earnings due to the sale of equity instruments irrevocably measured through other comprehensive income for EUR 43.7 million per 1H 2020.
(3) The remeasurement of defined benefit plans increased by EUR 57 million, or 82.9%, to EUR 126 million (31 December 2020: EUR 69 million), due mainly to the effect of an increase in the discount rate and the positive return on plan assets.
(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 65 million, or 30.3%, to EUR 149 million (31 December 2020: EUR 214 million) and stems from higher interest rates compared with last year, partially offset by the recognition of a shadow loss of EUR 127 million (after tax) compared with EUR 170 million (after tax) per end 2020.
(5) Gains (losses) on cash flow hedges decreased by EUR 12 million to EUR -80 million (31 December 2020: EUR -69 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.
(6) The discretionary participation feature of insurance contracts increased by EUR 8 million, or 13.6%, to EUR 65 million (31 December 2020: EUR 58 million). The total amount of future profit sharing amounts to EUR 156 million. An amount of EUR 74 million was recorded through the statement of income compared with EUR 84 million at year-end 2020. The remaining EUR 82 million (EUR 72 million after tax) is accounted for via equity.
(7) The non-controlling interests are mainly related to the minority stakes in Capline, Jaimy and Jane.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

Gains and losses not recognised in the statement of income increased by EUR 24 million, or 6.2%, to EUR 418 million (31 December 2020: EUR 393 million). The contribution of the Belfius Banking Group amounted to EUR 92 million (increase of EUR 45 million) and the Belfius Insurance Group to EUR 326 million (decrease of EUR 20 million).

Net income before tax increased by EUR 516.5 million to EUR 542 million (30 June 2020: EUR 26 million). Belfius Banking Group contributed EUR 387 million (30 June 2020: EUR -102 million) and Belfius Insurance Group contributed EUR 155 million (30 June 2020: EUR 127 million).

The 1H 2021 result amounted to EUR 406 million, significantly higher than 1H 2020 which was severely impacted by the Covid-19 pandemic. The results of 1H 2021 are supported by an excellent fee performance (EUR 372 million, an increase of EUR 60 million) as well as resilient interest income (EUR 988 million, an increase of EUR 6 million) thanks to the strong commercial activity as well as the TLTRO III advantageous interest rate. While the impairments on financial instruments and provisions for credit commitments was significantly negatively impacted in 1H 2020 for EUR -393 million, a reversal of EUR 31 million can be noted in 1H 2021 following the improved macro-economic factors and reversal of Covid-19 overlays on moratory, sensitive sectors and individual names.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

# Condensed consolidated interim statement of changes in equity

## 1. 2020

| (in thousands of EUR) | Subscribed capital | Additional paid-in capital | Reserves and retained earnings | Net income for the period | Core shareholders' equity | Total gains and losses not recognised in profit and loss - Group share | Additional Tier-1 instruments included in equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| AS AT 31 DECEMBER 2019 | 3,458,066 | 209,232 | 5,013,573 | 667,496 | 9,348,367 | 635,605 | 497,083 | 24,945 | 10,506,000 |
| Movements of the period | | | | | | | | | |
| Result recognized in the statement of income | 0 | 0 | 0 | 21,479 | **21,479** | 0 | 0 | (686) | **20,793** |
| Other comprehensive income | 0 | 0 | 0 | 0 | **0** | (252,951) | 0 | 3,325 | **(249,626)** |
| **TOTAL COMPREHENSIVE INCOME** | **0** | **0** | **0** | **21,479** | **21,479** | **(252,951)** | **0** | **2,638** | **(228,834)** |
| Transfers to reserves | 0 | 0 | 667,496 | (667,496) | **0** | 0 | 0 | 0 | **0** |
| Dividends | 0 | 0 | 0 | 0 | **0** | 0 | 0 | (484) | **(484)** |
| Dividends Additional Tier 1 | 0 | 0 | (6,797) | 0 | **(6,797)** | 0 | 0 | 0 | **(6,797)** |
| Variation of scope of consolidation[1] | 0 | 0 | 345 | 0 | **345** | 0 | 0 | (661) | **(316)** |
| Other movements[2] | 0 | 0 | 2 | 0 | **2** | 0 | 0 | 461 | **463** |
| Transfers from OCI due to sale of equity instruments | 0 | 0 | (43,748) | 0 | **(43,748)** | 43,748 | 0 | 0 | **0** |
| AS AT 30 JUNE 2020 | 3,458,066 | 209,232 | 5,630,871 | 21,479 | 9,319,649 | 426,403 | 497,083 | 26,899 | 10,270,034 |

(1) Variations in the scope of consolidation relate to increases of our shareholding in Jane and Jaimy and a decrease in our shareholding in M80.
(2) Other movements mainly relate to the net income attributable to non-controlling interests in Capline, Jaimy and Jane.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements

| Gains and losses not recognised in the statement of income (in thousands of EUR) | Other comprehensive income that may be reclassified to profit or loss: Fair value changes of debt instruments measured at fair value through other comprehensive income | Other comprehensive income that may be reclassified to profit or loss: Gains (losses) on cash flow hedges | Other comprehensive income that may be reclassified to profit or loss: Discretionary participation features of insurance contracts[1] | Other comprehensive income that will not be reclassified to profit and loss: Unrealised result of property revaluation | Other comprehensive income that will not be reclassified to profit and loss: Fair value changes of equity instruments measured at fair value through other comprehensive income[2] | Other comprehensive income that will not be reclassified to profit and loss: Remeasurement pension plans | Total gains and losses not recognised in profit and loss - Group share | Total gains and losses not recognised in profit and loss - Non controlling interests |
|---|---|---|---|---|---|---|---|---|
| AS AT 31 DECEMBER 2019 | 336,856 | (81,709) | 33,212 | 212 | 262,716 | 84,319 | 635,605 | 6,583 |
| Movements of the period | | | | | | | | |
| Net change in fair value through other comprehensive income - debt instruments[3] | 7,830 | 0 | 520 | 0 | 0 | 0 | 8,350 | 0 |
| Transfer to income due to impairments - debt instruments | 568 | 0 | 0 | 0 | 0 | 0 | 568 | (4) |
| Transfer to income due to disposals - debt instruments[4] | (21,314) | 0 | 0 | 0 | 0 | 0 | (21,314) | 0 |
| Net change in fair value through other comprehensive income - equity instruments | 0 | 0 | 0 | 0 | (151,937) | 0 | (151,937) | 3,314 |
| Net change in fair value through equity – derivatives - hedging reserve[5] | 0 | (14,425) | 0 | 0 | 0 | 0 | (14,425) | 0 |
| Net change in cash flow hedge reserve due to transfers to income | 0 | (12) | 0 | 0 | 0 | 0 | (12) | 0 |
| Transfers to technical provisions of insurance companies[6] | (59,546) | 0 | 0 | 0 | (7,149) | 0 | (66,695) | 0 |
| Remeasurement pension plans[7] | 0 | 0 | 0 | 0 | 0 | (7,484) | (7,484) | 0 |
| Transfers | 0 | 0 | 0 | (2) | 0 | 0 | (2) | 0 |
| Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income | 0 | 0 | 0 | 0 | 43,748 | 0 | 43,748 | 76 |
| Other movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| AS AT 30 JUNE 2020 | 264,394 | (96,146) | 33,732 | 210 | 147,377 | 76,835 | 426,403 | 9,984 |

(1) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life). The discretionary participation feature of insurance contracts increased with EUR 1 million, 1.6%, to EUR 34 million (31 December 2019: EUR 33 million). The total amount of future profit sharing amounts to EUR 149 million. As at 30 June 2020 an amount of EUR 102 million was recorded through the statement of income compared to EUR 103 million at year end 2019. The remaining EUR 34 million (after tax) is accounted via equity.
(2) The fair value of equity instruments measured at fair value through other comprehensive income decreased with EUR 115 million, 43.9%, to EUR 147 million (31 December 2019: EUR 263 million), due to declining stock markets following the Covid-19 pandemic and the recognition in application of shadow accounting of EUR 7 million (after tax), balanced by some disposals. Transfers to retained earnings due to disposals of equity instruments irrevocably measured through other comprehensive income amounted to EUR +44 million.
(3) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 72 million, 21.5%, to EUR 264 million (31 December 2019: EUR 337 million), and stems from higher credit spreads and realised gains resulting from disposals by Belfius Insurance as well as from the recognition in application of shadow accounting of EUR 59 million (after tax), partially offset by lower interest rates compared to last year.
(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 21 million as a result of disposals by Belfius Insurance.
(5) Gains (losses) on cash flow hedges decreased with EUR 14 million to EUR -96 million (31 December 2019: EUR -82 million), mainly due to the changes in basis spreads on derivative positions in GBP and USD.
(6) These transfers concern amounts after tax following the application of shadow accounting on segregated accounts, whereby part of the unrealised profits from financial assets measured at fair value through other comprehensive income is used as cover value for the payments of the obligations for insurance contracts and is therefore transferred to the technical reserves for insurance contracts.
(7) The remeasurement of defined benefit plans decreased with EUR 7 million, 8.9%, to EUR 77 million (31 December 2019: EUR 84 million), due to the negative return on plan assets, partially compensated by a slight increase in the discount rate.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

# 2. 2021

| (in thousands of EUR) | Subscribed capital | Additional paid-in capital | Reserves and retained earnings[3] | Net income for the period | Core shareholders' equity | Total gains and losses not recognised in profit and loss - Group share | Additional Tier-1 instruments included in equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| AS AT 31 DECEMBER 2020 | 3,458,066 | 209,232 | 5,616,576 | 531,615 | 9,815,490 | 393,173 | 497,083 | 27,651 | 10,733,397 |
| Movements of the period | | | | | | | | | |
| Result recognized in the statement of income | 0 | 0 | 0 | 405,691 | 405,691 | 0 | 0 | 274 | 405,965 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 37,471 | 0 | (1,261) | 36,210 |
| TOTAL COMPREHENSIVE INCOME | 0 | 0 | 0 | 405,691 | 405,691 | 37,471 | 0 | (986) | 442,175 |
| Transfers to reserves | 0 | 0 | 531,615 | (531,615) | 0 | 0 | 0 | 0 | 0 |
| Dividends[1] | 0 | 0 | (77,000) | 0 | (77,000) | 0 | 0 | 179 | (76,821) |
| Dividends Additional Tier 1 | 0 | 0 | (6,797) | 0 | (6,797) | 0 | 0 | 0 | (6,797) |
| Variation of scope of consolidation[2] | 0 | 0 | (77) | 0 | (77) | 0 | 0 | 78 | 1 |
| Other movements | 0 | 0 | (0) | 0 | (0) | 0 | 0 | 0 | (0) |
| Transfers from OCI due to sale of equity instruments | 0 | 0 | 13,113 | 0 | 13,113 | (13,113) | 0 | 0 | (0) |
| AS AT 30 JUNE 2021 | 3,458,066 | 209,232 | 6,077,431 | 405,691 | 10,150,420 | 417,531 | 497,083 | 26,921 | 11,091,955 |

(1) Belfius paid EUR 77 million as dividend over the result of 2020, in line with the restrictions on dividend distribution based on the ECB recommendation.
(2) Variations in the scope of consolidation relate to variations in our shareholding mainly in Jane and Jaimy.
(3) Reserves include amongst other statutory and available reserves.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

## Gains and losses not recognised in the statement of income

| (in thousands of EUR) | Other comprehensive income that may be reclassified to profit or loss | | | Other comprehensive income that will not be reclassified to profit and loss | | | Total gains and losses not recognised in profit and loss - Group share | Total gains and losses not recognised in profit and loss - Non controlling interests |
|---|---|---|---|---|---|---|---|---|
| | Fair value changes of debt instruments measured at fair value through other comprehensive income[1] | Gains (losses) on cash flow hedges | Discretionary participation features of insurance contracts[2] | Unrealised result of property revaluation | Fair value changes of equity instruments measured at fair value through other comprehensive income[3] | Remeasurement pension plans | | |
| **AS AT 31 DECEMBER 2020** | **213,853** | **(68,761)** | **57,552** | **208** | **121,161** | **69,161** | **393,173** | **10,555** |
| Movements of the period | | | | | | | | |
| Net change in fair value through other comprehensive income - debt instruments | (113,308) | 0 | 7,855 | 0 | 0 | 0 | (105,453) | 0 |
| Transfer to income due to impairments - debt instruments | (486) | 0 | 0 | 0 | 0 | 0 | (486) | (0) |
| Transfer to income due to disposals - debt instruments[4] | (1,580) | 0 | 0 | 0 | 0 | 0 | (1,580) | 0 |
| Net change in fair value through other comprehensive income - equity instruments | 0 | 0 | 0 | 0 | 64,274 | 0 | 64,274 | (1,260) |
| Net change in fair value through equity – derivatives - hedging reserve[5] | 0 | (11,529) | 0 | 0 | 0 | 0 | (11,529) | 0 |
| Net change in cash flow hedge reserve due to transfers to income | 0 | (80) | 0 | 0 | 0 | 0 | (80) | 0 |
| Foreign exchange adjustments | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| Transfers to technical provisions of insurance companies[6] | 50,518 | 0 | 0 | 0 | (15,494) | 0 | 35,024 | 0 |
| Remeasurement pension plans[7] | 0 | 0 | 0 | 0 | 0 | 57,308 | 57,308 | 0 |
| Transfers to retained earnings due to sale of equity instruments irrevocably measured through other comprehensive income | 0 | 0 | 0 | 0 | (13,113) | 0 | (13,113) | (647) |
| **AS AT 30 JUNE 2021** | **148,997** | **(80,370)** | **65,407** | **208** | **156,829** | **126,468** | **417,538** | **8,647** |

(1) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 65 million, or 30.3%, to EUR 149 million (31 December 2020: EUR 214 million) and stems from higher interest rates compared with last year, partially offset by the recognition of shadow loss of EUR 127 million (after tax) compared with EUR 170 million (after tax) in December 2020.

(2) Discretionary beneficiary participation is a contractual, but conditional entitlement to receive additional profits over and above a guaranteed return on insurance contracts (life). The discretionary participation feature of insurance contracts increased by EUR 8 million, or 13.6%, to EUR 65 million (31 December 2020: EUR 58 million). The total amount of future profit sharing amounts to EUR 156 million. An amount of EUR 74 million was recorded through the statement of income compared with EUR 84 million at year-end 2020. The remaining EUR 82 million (EUR 72 million after tax) is accounted for via equity.

(3) The fair value of equity instruments measured at fair value through other comprehensive income increased by EUR 36 million, or 29.4%, to EUR 157 million (31 December 2020: EUR 121 million), relating to increased stock markets, partially offset by the recognition of a shadow loss of EUR 77 million (after tax) compared with EUR 66 million (after tax) in December 2020.

(4) The fair value of debt instruments measured at fair value through other comprehensive income decreased with EUR 2 million as a result of sales by Belfius Insurance.

(5) Gains (losses) on cash flow hedges decreased by EUR 12 million to EUR -80 million (31 December 2020: EUR -69 million), due mainly to the changes in basis spreads on derivative positions in GBP and USD.

(6) These transfers concern amounts after tax following the application of shadow accounting of EUR 25 million (compared to EUR 37 million in December 2020) and the recognition of a shadow loss adjustment of EUR 204 million (compared to EUR 236 million in December 2020), whereby part of the unrecognized unrealised gains on financial assets not measured at fair value (f.e. bonds in hold to collect strategy, loans, etc) and recognized unrealised gains on financial assets measured at fair value through other comprehensive income are used as cover value for the payments of the obligations for insurance contracts and if need be, part of the latter are transferred to the technical reserves for insurance contracts, through shadow accounting. More specifically, Belfius compares the difference between a best estimate of its technical provisions and the initially recognized technical provisions, increased with the recognized unrealised gains on financial assets measured at fair value through other comprehensive income and the unrecognized unrealized gains on its financial assets that are not measured at fair value. If there are insufficient unrealized gains on financial assets not measured at fair value to offset the gap between a best estimate and the initially recognized technical provisions, a reclassification is performed from recognized unrealized gains in OCI towards the technical reserve. If there would be insufficient recognized unrealised gains in OCI, the remainder would be provisioned for via P&L. The decrease of EUR 43 million in shadow loss stems mainly from the increase in interest rates over the first semester, partially compensated by lower credit spreads and the negative impact of the revision of non-financial assumptions for the calculation of the Best Estimate Life.

(7) The remeasurement of defined benefit plans increased by EUR 57 million, or 82.9%, to EUR 126 million (31 December 2020: EUR 69 million), due mainly to the effect of an increase in the discount rate and the positive return on plan assets.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

| Equity | 30/06/20 | 30/06/21 |
|---|---|---|
| BY CATEGORY OF SHARE | | |
| Number of shares authorised and not issued | 0 | 0 |
| Number of shares issued and fully paid | 359,412,616 | 359,412,616 |
| Number of shares issued and not fully paid | 0 | 0 |
| Earnings per share (EUR) | | |
| Ordinary | 0.06 | 1.13 |
| Diluted | 0.06 | 1.13 |
| NOMINAL VALUE PER SHARE | no nominal value | no nominal value |
| Outstanding as at 1 January | 359,412,616 | 359,412,616 |
| Number of shares issued | 0 | 0 |
| Number of shares cancelled | 0 | 0 |
| Outstanding as at 31 December | 359,412,616 | 359,412,616 |
| Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital | 0 | 0 |
| Number of treasury shares | 0 | 0 |
| Number of shares reserved for issue under stock options and contracts for the sale of share | 0 | 0 |

Refer to the Capital Management chapter of the Management Report for further information on the changes of regulatory own funds and the solvency of Belfius.

### Shared-based payments

There are no option plans with Belfius shares as underlying asset.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

# Condensed consolidated interim cash flow statement

Belfius uses the indirect method for the cash flow statement. The presentation of this statement begins with net income, with subsequent additions to and deductions from that amount for non-cash items, resulting in net cash provided by operating activities.

| (in thousands of EUR) | 30/06/20 | 31/12/20 | 30/06/21 |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net income attributable to equity holders of the parent | 21,479 | 531,615 | 405,691 |
| Net income attributable to non-controlling interests | (686) | 9 | 274 |
| ADJUSTMENT FOR NON CASH ITEMS | 418,645 | 486,768 | (17,485) |
| Depreciation, amortisation and other impairment | 75,456 | 193,164 | 69,363 |
| Impairment on bonds, loans and other assets | 282,083 | 299,486 | (59,076) |
| Net (gains) or losses on investments | (40,204) | (42,052) | (6,905) |
| Net (gains) or losses on tangible & intangible assets | (40,204) | (41,619) | (6,905) |
| Net (gains) or losses on consolidated shares & equity method companies | 0 | (433) | (0) |
| Increase / (decrease) of provisions (mainly insurance provision) | 61,643 | 89,243 | (19,703) |
| Unrealised (gains) or losses[1] | 110,086 | 30,679 | (32,591) |
| Net unrealised gains from cash flow hedges and discontinuations | 5 | (60) | (77) |
| Income from equity method companies | (2,478) | (4,848) | (1,754) |
| Dividends from equity method companies | 1,702 | 2,225 | 1,532 |
| Deferred taxes | (69,648) | (81,069) | 31,727 |
| Deferred tax income | (120,502) | (147,077) | (22,442) |
| Deferred tax charges | 50,854 | 66,008 | 54,169 |
| CHANGES IN OPERATING ASSETS | (5,085,157) | (1,836,229) | (37,418) |
| Loans and advances due from credit institutions | (1,298,905) | (284,209) | 1,882,040 |
| Loans and advances | (4,063,295) | (3,483,807) | (2,019,727) |
| Debt securities and equity instruments | 61,627 | 1,370,358 | 236,308 |
| Assets from insurance companies | (2,512) | (10,031) | (13,587) |
| Tax asset | 14,335 | 18,804 | (42,847) |
| Accrued income from financial assets | 43,471 | 305,226 | 69,325 |
| Other assets | 160,319 | 247,812 | (149,903) |
| Assets held for sale-other assets | (196) | (382) | 973 |
| CHANGES IN OPERATING LIABILITIES | 13,957,484 | 14,748,543 | 8,913,605 |
| Balances from central banks[2] | 9,056,679 | 10,219,162 | 1,578,082 |
| Loans and advances due to credit institutions | 1,303,077 | (810,449) | 1,607,425 |
| Customer borrowings and deposits | 7,056,277 | 9,864,322 | 4,053,830 |
| Debt securities and other financial liabilities | (2,482,762) | (3,125,824) | 2,340,711 |
| Technical provisions of insurance companies | (771,047) | (832,825) | (565,711) |
| Provisions and contingent liabilities | (31) | (65) | (0) |
| Tax liabilties | 24,151 | (13,890) | (1,616) |
| Accrued expenses on financial instruments | (63,027) | (462,160) | (139,128) |
| Other liabilities specific to insurance companies | (7,287) | 2,496 | 2,188 |
| Other liabilities | (158,546) | (92,223) | 37,824 |
| OTHER OPERATING FLOWS[3] | (1,114,578) | (668,298) | 389,426 |
| DERIVATIVES | 753,272 | 990,277 | (588,793) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 8,950,459 | 14,252,685 | 9,065,301 |

(1) This line item represents the fair value adjustments on financial instruments at fair value through profit or loss.
(2) Belfius drew EUR 1.4 billion from TLTRO III in 2021.
(3) Other operating flows include adjustments for non cash items and mainly consist of fair value adjustments.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

| (in thousands of EUR) | 30/06/20 | 31/12/20 | 30/06/21 |
|---|---|---|---|
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | (62,251) | (153,534) | (56,747) |
| Sales of fixed assets | 77,442 | 76,252 | 58,638 |
| Acquisitions of unconsolidated equity shares | (106,904) | (307,623) | (65,494) |
| Sale of unconsolidated equity shares(1) | 238,813 | 327,846 | 88,304 |
| Acquisitions of subsidiaries and of business units(2) | (25,235) | (25,546) | (36,833) |
| Sale of subsidiaries and of business units | 0 | 433 | 0 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 121,863 | (82,172) | (12,134) |
| | | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Issuance of new shares(3) | 0 | 0 | 917 |
| Dividends paid(4) | (7,281) | (14,095) | (83,618) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | (7,281) | (14,095) | (82,702) |
| | | | |
| NET CASH PROVIDED | 9,065,041 | 14,156,418 | 8,970,465 |
| of which cash outflow for leases | (3,020) | (6,066) | (2,947) |
| | | | |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD | 11,725,894 | 11,725,894 | 25,881,900 |
| Cash flow from operating activities | 8,950,459 | 14,252,685 | 9,065,301 |
| Cash flow from investing activities | 121,863 | (82,172) | (12,134) |
| Cash flow from financing activities | (7,281) | (14,095) | (82,702) |
| Effect of exchange rate changes on cash and cash equivalents | (428) | (413) | 418 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 20,790,508 | 25,881,900 | 34,852,784 |
| | | | |
| ADDITIONAL INFORMATION | | | |
| Income tax paid (included in line net cash provided (used) by operating activities) | (56,819) | (221,405) | (174,396) |
| Dividends received (included in line net cash provided (used) by operating activities) | 31,271 | 52,490 | 44,828 |
| Interest received (included in line net cash provided (used) by operating activities) | 1,723,212 | 3,674,971 | 1,733,646 |
| Interest paid (included in line net cash provided (used) by operating activities) | (748,874) | (1,821,496) | (798,142) |

(1) Belfius Insurance disposed equity instruments for risk and ALM purposes.
(2) Belfius Insurance acquired shareholdings in Immo St Michel, Philadelphus in 2020, and Alysea and Belfius Euro Loans in 2021.
(3) In 2021 new shares in Vicinity Affordable Housing Fund were issued to third parties.
(4) This line includes the dividend paid to the shareholder in 2021 (EUR 77 million) as well as interest paid on the Additional Tier 1 in 2020 (EUR 14 million) and 2021 (EUR 7 million) which is considered as a dividend under IFRS. Note that following the Covid-19 pandemic, the Board of Directors decided not to pay out any ordinary dividend over the result of 2019 (beyond the interim dividend of EUR 100 million already paid in August 2019), in line with the recommendation of the ECB, therefore there is no dividend paid to the shareholder in 2020.

The decrease of the adjustments for non cash items to EUR -17 million is mainly due to the decrease in impairments on loans following the macro-economic improvements in 1H 2021. In particular, Belfius has updated the underlying macro-economic scenarios as well as the management overlays in specific risk pockets, resulting in reversals of part of the stage 1 and 2 impairments accounted for in 2020. As well as the evolution of fair-value adjustments, the negative fair value adjustments on bonds due to higher interest rates despite lower credit spreads were compensated by the positive fair value adjustments on equity instruments as a result of improved equity markets. The operating assets and liabilities increased with EUR 8.9 billion as the growth of the customer deposits continued and Belfius drew from TLTRO III in 2021, which was partially deposited at the National Bank of Belgium.

Refer to the Liquidity Risk chapter of the Management Report for a detailed description of the liquidity position. Refer to note 5.1. Cash and cash equivalents.

The notes on pages 94 to 152 are an integral part of the condensed consolidated interim financial statements.

# Covid-19 crisis

Since the beginning of the Covid-19 crisis, Belfius has continuously and fully delivered on its societal role by providing the necessary liquidity and by granting deferred payments for individuals, companies and SMEs in temporary difficulties – and this with an overall contribution materially higher than its market share would have suggested:

- 25,740 company loans, in an amount of EUR 5.3 billion, benefited from deferred payments, including renewals on roll-over loans, to corporate and business customers;
- 13,855 leasing contracts of corporate and business customers similarly benefited from deferred payments in an amount of EUR 914 million;
- 424 requests for deferred payments were granted on EUR 400 million of loans to the public sector (mainly the social sector);
- 19,614 requests for deferred payment were granted on EUR 2 billion of mortgage loans under the general Covid-19 scheme, in addition to a contractual payment deferral granted to 9,938 files representing more than EUR 1 billion;
- finally, EUR 556 million of new loans were granted under the Belgian State guarantee scheme, to corporate, business, public and social sector customers.

At the end of 1H 2021, out of the EUR 5.3 billion of loans to corporate and business customers that were granted moratorium since start of the Covid-19 crisis, EUR 0.8 billion are, as of end 1H 2021, still subject to payment holidays. 98% of corporate and business loans for which the moratorium came to an end, have resumed their normal payments of formerly deferred amounts. For the mortgage loans, 99% of the clients have resumed the payments.

On the insurance side, Belfius Insurance similarly extended support to its customers, including through the deferral of premiums (especially on insurance policies related to mortgage loans) and extended covers (a.o. for health care volunteers and for the delivery / take away activity).

As explained in detail further in this report, Belfius has demonstrated strong resiliency since the beginning of the crisis, which is now reflected in its 1H 2021 results.

# Notes to the condensed consolidated interim financial statements

## II. Post balance sheet events

Please find below an overview of non-adjusting events between the balance sheet date (30 June 2021) and the publication of this report.

### 1. Dividend

The Board of Directors of 25 March 2021 decided upon a proposal for dividend over 2020 year-end results of EUR 207 million. However, due to the binding restriction imposed by the ECB as a result of the Covid-19, the effective pay-out ratio on FY2020 results was set at 15% or EUR 77 million for Belfius in 1H 2021 and EUR 130 million (i.e. 25% of pay-out ratio) was included in Reported Earnings in the 2020 end year accounts. Following the release of the restrictions by the ECB and subject to approval by competent authorities and an Extraordinary General Assembly, Belfius will distribute a residual dividend of EUR 130 million related to 2020 results.

### 2. Floods

The floods that took place in Belgium in July 2021 are non-adjusting subsequent events and therefore fall outside the scope of these half-yearly results, however these events will impact the FY 2021 non-life results. Although Belfius cannot take away the human suffering, it considers it to be its utmost duty to take all actions to alleviate the material damages for its insured customers. As such, Belfius has considerably reinforced its claims-handling team, that has been operating seven days a week and that has deployed mobile teams onsite. In addition, specific measures have been taken to accelerate the claims handling (greater autonomy for claims experts and picture-based settlements) while advances are provided swiftly in case of major insured damage.

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

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

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

## III. Accounting principles

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are set out below.

The common used abbreviations below are:

- IASB: International Accounting Standards Board
- IFRIC: Interpretation issued by the IFRS Interpretations Committee
- IFRS: International Financial Reporting Standards
- In the following text, "Belfius" refers to "Belfius Bank & Insurance".
- The condensed consolidated interim financial statements have been approved by the Board of Directors of Belfius on 5 August 2021.

### 1. Accounting policies

#### 1.1. Basis of accounting – statement of compliance

General

The condensed consolidated interim financial statements of Belfius are prepared in accordance with IAS 34 Interim Financial Reporting.

The Royal Decree of 5 December 2004 requires Belfius to publish its consolidated financial statements in accordance with the IFRS as adopted by the European Union.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with Belfius consolidated annual financial statements as at 31 December 2020.

## 1.2. Changes in accounting policies and applicable standards since the previous annual publication that may impact Belfius

### IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform— Phase 2" deals with replacement issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced. The amendments provide two practical reliefs for these IBOR related changes to financial instruments:

- a relief for changes in the basis for determining the contractual cash flows on financial assets and financial liabilities that are treated as changes to a floating interest rate by revising the effective interest rate in order to avoid the derecognition or the immediate recognition of a modification gain or loss of the financial instrument; and
- a relief for changes in the formal designation of a hedging relationship in order to avoid the discontinuation of the existing relationship or designation of a new hedging relationship.

### IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2021

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss. These amendments are effective from 1 January 2022 but the expected impact is estimated to be minor.

Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract" specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are effective from 1 January 2022 but the expected impact is estimated to be minor.

Amendments to IFRS 3 "Business Combinations" updates a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective from 1 January 2022 but the expected impact is estimated to be minor.

"Annual Improvements to IFRS Standards 2018-2020" contains minor amendments to three standards and one illustrative example (IE):

- IFRS 1 "First-time Adoption of International Financial Reporting Standards",
- IFRS 9 "Financial Instruments",
- IAS 41 "Agriculture" and an Illustrative Example accompanying IFRS 16 "Leases". All amendments are effective from 1 January 2022 but only the amendment to IFRS 9 might impact Belfius.
- The amendment "IFRS 9 - fees in the 10 per cent derecognition for financial liabilities" specifies that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included when applying the 10 per cent test in assessing whether to derecognise a financial liability.

### New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021. The 2020 Amendment to IFRS 16 - Covid-19-Related Rent Concessions permitted lessees with the possibility to account for rent concessions arising as a direct consequence of the Covid-19 pandemic as if they were not lease modifications if the reduction in lease payments affected only payments originally due on or before 30 June 2021. Due to the ongoing nature of the pandemic, the IASB Board has extended the availability of the practical relief for reductions in lease payments that are originally due on or before 30 June 2022. The amendments are effective for annual reporting periods beginning on or after 1 April 2021 but the impact for Belfius is minor and immaterial.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies. Amendments to IAS 1 require the disclosure of material accounting policies instead of significant accounting policies. A policy is considered material if it can reasonably be expected to influence decisions of primary users of general purpose financial statements. An immaterial accounting policy that relates to material transactions needs no disclosure. Non-mandatory guidance on the judgement of materiality is further described in IFRS Practice Statement 2 in the form of a "four-step materiality process". The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively but earlier application is permitted.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendments replace the definition of a change in accounting estimate with a new definition of an accounting estimate. As such, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". However, the concept of changes in accounting estimates is retained in the standard with the following clarifications:

- a change in accounting estimate resulting from new information or a new development is not the correction of an error; and
- the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in

accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Earlier application is permitted but the expected impact is estimated to be minor.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments introduce an exception to the initial recognition exemption provided in IAS 12.15 (b) and IAS 12.24 for transactions that give rise to equal taxable and deductible temporary differences. For example, at the commencement date of a lease, a lessee is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability of IAS 12. The amendments are applied to transactions that occur on or after the beginning of the earliest comparative period presented and the cumulative effect of initially applying the amendments is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted but the expected impact is estimated to be minor.

#### Ongoing projects

IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2023).

In June 2020 the IASB issued the final version of IFRS 17 "Insurance Contracts" after a considerable consultation process following its first release in May 2017. The changes made to the initial text will not impact the timing of the implementation project, and several of the amendments have been welcomed by Belfius. The European Commission is in the process to validate the standard.

IFRS 17 is a comprehensive accounting standard and establishes completely new principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard introduces a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts held or issued and investment contracts with discretionary participation features. The new standard supersedes IFRS 4 and should be applied retrospectively unless impracticable, in which case alternative approaches can be applied.

Based on our understanding and ongoing analysis, implementing the new standard will have a significant impact on the financial statements, key performance indicators and operations of Belfius Insurance and Belfius Group. However, the impact cannot yet be quantified given the status of the project. Considering the complexity of the standard, a dedicated implementation team has been assigned to the IFRS 17 implementation project, with applicable committees to ensure strict project governance.

# IV. Operating segments reporting

(Some amounts may not add up due to roundings)

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

→ **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level.

→ **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level.

→ **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from Bond and Derivative portfolio management.

## 1. Balance sheet

The assets and liabilities allocated to Retail and Commercial (RC) and Public and Corporate (PC) reflect the commercial activities of those business lines. Where RC shows an excess of funding, PC is more asset driven. As a whole, the commercial balance sheet shows a funding excess with a sound 89% loan to deposit ratio at the end of December 2020.

Note that there are no internal sales or purchases between segments, these assets and liabilities within a segment are those generated and originated by the business lines.

The equity allocated to Retail and Commercial and Public and Corporate is a Normative Regulatory Equity (NRE). A new method is applied since 1H 2021 for the calculation of NRE. The NRE of the business line is equal to 13.5% of the regulatory risk exposures allocated to the business line. A proforma has been applied on the 2020 NRE to keep them comparable.

Please note that the capital for the insurance activities is allocated to each business line in proportion to its contribution to Belfius Insurance Solvency II SCR requirements. Any non allocated capital is reported in Group Center.

| (in thousands of EUR) | 31/12/20 Assets | Liabilities | Equity |
|---|---|---|---|
| Retail and Commercial PF[1] | 64,924,795 | 90,585,148 | 3,035,127 |
| Public and Corporate PF[1] | 44,798,560 | 29,641,918 | 3,202,088 |
| Group Center | 78,268,079 | 57,030,970 | 4,496,182 |
| TOTAL | 187,991,433 | 177,258,036 | 10,733,397 |
| of which banking group[2] | 170,212,056 | 160,239,032 | 9,973,024 |
| of which insurance group[2] | 17,779,378 | 17,019,004 | 760,373 |

(1) Begin 2021, the Local Corporate clients have been transferred from Retail and Commercial to Public and Corporate business line. A proforma has been applied on the 2020 figures.
(2) The assets, liabilities and equity represent the contributions of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet.

| (in thousands of EUR) | 30/06/21 Assets | Liabilities | Equity |
|---|---|---|---|
| Retail and Commercial | 65,812,642 | 94,265,050 | 3,076,348 |
| Public and Corporate | 45,120,563 | 29,361,026 | 3,492,959 |
| Group Center | 83,028,721 | 59,243,893 | 4,522,649 |
| TOTAL | 193,961,925 | 182,869,970 | 11,091,955 |
| of which banking group[1] | 176,338,141 | 166,081,251 | 10,256,891 |
| of which insurance group[1] | 17,623,784 | 16,788,719 | 835,065 |

(1) The assets, liabilities and equity represent the contributions of the Belfius Insurance and Belfius Bank groups to the consolidated balance sheet.

Following the strong growth of Retail and Commercial clients deposits in 1H 2021, the liabilities of this segment increased with EUR 3.7 billion compared to December 2020. A more limited increase can be noted on the asset side following the increase of the loans volume.

At Public and Corporate, the increase in corporate loan volume is partially offset by a decrease in public loans volumes. The Public and Corporate funding remains stable.

Following the increase of the deposits in 1H 2021, the loan to deposit ratio on the commercial balance sheet decreases from 89% end 2020 to 88% end June 2021.

At Group Center, the asset volume increased compared to December 2020 due mainly to an increase in loans to banks and central banks. At the liabilities side, further drawings on TLTRO were performed.

# 2. Statement of income

## A. Segmentation by business line

| (in thousands of EUR) | 30/06/20 Retail and Commercial PF[1] | Public and Corporate PF[1] | Group Center | Total |
|---|---|---|---|---|
| **INCOME** | **846,652** | **299,060** | **(14,065)** | **1,131,647** |
| Net interest income bank | 402,405 | 259,437 | 117,140 | 778,982 |
| Net Fee and commissions bank | 278,304 | 27,374 | (3,747) | 301,931 |
| Life insurance contribution | 104,652 | 17,957 | (7,746) | 114,863 |
| Non-life insurance contribution | 119,882 | 9,487 | 1 | 129,370 |
| Other | (58,591) | (15,195) | (119,713) | (193,499) |
| **EXPENSES** | **(521,231)** | **(124,800)** | **(64,774)** | **(710,804)** |
| **NET INCOME BEFORE TAX AND IMPAIRMENTS** | **325,422** | **174,260** | **(78,839)** | **420,843** |
| Impairments on financial instruments and provisions for credit commitments | (131,967) | (284,670) | 23,941 | (392,695) |
| Impairments on tangible and intangible assets | (2,414) | 0 | 0 | (2,414) |
| NET INCOME BEFORE TAX | 191,041 | (110,410) | (54,897) | 25,734 |
| Total tax (expense) income | (49,906) | 27,894 | 17,070 | (4,941) |
| NET INCOME AFTER TAX | 141,135 | (82,516) | (37,827) | 20,793 |
| Attributable to non-controlling interests | (1,313) | 0 | 626 | (686) |
| Attributable to equity holders of the parent | 142,448 | (82,516) | (38,454) | 21,479 |

(1) In 2021, the Local Corporate clients have been transferred from Retail and Commercial to Public and Corporate business line. A proforma has been applied on 1H 2020 figures.

| (in thousands of EUR) | 30/06/21 | | | |
|---|---|---|---|---|
| | Retail and Commercial | Public and Corporate | Group Center | Total |
| **INCOME** | **921,423** | **343,045** | **(32,398)** | **1,232,070** |
| Net interest income bank | 426,096 | 255,931 | 114,772 | 796,798 |
| Net Fee and commissions bank | 331,341 | 32,708 | (3,794) | 360,255 |
| Life insurance contribution | 123,576 | 29,612 | (9,508) | 143,680 |
| Non-life insurance contribution | 112,697 | 9,530 | 0 | 122,226 |
| Other | (72,287) | 15,265 | (133,868) | (190,890) |
| **EXPENSES** | **(535,369)** | **(128,336)** | **(55,906)** | **(719,611)** |
| **NET INCOME BEFORE TAX AND IMPAIRMENTS** | **386,054** | **214,709** | **(88,304)** | **512,459** |
| Impairments on financial instruments and provisions for credit commitments | (13,613) | 41,478 | 2,677 | 30,543 |
| Impairments on tangible and intangible assets | (765) | 0 | 45 | (720) |
| NET INCOME BEFORE TAX | 371,675 | 256,187 | (85,582) | 542,281 |
| Total tax (expense) income | (89,847) | (62,218) | 15,749 | (136,316) |
| NET INCOME AFTER TAX | 281,828 | 193,969 | (69,833) | 405,965 |
| Attributable to non-controlling interests | (289) | 0 | 563 | 274 |
| Attributable to equity holders of the parent | 282,117 | 193,969 | (70,396) | 405,690 |

Retail and Commercial net income increased from EUR 141 million in 1H 2020 to EUR 282 million in 1H 2021. The net interest income Retail and Commercial bank increased due mainly to the loan volume growth and TLTRO tariff advantage allocated to the business lines, partially compensated by the margin pressure from low interest rates and the increased volume of non-maturing deposits. The Net fees and commissions bank increased strongly mainly from commissions on asset management services. The insurance contribution increased due to better Life results in comparison to 1H 2020 as the Life result was negatively impacted by the Covid crisis in 1H 2020. The Other income is more negative than last year due to higher cost of the sector levies. Note that the expenses increased versus last year due to higher staff expenses, general expenses, and increased network fees. A reversal of EUR 31 million of Cost of Risk can be noted in 1H 2021 following the improved macro-economic factors and reversal of COVID-19 overlays on moratory, sensitive sectors and individual names.

Public and Corporate net income strongly increased from EUR -83 million in 1H 2020 to EUR 194 million in 1H 2021. The income increased due mainly to higher Life insurance income and higher income generated by Financial Markets activities compared to the results in 1H 2020 which were negatively impacted by the Covid crisis. The expenses are slightly more negative due to higher staff expenses and general expenses. A reversal of EUR 31 million of Cost of Risk can be noted in 1H 2021 following the improved macro-economic factors and reversal of Covid-19 overlays on moratory, sensitive sectors and individual names.

Group Center net income stands at EUR -70 million in 1H 2021, compared to EUR -38 million in 1H 2020. The income of Group Center is mainly impacted by the higher cost of levies compared to 1H 2020. The expenses in Group Center are positively impacted by a release of the restructuring provision and are less negative than last year. The cost of risk in 1H 2021 increased in comparison to 1H 2020 given the release on a specific file in 1H 2020.

Refer to the chapter Segment reporting of the Management Report for a detailed description of the segment results.

## B. Segmentation by contribution scope

The statement of income represents the contributions of the Belfius Bank group (i.e. Belfius Bank with all its subsidiaries apart from the Belfius Insurance group) as well as the Belfius Insurance group (i.e. Belfius Insurance with its subsidiaries).

| 30/06/20<br>(in thousands of EUR) | Contribution Bank into group | Contribution Insurance into group | Total |
|---|---|---|---|
| **INCOME** | **872,389** | **259,258** | **1,131,647** |
| Net interest income | 778,982 | 203,063 | 982,044 |
| Dividend income | 7,410 | 22,159 | 29,568 |
| Net income from equity method companies | 1,453 | 1,025 | 2,478 |
| Net income from financial instruments at fair value through profit or loss | (15,342) | (36,230) | (51,572) |
| Net income on investments and liabilities | 20,181 | 38,502 | 58,683 |
| Net fee and commission income | 301,931 | 9,537 | 311,468 |
| Technical result from insurance activities | 0 | 30,157 | 30,157 |
| Other income & expense | (222,226) | (8,954) | (231,180) |
| **EXPENSES** | **(586,336)** | **(124,468)** | **(710,804)** |
| **NET INCOME BEFORE TAX AND IMPAIRMENTS** | **286,053** | **134,790** | **420,843** |
| Impairments on financial instruments and provisions for credit commitments | (387,287) | (5,408) | (392,695) |
| Impairments on tangible and intangible assets | 0 | (2,414) | (2,414) |
| NET INCOME BEFORE TAX | (101,234) | 126,968 | 25,734 |
| Total tax (expense) income | 33,674 | (38,615) | (4,941) |
| NET INCOME AFTER TAX | (67,560) | 88,353 | 20,793 |
| Attributable to non-controlling interests | 6 | (692) | (686) |
| Attributable to equity holders of the parent | (67,566) | 89,045 | 21,479 |

| 30/06/21<br>(in thousands of EUR) | Contribution Bank into group | Contribution Insurance into group | Total |
|---|---|---|---|
| **INCOME** | **952,043** | **280,026** | **1,232,070** |
| Net interest income | 796,798 | 191,390 | 988,189 |
| Dividend income | 15,193 | 28,702 | 43,895 |
| Net income from equity method companies | 2,068 | (314) | 1,754 |
| Net income from financial instruments at fair value through profit or loss | 33,113 | 2,045 | 35,158 |
| Net income on investments and liabilities | 6,220 | 715 | 6,934 |
| Net fee and commission income | 360,255 | 11,595 | 371,850 |
| Technical result from insurance activities | 0 | 51,137 | 51,137 |
| Other income & expense | (261,604) | (5,243) | (266,845) |
| **EXPENSES** | **(594,070)** | **(125,541)** | **(719,611)** |
| **NET INCOME BEFORE TAX AND IMPAIRMENTS** | **357,973** | **154,485** | **512,459** |
| Impairments on financial instruments and provisions for credit commitments | 29,624 | 918 | 30,543 |
| Impairments on tangible and intangible assets | (295) | (425) | (720) |
| NET INCOME BEFORE TAX | 387,302 | 154,979 | 542,281 |
| Total tax (expense) income | (97,647) | (38,670) | (136,316) |
| NET INCOME AFTER TAX | 289,656 | 116,309 | 405,965 |
| Attributable to non-controlling interests | 6 | 269 | 274 |
| Attributable to equity holders of the parent | 289,650 | 116,041 | 405,691 |

The contribution of Belfius Insurance increased with EUR 28 million from EUR 88 million at 30 June 2020 to EUR 116 million at 30 June 2021. Life results increased as these were severely impacted by the Covid-19 pandemic in 1H 2020. Furthermore, the reassessment of the life provisions resulted in a release of EUR 15 million in line with the risk appetite framework (no release in 2020). The income Non-Life decreased resulting from higher claims charges, especially in Car, as last year's results were positively impacted by the confinement period following the Covid-19 crisis. As a result of the update of the indicative tables in May 2021, Belfius Insurance released the additional provisions of EUR 31 million which were accounted for in December 2020, partially compensated by a further reassessment of the related technical provisions, resulting in an increase in bodily injury provisions for EUR 26 million in 1H 2021. Note that in 1H 2020 a reassessment of the general Non-Life claims provisions resulted in a release of EUR 13 million, in line with the risk appetite framework.

The contribution of Belfius Bank increased with EUR 357 million. Belfius Bank realised a higher Net interest margin than last year thanks to the strong commercial activity as well as the TLTRO III advantageous interest rate, despite the pressure from the lower interest rate and the increasing volumes of non-maturing deposits. The fee income increased as a result of the Bank for Investors strategy. The other income is negatively impacted by the higher cost of the levies. Costs are slightly more negative than last year due to increased network fees, staff expenses and general expenses. A reversal of EUR 31 million of Cost of Risk can be noted in 1H 2021 following the improved macroeconomic factors and reversal of Covid-19 overlays on moratory, sensitive sectors and individual names.

# V. Notes on the assets of the condensed consolidated interim balance sheet

(some amounts may not add up due to rounding)

## 5.1. Cash and balances with central banks

**(refers to table 5.2. of the annual report 2020)**

### Analysis by nature

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Cash in hand | 464,804 | 384,951 |
| Balances with central banks other than mandatory reserve deposits | 24,008,996 | 32,343,057 |
| Mandatory reserves deposits[1] | 960,000 | 994,000 |
| Impairment stage 1 (PF)[2] | (19) | (628) |
| TOTAL | 25,433,781 | 33,721,380 |
| Of which included in cash and cash equivalents | 25,434,151 | 33,722,457 |

(1) The "Mandatory reserves deposits" includes the minimum reserve deposits that Belfius has with European Central Bank or with other central banks.
(2) Pro forma due to refinement of presentation.

Cash and balances with central banks increased by EUR 8.3 billion, or 32.6%, to EUR 33.7 billion (31 December 2020: EUR 25.4 billion). Belfius deposits part of its cash at the NBB, within the framework of its liquidity management.

As from end of October 2019, the ECB two-tier system is applicable. Consequently the exempt tier of excess liquidity holdings will be remunerated at an annual rate of 0% instead of a negative rate.

## 5.2. Loans and advances due from credit institutions

**(refers to table 5.3. of the annual report 2020)**

### 1. Summary Totals

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Measured at amortised cost (PF)[1] | 11,911,684 | 10,596,494 |
| Measured at fair value through other comprehensive income | 0 | 0 |
| Measured at fair value through profit or loss | 0 | 0 |
| TOTAL | 11,911,684 | 10,596,494 |

(1) Pro forma due to refinement of presentation.

## 2. Analysis by nature

### A. Not measured at fair value through profit or loss

| (in thousands of EUR) | 31/12/20 Amortised cost (PF) | 31/12/20 Measured at fair value through other comprehensive income | 30/06/21 Amortised cost | 30/06/21 Measured at fair value through other comprehensive income |
|---|---|---|---|---|
| Cash collateral | 11,634,209 | 0 | 9,719,978 | 0 |
| Sight accounts | 110,775 | 0 | 219,716 | 0 |
| Reverse repurchase agreements | 52,705 | 0 | 50,462 | 0 |
| Financial lease | 65,985 | 0 | 69,590 | 0 |
| Term loans | 48,498 | 0 | 537,145 | 0 |
| Impaired loans (stage 3) | 0 | 0 | 0 | 0 |
| Less: | | | | |
| impairment (stages 1,2 and 3)(1) | (488) | 0 | (398) | 0 |
| TOTAL | 11,911,684 | 0 | 10,596,494 | 0 |
| of which included in cash and cash equivalents | 166,793 | 0 | 733,266 | 0 |

(1) Pro forma due to refinement of presentation.

Loans and advances due from credit institutions decreased with EUR 1.3 billion, or 11.0%, to EUR 10.6 billion (31 December 2020: EUR 11.9 billion). The decrease in cash collateral paid of EUR 1.9 billion, was partially offset by an increase of term loans and sight accounts.

### Not measured at fair value through profit or loss - breakdown

| (in thousands of EUR) | 31/12/20 Amortised cost (PF) | 31/12/20 Measured at fair value through other comprehensive income | 30/06/21 Amortised cost | 30/06/21 Measured at fair value through other comprehensive income |
|---|---|---|---|---|
| Gross amount (stage 1) | 11,900,622 | 0 | 10,527,321 | 0 |
| Less impairment allowance (stage 1)(1) | (68) | 0 | (245) | 0 |
| Gross amount (stage 2) | 11,550 | 0 | 69,571 | 0 |
| Less impairment allowance (stage 2) | (419) | 0 | (153) | 0 |
| Gross amount credit - impaired (stage 3) | 0 | 0 | 0 | 0 |
| Impairment on credit - impaired (stage 3) | 0 | 0 | 0 | 0 |
| TOTAL | 11,911,684 | 0 | 10,596,494 | 0 |

(1) Pro forma due to refinement of presentation.

### B. Measured at fair value through profit or loss

Nil

## 3. Analysis of quality

See note 9.2.

## 4. Analysis of the fair value

See note 9.1.

# 5.3. Loans and advances

**(refers to table 5.4. of the annual report 2020)**

## 1. Summary Totals

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Measured at amortised cost | 96,811,908 | 98,872,136 |
| Measured at fair value through other comprehensive income | 0 | 8,638 |
| Measured at fair value through profit or loss | 1,296,142 | 1,223,070 |
| TOTAL | 98,108,050 | 100,103,844 |

## 2. Analysis by nature

### A. Not measured at fair value through profit or loss

| | 31/12/20 | | 30/06/21 | |
|---|---|---|---|---|
| (in thousands of EUR) | Amortised cost | Measured at fair value through other comprehensive income | Amortised cost | Measured at fair value through other comprehensive income |
| Cash collateral | 1,253,820 | 0 | 1,006,653 | 0 |
| Reverse repurchase agreements | 192,766 | 0 | 50,256 | 0 |
| Financial lease | 3,443,743 | 0 | 3,525,128 | 0 |
| Other Loans and advances[1] | 91,752,244 | 0 | 94,024,025 | 8,638 |
| Of which bills and own acceptances | 112,179 | 0 | 137,638 | 0 |
| Of which consumer loans | 1,704,347 | 0 | 1,717,982 | 0 |
| Of which mortgage loans[2] | 38,052,041 | 0 | 39,401,780 | 0 |
| Of which term loans[3] | 49,486,482 | 0 | 50,402,411 | 0 |
| Of which current accounts | 1,242,910 | 0 | 1,170,586 | 0 |
| Of which other loans and advances[4] | 1,154,285 | 0 | 1,193,627 | 8,638 |
| Impaired loans (stage 3) | 1,997,262 | 0 | 2,032,281 | 0 |
| Less: | | | | |
| impairment (stages 1,2 and 3) | (1,827,928) | 0 | (1,766,207) | 0 |
| TOTAL | 96,811,908 | 0 | 98,872,136 | 8,638 |

(1) The underlying pool of loans of the covered bonds (Pandbrieven) amount to EUR 12.5 billion (31 December 2020: EUR 12.5 billion). This covered pool guarantees the outstanding covered bonds, of which EUR 5.3 billion mortgage covered bonds (31 December 2020: EUR 5.3 billion) and EUR 2.5 billion public covered bonds (31 December 2020: EUR 2.5 billion).
(2) End 2020, EUR 3.2 billion "mortgage loans" were securitised. In 1H 2021, this decreased to EUR 2.8 billion.
(3) End 2020, EUR 1.6 billion "term loans" were securitised. In 1H 2021, this decreased to EUR 1.4 billion.
(4) Other loans and advances concern mainly factoring activities.

Loans and advances increased by EUR 2.0 billion, or 2.0%, to EUR 100.1 billion (31 December 2020: EUR 98.1 billion), stemming from an increase in loans of EUR 2.3 billion (mainly mortgage and term loans) in line with our strategy to further develop our commercial franchise and to support the Belgian economy. Cash collateral paid decreased by EUR 0.2 billion.

Note that through the consolidation of Belfius Euro Loans, Belfius recognised leveraged loans measured at fair value through other comprehensive income from this dedicated fund.

| (in thousands of EUR) | 31/12/20 Amortised Cost | 31/12/20 Measured at fair value through other comprehensive income | 30/06/21 Amortised Cost | 30/06/21 Measured at fair value through other comprehensive income |
|---|---|---|---|---|
| Gross amount (stage 1) | 84,330,020 | 0 | 85,650,888 | 8,638 |
| less impairment allowance (stage 1) | (133,883) | 0 | (121,469) | 0 |
| Gross amount (stage 2) | 12,312,554 | 0 | 12,955,173 | 0 |
| less impairment allowance (stage 2) | (495,220) | 0 | (461,872) | 0 |
| Gross amount credit - Impaired (stage 3) | 1,997,262 | 0 | 2,032,281 | 0 |
| Impairment on credit - impaired (stage 3) | (1,198,825) | 0 | (1,182,866) | 0 |
| TOTAL | 96,811,908 | 0 | 98,872,136 | 8,638 |

The gross amount in stage 1 increased following the new production of commercial loans.

A decrease in stage 1 and 2 impairment allowances can be noted following the macro-economic improvements in 1H 2021. In particular, Belfius has updated the underlying macro-economic scenarios as well as the management overlays in specific risk pockets, resulting in reversals of part of the stage 1 and 2 impairments accounted for in 2020. Refer to table 9.2.3. movements in allowances for credit losses for further information.

## B. Measured at fair value through profit or loss

| (in thousands of EUR) | 31/12/20 Financial assets held for trading(1) | Financial assets designated at fair value through profit or loss | Non-trading financial assets mandatorily measured at fair value through profit or loss(2) | Total |
|---|---|---|---|---|
| Mortgage loans | 4,265 | 0 | 0 | 4,265 |
| Public sector loans | 0 | 0 | 1,291,877 | 1,291,877 |
| TOTAL | 4,265 | 0 | 1,291,877 | 1,296,142 |

| (in thousands of EUR) | 30/06/21 Financial assets held for trading(1) | Financial assets designated at fair value through profit or loss | Non-trading financial assets mandatorily measured at fair value through profit or loss(2) | Total |
|---|---|---|---|---|
| Mortgage loans | 976 | 0 | 0 | 976 |
| Public sector loans | 0 | 0 | 1,222,094 | 1,222,094 |
| TOTAL | 976 | 0 | 1,222,094 | 1,223,070 |

(1) Belfius warehouses mortgage loans, for a limited period, before transferring these mortgage loans to an external party.
(2) It mainly concerns loans to the public and social sector with specifically structured interest rate features that do not pass the SPPI-test and are therefore measured at fair value through profit or loss.

## 3. Analysis of quality

See note 9.2.

## 4. Analysis of the fair value

See note 9.1.

## 5.4. Debt securities & Equity instruments

**(refers to table 5.5. of the annual report 2020)**

### 1. Summary Totals

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Measured at amortised cost | 22,039,067 | 21,745,763 |
| Measured at fair value through other comprehensive income | 5,170,430 | 4,910,105 |
| Measured at fair value through profit or loss | 1,639,368 | 1,691,881 |
| TOTAL | 28,848,865 | 28,347,749 |

The Belfius Banking Group contributed EUR 17.2 billion (31 December 2020: EUR 17.3 billion) to the debt securities and equity instruments portfolio and the Belfius Insurance Group contributed EUR 11.1 billion (31 December 2020: EUR 11.6 billion).

Two types of business models can be distinguished within Belfius group. The bond portfolios within the banking group are managed within a "held to collect" business model where the objective is to hold the contractual cash flows until maturity apart from certain positions that were classified as "held to collect and sell". The debt securities of the insurance group are managed according to their ALM policies and guidelines, resulting in the insurance group having determined that a part of this portfolio should be defined as "held to collect" and certain debt securities as "held to collect and sell" to cover the liquidity needs of Belfius Insurance.

Certain bond positions do not comply with the SPPI test and are classified at fair value through profit or loss. It mainly concerns monetary funds within Belfius Insurance.

### 2. Analysis by nature

#### A. Not measured at fair value through profit or los

| (in thousands of EUR) | 31/12/20 | | 30/06/21 | |
|---|---|---|---|---|
| | Amortised cost | Measured at fair value through other comprehensive income | Amortised cost | Measured at fair value through other comprehensive income |
| Debt securities issued by public sector | 10,787,351 | 2,579,447 | 10,797,851 | 2,370,461 |
| Other debt securities | 11,406,395 | 1,307,461 | 11,104,608 | 1,222,174 |
| Equity instruments | 0 | 1,303,641 | 0 | 1,337,870 |
| Impaired debt securities (stage 3) | 4,268 | 0 | 4,267 | 0 |
| Less: | | | | |
| impairment (stages 1,2 and 3) | (158,946) | (20,119) | (160,963) | (20,400) |
| TOTAL | 22,039,067 | 5,170,430 | 21,745,763 | 4,910,105 |
| Of which included in cash and cash equivalents | 280,975 | 0 | 392,061 | 4,999 |

Debt securities and equity instruments measured at amortised cost decreased by EUR 0.3 billion, or 1.3%, to EUR 21.7 billion (31 December 2020: EUR 22.0 billion) following redemptions of corporate bonds.

The financial assets measured at fair value through other comprehensive income decreased by EUR 0.3 billion, or 5.0%, to EUR 4.9 billion (31 December 2020: EUR 5.2 billion). This is ascribed to negative fair value adjustments on bonds following higher interest rates compared with the 2020 year-end despite lower credit spreads (EUR 0.2 billion) as well as disposals and redemptions of bonds (EUR 0.1 billion).

Debt securities not measured at fair value through profit or loss - breakdown

| (in thousands of EUR) | 31/12/20 Amortised cost | 31/12/20 Measured at fair value through other comprehensive income | 30/06/21 Amortised cost | 30/06/21 Measured at fair value through other comprehensive income |
|---|---|---|---|---|
| Gross amount (stage 1) | 14,452,574 | 2,954,263 | 14,196,286 | 2,765,188 |
| Less impairment allowance (stage 1) | (2,165) | (2,554) | (1,602) | (1,877) |
| Gross amount (stage 2) | 7,741,171 | 932,645 | 7,706,174 | 827,447 |
| Less impairment allowance (stage 2) | (153,455) | (17,565) | (156,037) | (18,523) |
| Gross amount credit - impaired (stage 3) | 4,268 | 0 | 4,267 | 0 |
| Impairment on credit - impaired (stage 3) | (3,325) | 0 | (3,325) | 0 |
| TOTAL | 22,039,067 | 3,866,789 | 21,745,763 | 3,572,235 |

## B. Measured at fair value through profit and loss

| (in thousands of EUR) | 31/12/20 Financial assets held for trading | Financial assets designated at fair value through profit or loss | Non-trading financial assets mandatorily measured at fair value through profit or loss | Total |
|---|---|---|---|---|
| Debt securities issued by public sector | 153,144 | 0 | 112,936 | 266,081 |
| Other debt securities | 344,815 | 0 | 750,483 | 1,095,299 |
| Equity instruments | 277,979 | 0 | 9 | 277,988 |
| TOTAL | 775,939 | 0 | 863,428 | 1,639,368 |

| (in thousands of EUR) | 30/06/21 Financial assets held for trading | Financial assets designated at fair value through profit or loss | Non-trading financial assets mandatorily measured at fair value through profit or loss | Total |
|---|---|---|---|---|
| Debt securities issued by public sector | 174,466 | 0 | 115,034 | 289,500 |
| Other debt securities | 348,803 | 0 | 713,566 | 1,062,369 |
| Equity instruments | 340,005 | 0 | 8 | 340,013 |
| TOTAL | 863,273 | 0 | 828,608 | 1,691,881 |

Debt securities and equity instruments measured at fair value through profit or loss increased by EUR 0.1 billion, or 3.2%, to EUR 1.7 billion (31 December 2020: EUR 1.6 billion).

### C. Measured at fair value through other comprehensive income - Equity

The table below presents the reason why the equity instruments were designated at fair value through other comprehensive income.

| | 31/12/20 | | |
|---|---|---|---|
| (in thousands of EUR) | Reason for designation | Fair value | Dividend income recognised |
| Strategic portfolio insurance - real estate | Risk and ALM purposes | 464,177 | 21,156 |
| Strategic portfolio insurance - various underlying | Risk and ALM purposes | 642,202 | 14,967 |
| Strategic portfolio bank | Risk and ALM purposes | 197,261 | 6,277 |
| TOTAL | | 1,303,641 | 42,400 |

| | 30/06/21 | | |
|---|---|---|---|
| (in thousands of EUR) | Reason for designation | Fair value | Dividend income recognised |
| Strategic portfolio insurance - real estate | Risk and ALM purposes | 483,991 | 15,940 |
| Strategic portfolio insurance - various underlying | Risk and ALM purposes | 653,769 | 12,763 |
| Strategic portfolio bank | Risk and ALM purposes | 200,109 | 6,816 |
| TOTAL | | 1,337,870 | 35,519 |

The table below presents the reason why the equity instruments designated at fair value through other comprehensive income were sold.

| | 31/12/20 | | | |
|---|---|---|---|---|
| (in thousands of EUR) | Reason for disposal | Fair value at derecognition date | Transfer of cumulative gain or loss within equity | Dividend income recognised |
| Strategic portfolio insurance - real estate | Risk and ALM purposes | 43,980 | (30,036) | 1,077 |
| Strategic portfolio insurance - various underlying | Risk and ALM purposes | 306,837 | (21,966) | 2,412 |
| Strategic portfolio bank | Risk and ALM purposes | 6,447 | 235 | 0 |
| TOTAL | | 357,264 | (51,767) | 3,489 |

| | 30/06/21 | | | |
|---|---|---|---|---|
| (in thousands of EUR) | Reason for disposal | Fair value at derecognition date | Transfer of cumulative gain or loss within equity | Dividend income recognised |
| Strategic portfolio insurance - real estate | Risk and ALM purposes | 26,400 | 5,969 | 2,750 |
| Strategic portfolio insurance - various underlying | Risk and ALM purposes | 138,896 | 8,721 | 1,432 |
| Strategic portfolio bank | Risk and ALM purposes | 85 | (1,577) | 0 |
| TOTAL | | 165,381 | 13,113 | 4,182 |

## 3. Analysis of quality

See note 9.2.

## 4. Analysis of the fair value

See note 9.1.

## 5.5. Derivatives

**(refers to table 5.6. of the annual report 2020)**

### 1. Analysis by nature

| (in thousands of EUR) | 31/12/20 Assets | 31/12/20 Liabilities | 30/06/21 Assets | 30/06/21 Liabilities |
|---|---|---|---|---|
| Derivatives held for trading | 10,720,643 | 10,794,164 | 8,655,014 | 8,233,158 |
| Derivatives designated as fair value hedges | 482 | 2,804,810 | 2,200 | 2,666,368 |
| Derivatives designated as cash flow hedges | 70,285 | 190,640 | 92,019 | 217,306 |
| Derivatives designated as portfolio hedges | 1,396,703 | 4,520,541 | 1,003,237 | 3,761,063 |
| TOTAL | 12,188,113 | 18,310,156 | 9,752,470 | 14,877,895 |

A decrease in the fair value of derivatives can be noted, mainly due to the impact of higher interest rates, offsetting for derivatives concluded with LCH and unwinds of bilateral agreements.

The total impact of offsetting for derivatives concluded with LCH amounted to EUR 7.1 billion end June 2021 (31 December 2020: EUR 7.8 billion).

### 2. Detail of derivatives held for trading

| | 31/12/20 | | | | 30/06/21 | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional amount[(1)] | | Assets | Liabilities | Notional amount[(1)] | | Assets | Liabilities |
| (in thousands of EUR) | To receive | To deliver | | | To receive | To deliver | | |
| Foreign exchange derivatives | 24,893,783 | 24,781,432 | 1,314,015 | 1,178,127 | 21,762,301 | 21,769,895 | 1,055,937 | 1,040,095 |
| Interest rate derivatives | 182,446,922 | 187,051,381 | 9,002,354 | 9,346,108 | 180,400,653 | 187,027,019 | 7,137,464 | 6,898,987 |
| Credit derivatives | 2,334,260 | 1,381,606 | 96,187 | 106,806 | 2,168,918 | 1,423,550 | 85,683 | 116,421 |
| Equity derivatives | 6,687,037 | 6,862,864 | 308,087 | 163,124 | 6,597,192 | 6,709,450 | 375,930 | 177,656 |
| TOTAL | 216,362,001 | 220,077,283 | 10,720,643 | 10,794,164 | 210,929,064 | 216,929,913 | 8,655,014 | 8,233,158 |

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

The derivatives position of Belfius originated partially from the fact that Belfius was the competence center for derivatives within the former Dexia Group. These derivatives were hedged externally for market risk. The derivatives between Belfius Bank and Dexia Group entities remained in the scope of Belfius after the sale of Belfius to the Belgian State in 2011. The credit risk thereon is mitigated with collateral (Credit Support Annex).

Seeing the restrictions under IFRS for hedge accounting, certain economic hedges cannot be classified as hedge derivatives under IFRS. As a result, several economic hedges are considered as trading derivatives while hedging f.e. credit risk (f.e. itraxx derivatives) or basis risk stemming from hedge inefficiency (f.e. basis swaps).

For additional information on related market risk, refer to note 9.3. "Market Risk" as well as note 7.2. "Net income from financial instruments at fair value through profit or loss" for more information regarding the economic hedges.

## 3. Fair Value Hedges

### A. Detail of derivatives designated as fair value hedges

| | 31/12/20 | | | | 30/06/21 | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional amount[1] | | Assets | Liabilities | Notional amount[1] | | Assets | Liabilities |
| (in thousands of EUR) | To receive | To deliver | | | To receive | To deliver | | |
| Interest rate derivatives | 5,586,122 | 5,493,102 | 482 | 2,747,325 | 5,784,432 | 5,674,930 | 1,773 | 2,643,694 |
| of which interest rate swaps | 4,840,185 | 4,840,185 | 482 | 2,002,080 | 5,080,316 | 5,080,316 | 1,773 | 1,942,138 |
| of which cross currency interest rate swaps | 745,938 | 652,917 | 0 | 745,244 | 704,116 | 594,614 | 0 | 701,557 |
| Credit derivatives[2] | 1,322,285 | 0 | 0 | 57,486 | 1,322,285 | 0 | 427 | 22,674 |
| TOTAL | 6,908,407 | 5,493,102 | 482 | 2,804,810 | 7,106,717 | 5,674,930 | 2,200 | 2,666,368 |

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated. A forward sale contract mentions only one notional amount.
(2) Belfius Insurance has concluded "spreadlock" derivatives in order to hedge the asset swap spread on certain bond positions. The purpose of these transactions is to protect the Solvency II ratio. More in particular, the spreadlock transaction locks in a forward assets swap spread at the moment of the conclusion of the transaction. Seeing that the spreadlock is defined to hedge the asset swap spread (i.e. all risks except changes in fair value due to benchmark interest rate) of specific bond positions, the derivative is presented as a credit derivative for which fair value hedge accounting has been set up.

To ensure the hedge relationship qualifies for hedge accounting, formal documentation is prepared, and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius applies fair value hedging to interest rate and foreign exchange risks on certain bonds (micro hedge). Belfius mainly uses plain vanilla interest rate swaps except for non-EUR bonds where plain vanilla interest rate & currency swaps are used.

The fair value used for the measurement of hedge effectiveness is based on the fair value movements of the derivatives in the balance sheet and the fair value movement of the hedged risk of the hedged item (generally through a hypothetical derivative).

For fair value hedging, the prospective test is based on a critical terms' comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

End June 2021 all hedge effectiveness tests were respected.

Refer to note 7.2. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

## 4. Cash flow hedges

### A. Detail of derivatives designated as cash flow hedges

| | 31/12/20 | | | | 30/06/21 | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional amount[1] | | Assets | Liabilities | Notional amount[1] | | Assets | Liabilities |
| (in thousands of EUR) | To receive | To deliver | | | To receive | To deliver | | |
| Foreign exchange derivatives | 6,269,615 | 6,289,505 | 70,285 | 190,640 | 6,490,125 | 6,498,609 | 92,019 | 217,306 |
| of which cross currency swaps | 6,269,615 | 6,289,505 | 70,285 | 190,640 | 6,490,125 | 6,498,609 | 92,019 | 217,306 |
| TOTAL | 6,269,615 | 6,289,505 | 70,285 | 190,640 | 6,490,125 | 6,498,609 | 92,019 | 217,306 |

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

### Estimated cashflows from cashflow hedging derivatives per time bucket

| (in thousands of EUR) | Inflow | Outflow |
|---|---|---|
| Not more than three months | 2,951,418 | (4,373,793) |
| More than three but not more than six months | 2,514,421 | (4,363,948) |
| More than six months but not more than one year | 2,514,421 | (4,343,309) |
| More than one but not more than two years | 2,514,421 | (4,298,870) |
| More than two but not more than five years | 2,514,421 | (4,194,432) |
| More than five years | 2,202,501 | (3,384,183) |

To ensure the hedge relationship qualifies for hedge accounting, formal documentation is prepared, and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

Belfius decided to cover the risk of variability of cash flows and foreign currency changes stemming from invoices payable in foreign currencies. In order to hedge this risk, Belfius concluded Cross Currency Swaps which are recorded in a cash flow hedge relationship for the currency risk on a "highly probable forecasted transaction". Belfius demonstrates that the invoiced amounts are higher than the amounts received through the Cross-Currency Swaps. Belfius is closely following up the impact of the reference rate reform. However, at this stage, no impact on hedge accounting is noted as it concerns short term cash flows (6 months / 3 months) that will be adapted simultaneously between forecasted cash flow and the hedging instruments.

For cash flow hedging, the prospective test is based on a critical terms' comparison between the hedging instrument and the hedged item. Retrospective testing is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits. Note that for a forecasted transaction, an analysis is performed to assure that the expected cash flows are still highly likely.

End June 2021 all hedge effectiveness tests were respected.

Refer to note 7.2. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

## 5. Detail of derivatives of portfolio hedge

| | 31/12/20 | | | | 30/06/21 | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional amount[1] | | Assets | Liabilities | Notional amount[1] | | Assets | Liabilities |
| (in thousands of EUR) | To receive | To deliver | | | To receive | To deliver | | |
| Interest rate derivatives | 41,202,512 | 41,194,420 | 1,396,703 | 4,520,541 | 40,353,420 | 40,345,324 | 1,003,237 | 3,761,063 |
| TOTAL | 41,202,512 | 41,194,420 | 1,396,703 | 4,520,541 | 40,353,420 | 40,345,324 | 1,003,237 | 3,761,063 |

(1) The "Notional amount to receive" and the "Notional amount to deliver" represent the two legs of a derivative financial instrument and are presented separately in the table. In the case of f.e. an interest rate swap, the "Notional amount to receive" represents the notional amount on which the interest to be received by Belfius is calculated; the "Notional amount to deliver" represents the notional amount on which the interest to be paid by Belfius is calculated.

To ensure the hedge relationship qualifies for hedge accounting, formal documentation is prepared, and the effectiveness is assessed on an ongoing basis throughout the hedging relationship.

The accumulated gain/ loss on the hedged item in portfolio hedge of interest rate risk on the balance sheet amounts to EUR 4.0 million assets and EUR 0.2 million liabilities (31 December 2020: EUR 4.6 million assets and EUR 0.4 million liabilities).

For macro hedging, the prospective test is based on a volume test in which Belfius demonstrates that (by entity, currency and time bucket) the amount of hedged items remains larger than the amount of hedging instruments (in term of notional as well as in term of interest cash flows). Retrospective testing, performed on a quarterly basis, is done by applying a dollar offset method (comparison of fair value hedged item and hedging instrument) and comparing it with well-defined limits.

Note that as from April 2021 a new portfolio hedge was set up on liabilities.

End June 2021 all hedge effectiveness tests were respected.

Refer to note 7.2. "Net income from financial instruments at fair value through profit or loss" for more information regarding the measurement of hedge effectiveness.

## 6. Interest rate benchmark reform

### A. Introduction

The introduction of the EU Benchmark Regulation 2016/1011 triggered an interest rate benchmark reform for major financial benchmarks such as LIBOR and impacts a significant range of financial products and contracts.

Belfius monitors the benchmark reform on several levels given the significant impact of this reform on the industry. Task forces have been created to ensure a smooth transition from IBORs to the new Risk-Free Rates in case of cessation. During 2020, Belfius successfully completed the transition of the discounting curves EONIA to €STR and FedFunds to SOFR for its centrally cleared derivatives and certain counterparties without a material impact on accounting figures. The completed transitions are only completed for the discount curves, the reference rates are yet to transition.

The interest rate benchmark reform exposes Belfius to various risks, which Belfius is managing and monitoring closely. These risks include but are not limited to the following:

- → Dispute risks with contracts that do not have robust fallback clauses;
- → Business risks if no alternative product offer can be proposed;
- → Profitability risks if the impacts cannot be fully compensated;
- → Model risks if models are not correctly/timely adjusted;
- → Operational risk arising from changes to Belfius' IT systems and processes.

### B. Accounting implications

In order to give some insights in the importance of the benchmark rate reform, following quantitative information could be provided:

- → An overview of Belfius' derivatives (in nominal amounts) that have yet to transition to an alternative benchmark rate at 30 June 21, disaggregated by significant interest rate benchmark.

| (in thousands of EUR) | IFRS Hedging | Trading | Total |
|---|---|---|---|
| EUR LIBOR | 0 | 697,024 | 697,024 |
| CHF LIBOR | 0 | 113,063 | 113,063 |
| GBP LIBOR | 5,153,962 | 14,929,587 | 20,083,549 |
| JPY LIBOR | 0 | 3,371,859 | 3,371,859 |
| USD LIBOR | 4,230,270 | 19,447,793 | 23,678,063 |
| **TOTAL** | **9,384,233** | **38,559,326** | **47,943,558** |

- → An overview of Belfius' non-derivative financial assets and liabilities (book value) that have yet to transition to an alternative benchmark rate at 30 June 2021, disaggregated by significant interest rate benchmark.

| (in thousands of EUR)<br>Currency | Tenor | Assets | Liabilities |
|---|---|---|---|
| AUD | 1M | 400 | |
| | 3M | 187,880 | |
| | 6M | | 309 |
| **AUD TOTAL** | | **188,280** | **309** |
| CAD | 1W | | 3,271 |
| | 1M | 253 | |
| | 3M | 57,464 | |
| | 6M | | 5,065 |
| | 12M | | 355 |
| **CAD TOTAL** | | **57,718** | **8,691** |
| CHF | 1W | | 3,554 |
| | 1M | 436,546 | |
| **CHF TOTAL** | | **436,546** | **3,554** |
| GBP | 1W | | 22,607 |
| | 1M | | 2,622 |
| | 3M | 1,346,888 | 86,852 |
| | 6M | 68,665 | |
| **GBP TOTAL** | | **1,415,553** | **112,082** |
| USD | 1W | | 194,649 |
| | 1M | 49,987 | 302,671 |
| | 3M | 107,074 | 523,446 |
| | 6M | 101,539 | 12,910 |
| | 12M | | 1,323 |
| **USD TOTAL** | | **258,600** | **1,034,999** |
| **TOTAL** | | **2,356,696** | **1,159,635** |

## 5.6. Other assets

**(refers to table 5.12. of the annual report 2020)**

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| OTHER ASSETS | 763,785 | 934,677 |
| Accrued income | 129,557 | 133,618 |
| Deferred expenses | 27,888 | 46,038 |
| Payments in transit from clients | 534,749 | 677,845 |
| Plan assets | 0 | 10,196 |
| Inventories(1) | 22,065 | 22,069 |
| Operational taxes | 49,526 | 44,910 |
| OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES | 167,430 | 182,760 |
| Receivables resulting from direct insurance transactions | 70,478 | 83,931 |
| Other insurance assets(2) | 96,953 | 98,829 |
| Impaired insurance assets | 983 | 840 |
| Less: | | |
| Impairment | (983) | (840) |
| TOTAL | 931,216 | 1,117,437 |

(1) As part of the sale of Galilee building, another site was exchanged to Belfius, which was recognised as inventory in other assets, as it better reflects the nature and intent with the site.
(2) Other insurance assets are deposits placed with cedants as a guarantee for reinsurance transactions and claims on reinsurers.

The other assets have increased mainly due to an increase of pending payments from clients.

# VI. Notes on the liabilities of the condensed consolidated interim balance sheet

(some amounts may not add up due to rounding)

## 6.1. Cash and balances from central banks

**(refers to table 6.1. of the annual report 2020)**

### 1. Analysis by nature

Not measured at fair value through profit or loss

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Deposits | 14,173,519 | 15,676,144 |
| TOTAL | 14,173,519 | 15,676,144 |

Cash and balances from central banks increased by EUR 1.5 billion to EUR 15.7 billion (31 December 2020: EUR 14.2 billion). Belfius drew an additional EUR 1.4 billion TLTRO III in 2021, resulting in a total TLTRO III participation of EUR 15.65 billion as of 30 June 2021.

Belfius takes part in the third targeted longer-term refinancing operation (TLTRO III) program of the European Central Bank. The TLTROs are targeted operations, as the amount that can be borrowed is linked to the loans to non-financial corporations and households (excluding mortgage loans). The interest rate to be applied is linked to the realisation of certain lending performance thresholds. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III.

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

The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2021 amounts to EUR 75 million (this was EUR 8 million in 1H 2020). The interest paid on lending to ECB/NBB and accounted for in 1H 2021 amounts to EUR 66 million (this was EUR 4 million in 1H 2020). Refer to note 7.1. Interest income – interest expense.

### 2. Analysis of the fair value

See note 9.1.

## 6.2. Credit institutions borrowings and deposits

**(refers to table 6.2. of the annual report 2020)**

### 1. Summary Totals

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Measured at amortised cost | 5,008,193 | 6,615,913 |
| Measured at fair value through profit or loss | 0 | 0 |
| TOTAL | 5,008,193 | 6,615,913 |

## 2. Analysis by nature

### A. Not measured at fair value through profit or loss

| | Amortised cost | |
|---|---|---|
| (in thousands of EUR) | 31/12/20 | 30/06/21 |
| Demand deposits | 53,492 | 350,895 |
| Term deposits | 95,037 | 744,522 |
| Repurchase agreements | 50,850 | 999,160 |
| Cash collateral received | 4,327,229 | 3,307,381 |
| Other borrowings | 481,585 | 1,213,954 |
| TOTAL | 5,008,193 | 6,615,913 |

Credit Institutions borrowings and deposits increased by EUR 1.6 billion, or 32.1%, to EUR 6.6 billion (31 December 2020: EUR 5.0 billion), resulting from an increase in deposits and repurchase agreements explained by short-term liquidity management, partially compensated by a decrease in cash collateral received.

### B. Measured at fair value through profit or loss

Nil.

## 3. Analysis of the fair value

See note 9.1.

# 6.3. Borrowings and deposits

**(refers to table 6.3. of the annual report 2020)**

## 1. Summary Totals

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Measured at amortised cost | 95,286,940 | 99,312,904 |
| Measured at fair value through profit or loss | 51,036 | 51,272 |
| TOTAL | 95,337,975 | 99,364,177 |

## 2. Analysis by nature

### A. Not measured at fair value through profit or loss

| | Amortised cost | |
|---|---|---|
| (in thousands of EUR) | 31/12/20 | 30/06/21 |
| Demand deposits | 34,232,882 | 36,171,127 |
| Saving deposits | 44,670,890 | 46,824,186 |
| Term deposits | 8,520,085 | 8,049,245 |
| Cash collateral | 14,804 | 17,676 |
| Non-regulated savings accounts | 7,829,648 | 8,231,863 |
| **TOTAL DEPOSITS** | **95,268,309** | **99,294,096** |
| Other borrowings | 18,631 | 18,808 |
| **TOTAL BORROWINGS** | **18,631** | **18,808** |
| TOTAL | 95,286,940 | 99,312,904 |

Borrowings and deposits increased by EUR 4.0 billion, or 4.2%, to EUR 99.4 billion (31 December 2020: EUR 95.3 billion), mainly due to organic growth of demand and savings deposits.

B. Measured at fair value through profit or loss

| (in thousands of EUR) | Financial liabilities designated at fair value through profit or loss 31/12/20 | 30/06/21 |
|---|---|---|
| Deposits | 51,036 | 51,272 |
| TOTAL | 51,036 | 51,272 |

### 3. Analysis of the fair value

See note 9.1.

# 6.4. Debt securities issued and other financial liabilities

**(refers to table 6.4. of the annual report 2020)**

### 1. Summary Totals

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Measured at amortised cost | 16,068,804 | 18,452,374 |
| Measured at fair value through profit or loss | 8,333,394 | 8,279,424 |
| TOTAL | 24,402,198 | 26,731,798 |

### 2. Analysis by nature

A. Not measured at fair value through profit or loss

| (in thousands of EUR) | Amortised cost 31/12/20 | 30/06/21 |
|---|---|---|
| Certificates of deposit | 1,155,289 | 2,783,820 |
| Customer saving certificates | 804,083 | 701,516 |
| Non-convertible debts | 6,274,605 | 7,145,282 |
| Covered bonds[1] | 7,783,689 | 7,775,075 |
| Lease liabilities | 51,138 | 46,681 |
| TOTAL | 16,068,804 | 18,452,374 |

(1) Belfius has two covered bonds programmes. See text below for more details.

The debt securities measured at amortised cost increased by EUR 2.4 billion, or 14.8%, to EUR 18.5 billion (31 December 2020: EUR 16.1 billion), mainly due to the issuance of EUR 1.6 billion in certificates of deposit, EUR 0.5 billion in Preferred Senior bonds and EUR 0.5 billion in Green Non-Preferred Senior bonds.

### Belfius' covered bonds programmes

Belfius has two covered bond programmes:

- Mortgage Pandbrieven programme; and
- Public Pandbrieven programme.

The covering assets of the Mortgage Pandbrieven are mainly Belgian mortgage loans granted in accordance with the law on mortgage loans (law of 4 August 1992), through the branch network of Belfius. The covering assets of the Public Pandbrieven are mainly loans granted to Belgian public sector entities (municipalities, provinces, etc.).

The Belgian pandbrieven investors have a direct recourse to:

- the general estate of the issuing credit institution (i.e. repayment of the Belgian pandbrieven is an obligation of the issuing bank as a whole); and
- the segregated estate, that comprises the cover pool that is exclusively reserved for the Belgian pandbrieven investors under the specific program to which the segregated estate is joined and for the claims of other parties that are or can be identified in the issue conditions. Assets become part of the cover pool upon registration in a register held by the issuer for such purpose.

A detailed description of the covering assets (including the outstanding amount and the characteristics of the loans in the cover pool) can be consulted:

- for the Mortgage Pandbrieven Programme on https://www.belfius.com/EN/debt-issuance/Belgian-mortgage- pandbrieven-programme/index.aspx
- for the Public Pandbrieven Programme on https://www.belfius.com/EN/debt-issuance/Belgian-public-pandbrieven-programme/index.aspx

The carrying value of the cover pool amount to EUR 12.5 billion in 30 June 2021 (31 December 2020: EUR 12.5 billion). The carrying value of the cover pool is accounted for in loans and advances. Refer to note 5.3.

### B. Measured at fair value through profit or loss

| | 31/12/20 | | | 30/06/21 | | |
|---|---|---|---|---|---|---|
| (in thousands of EUR) | Financial liabilities held for trading | Financial liabilities designated at fair value through profit or loss | Total | Financial liabilities held for trading | Financial liabilities designated at fair value through profit or loss | Total |
| Debt securities | | 8,190,260 | 8,190,260 | | 8,048,870 | 8,048,870 |
| Debt securities issued by public sector (trading positions) | 142,053 | | 142,053 | 230,346 | | 230,346 |
| Other debt securities (trading positions) | 5 | | 5 | 5 | | 5 |
| Equity instruments (trading positions) | 1,076 | | 1,076 | 202 | | 202 |
| TOTAL | 143,134 | 8,190,260 | 8,333,394 | 230,554 | 8,048,870 | 8,279,424 |

Debt securities measured at fair value through profit or loss remained stable at EUR 8.3 billion.

The category "Financial liabilities designated at fair value through profit or loss" is currently used for banking activities: to eliminate or significantly reduce a measurement or recognition inconsistency, between debt instruments and their hedges, that would otherwise arise.

The methodology used to determine the fair value of "financial liabilities designated at fair value" is detailed in note 9.1.

There is no own credit risk recognised in the fair value of financial liabilities.

## 3. Analysis of the fair value

See note 9.1.

## 6.5. Provisions for insurance activities

**(refers to table 6.5. of the annual report 2020)**

Belfius has opted to present the figures on technical provisions including intragroup transactions between bank and insurance entities, as these mainly relate to insurance contracts concluded between the bank and insurance entities and distribution commissions that Belfius Insurance pays to Belfius Bank.

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| GROSS RESERVES | | |
| In the consolidated balance sheet (as presented on balance sheet) | 12,659,377 | 12,034,185 |
| Intragroup transactions | 11,292 | 6,668 |
| Gross reserves including intragroup transactions | 12,670,669 | 12,040,853 |

### 1. General overview Life/Non-Life contracts

| | 31/12/20 | | | 30/06/21 | | |
|---|---|---|---|---|---|---|
| (in thousands of EUR) | Life | Non-Life | Total | Life | Non-Life | Total |
| GROSS RESERVES | 11,356,195 | 1,314,474 | 12,670,669 | 10,675,644 | 1,365,209 | 12,040,853 |
| Gross reserves - Share of reinsurers | 12,723 | 94,353 | 107,076 | 10,487 | 93,895 | 104,382 |

### 2. Insurance contracts Life

Gross reserves

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| LIFE INSURANCE RESERVES | 10,795,049 | 10,237,011 |
| Reserves due to results of LAT (Liability Adequacy Test) | 0 | 0 |
| Reserves due to shadow accounting adjustments | 349,867 | 290,450 |
| Variation due to variation of scope of consolidation IFRS 5 | 0 | 0 |
| TOTAL LIFE INSURANCE RESERVE | 11,144,916 | 10,527,461 |
| | | |
| Claims reserves | 100,359 | 53,012 |
| Profit sharing reserve[1] | 109,672 | 93,639 |
| Unearned premium reserves (UPR) | 0 | 0 |
| Other technical reserves | 1,248 | 1,532 |
| Variation due to variation of scope of consolidation IFRS 5 | 0 | 0 |
| TOTAL GROSS TECHNICAL RESERVES LIFE | 11,356,195 | 10,675,644 |

(1) Discretionary profit sharing is a contractual but conditional right to receive additional benefits in addition to a guaranteed return. At the moment when the annual business plan is drawn up, an estimate is made of the total conditional profit sharing for the in-force business. We refer to the consolidated statement of changes in equity.

Gross technical reserves for Life decreased by EUR 681 million, or 6%, to EUR 10.7 billion (31 December 2020: EUR 11.4 billion). In the current low interest rate environment, a continued shift can be noted from Branch 21 products towards alternative investment forms, such as Branch 23 or Branch 44 products. As a result, a substantial part of the Branch 21 investment policies coming to maturity were not reinvested in new Branch 21 investment policies. In addition, the reassessment of the life provisions resulted in a release of EUR 15 million (no release in 2020).

The total reserves in application of the shadow accounting amount to EUR 290 million as at 30 June 2021 compared to EUR 350 million as at 31 December 2020, a decrease of EUR 60 million.

An amount of EUR 33 million was transferred from the gains and losses not recognised in the statement of income to the technical reserve Life by application of shadow accounting to insurance contracts with funds with dedicated assets, compared to EUR 49 million in 2020. The decrease of EUR 16 million is mainly explained by the decrease in the fair value of the debt instruments resulting from higher interest rates.

By comparing the value of the Life insurance obligations based on the LAT methodology described in the accounting policies on the one hand and the provisions for Life insurance on the other hand increased with the net unrealised gains on the investment portfolio carried at amortised cost and allocated to the life portfolio, a need for shadow loss adjustment was determined at

30 June 2021 for an amount of EUR 258 million, compared to EUR 301 million at 31 December 2020. The decrease of EUR 43 million stems mainly from the increase in interest rates over the first semester, partially compensated by decreased credit spreads and the negative impact of the revision of the non-financial assumptions for the calculation of the Best Estimate Life.

The profit sharing reserve decreased by EUR 16 million from EUR 110 million as at 31 December 2020 to EUR 94 million as at 30 June 2021 following the incorporation of the provision of previous year into the mathematical reserves. For the current year, an allocation of EUR 10 million was recorded in June 2021.

The evolution of the discretionary profit sharing element for the coming years included in the profit sharing reserve decreased by EUR 10 million from EUR 84 million as at 31 December 2020 to EUR 74 million as at 30 June 2021, appropriating the allocation of current year to the main portfolio Life.

As of 30 June 2021, the total amount of future profit sharing amounts to EUR 156 million, of which an amount of EUR 74 million was recorded through the statement of income and reported in the profit sharing reserve, compared to EUR 84 million at year end 2020. The remaining EUR 82 million is accounted via equity.

### 3. Insurance contracts Non-Life

Gross reserves

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Claims reserves | 1,128,536 | 1,152,183 |
| Other technical reserves | 36,940 | 37,126 |
| Profit sharing reserves | 2,234 | 1,283 |
| Unearned premium reserves (UPR) | 146,764 | 174,617 |
| TOTAL GROSS RESERVES NON-LIFE | 1,314,474 | 1,365,209 |

The technical provision for Non-Life products increased by EUR 51 million, or 4%, to EUR 1.4 billion (31 December 2020: EUR 1.3 billion) mainly due to an increase in the Non-Life portfolio and relating to claims incurred awaiting settlement. As a result of the update of the indicative tables in May 2021, Belfius Insurance released the additional provisions of EUR 31 million which were accounted for in December 2020, partially compensated by a further reassessment of the related technical provisions, resulting in an increase in bodily injury provisions for EUR 26 million in 1H 2021. Note that in 1H 2020 a reassessment of the general Non-Life claims provisions resulted in a release of EUR 13 million, in line with the risk appetite framework.

## 6.6. Provisions and contingent liabilities

**(refers to table 6.6. of the annual report 2020)**

### 1. Analysis by nature

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Pensions and other employment defined benefit obligations(1) | 254,238 | 191,434 |
| Other long term employee benefits | 26,869 | 25,672 |
| Restructuring(2) | 56,351 | 41,095 |
| Provisions for litigations(3) | 61,227 | 57,980 |
| Onerous contracts | 3,853 | 3,660 |
| Impairment on financial guarantees and commitments given(4) | 176,149 | 165,618 |
| Other provisions | 45,420 | 51,962 |
| TOTAL | 624,107 | 537,421 |

(1) The negative revaluation of the pension liabilities is the result of the negative impact of an increase in interests as well as the positive return of the assets of the pension plans.
(2) The restructuring provision is used in line with agreed plans and is reviewed annually and adjusted, where necessary.
(3) Provisions for litigations concerns mainly provisions for potential settlements of ongoing disputes with third parties.
(4) Refer to table 9.2.3. Movements in allowances for credit losses for further information.

## 2. Contingent liabilities and legal litigations

### A. Commitments to Single Resolution Fund

Belfius has opted in the past to pay part of its contribution of the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment is fully covered by cash collateral. See also note 8.5. "Commitments to Single Resolution Fund".

### B. Commitments to Belfius Bank Branches

As a result of the amended company legislation, the legal form of the Belfius branches has been converted from Cooperative Society (CVBA) to Limited Liability Company (Commanditaire Vennootschap (CommV)) as from 2020. In this context, as from 1 January 2020, Belfius Bank grants a guarantee to the managing partners of these limited partnerships for their unlimited liability.

### C. Legal litigations

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and taxpayer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events,
- it is probable that Belfius will have to make a payment, and
- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not[1]. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. For litigations for which no provision has been made, such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

#### Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/ Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded.

The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known. No provision has been made for this claim.

#### Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in two separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels and another procedure before the Court of First Instance of Brussels:

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. On 16 November 2020, a further "Deminor" procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they will be treated together. The plaintiffs have requested that the Brussels Court rules, among other things:
  - in first order, that the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;
  - that the defendants should therefore, in solidum, reimburse the plaintiffs for their financial contribution in these entities plus interest;
  - in the alternative, a compensation is asked to Belfius Bank for an alleged violation of the information duty; and
  - that the defendants are liable for certain additional damages to the plaintiffs.

(1) Note that, where relevant, §92 of IAS37 may apply to this section.

The historical financial contribution of the 2,169 plaintiffs to the Arco Group entities, for which reimbursement is claimed, amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. In the meantime, the VZW Arcoclaim also intervenes in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/shareholders). On 1 February 2021, Belfius Bank submitted its final legal briefs. The case has been pleaded during several pleading sessions in June 2021. Considering standard timings of proceedings before the Commercial Court of Brussels, a judgment could be issued before end 2021.

→ Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 February 2018 to intervene in this procedure and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of end June 2020, approximately 5,380 Arco shareholders did so. The VZW Arcoclaim also intervenes in this litigation procedure. There is not yet a pleading calendar in this case.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

### Funding Loss

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law.

### Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

### Investigation by public prosecutor into the activities of an independent bank agency

Public prosecution has been initiated, a.o. against Belfius Bank, for its alleged role in potential fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations. After consultation of the criminal file in H1 2021, Belfius continues to believe that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit. No provision has been booked for this case.

# 6.7. Subordinated debts

(refers to table 6.7. of the annual report 2020)

## 1. Not measured at fair value through profit or loss

| | Amortised cost | |
|---|---|---|
| (in thousands of EUR) | 31/12/20 | 30/06/21 |
| CONVERTIBLE SUBORDINATED DEBT | 0 | 0 |
| NON-CONVERTIBLE SUBORDINATED DEBT | 1,150,681 | 1,133,851 |
| Loan capital perpetual subordinated notes | 159,380 | 161,256 |
| Loan capital non-perpetual subordinated notes | 991,301 | 972,595 |
| TOTAL | 1,150,681 | 1,133,851 |
| HYBRID CAPITAL AND REDEEMABLE PREFERENCE SHARES | 0 | 0 |

Subordinated debts decreased by EUR 17 million, or 1.5%, to EUR 1.1 billion (31 December 2020: EUR 1.2 billion).

## 2. Measured at fair value through profit or loss

Nil.

## 3. Analysis cash flows and non-cash changes

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| OPENING BALANCE | 1,157,266 | 1,150,681 |
| CASH FLOWS | | |
| Issuance of subordinated debts | 0 | 0 |
| Repayments of subordinated debts | 0 | 0 |
| NON-CASH CHANGES | | |
| Foreign exchange adjustments | (5,544) | (6,527) |
| Effective Interest rate | (1,042) | (10,303) |
| CLOSING BALANCE | 1,150,681 | 1,133,851 |

## 4. Analysis of the fair value

See note 9.1.

# VII. Notes on the condensed consolidated interim statement of income

(some amounts may not add up due to rounding)

**Significant items included in the statement of income**

We refer to the chapter "Financial results" in the management report.

## 7.1. Interest income – interest expense

**(refers to table 7.1. of the annual report 2020)**

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| INTEREST INCOME | 1,689,616 | 1,664,426 |
| **INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT AMORTISED COST** | **1,265,419** | **1,190,149** |
| Loans and advances due from credit institutions | 6,811 | 2,502 |
| Loans and advances | 973,176 | 933,541 |
| Debt securities issued by public sector | 186,368 | 167,611 |
| Other debt securities | 98,458 | 86,066 |
| Other | 607 | 430 |
| **INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI** | **46,942** | **43,467** |
| Loans and advances | 0 | 8 |
| Debt securities issued by public sector | 31,471 | 29,954 |
| Other debt securities | 15,472 | 13,505 |
| **INTEREST INCOME OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS** | **335,854** | **301,309** |
| Financial assets held for trading | 3,237 | 3,424 |
| Non-trading financial assets mandatorily measured at fair value | 38,912 | 34,966 |
| Loans and advances | 25,374 | 21,085 |
| Debt securities issued by public sector | 324 | 127 |
| Other debt securities | 13,213 | 13,754 |
| Derivatives held for trading | 85,759 | 78,740 |
| Derivatives as hedging instruments | 207,946 | 184,178 |
| **INTEREST INCOME ON FINANCIAL LIABILITIES (NEGATIVE YIELD)** | **41,400** | **129,502** |
| INTEREST EXPENSE | (707,571) | (676,238) |
| **INTEREST EXPENSE OF FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS** | **(152,024)** | **(135,494)** |
| Cash and balances with central banks | (402) | 0 |
| Credit institutions borrwings and deposits | (4,393) | (1,494) |
| Customers borrowings and deposits | (52,302) | (48,357) |
| Debt securities issued | (78,872) | (69,854) |
| Lease liabilities | (397) | (357) |
| Subordinated debts | (14,940) | (14,883) |
| Other | (718) | (550) |
| **INTEREST EXPENSE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS** | **(505,704)** | **(446,867)** |
| Financial liabilities held for trading | (1,182) | (2,670) |
| Financial liabilities designated at fair value | (46,226) | (44,063) |
| Derivatives held for trading | (72,243) | (53,248) |
| Derivatives as hedging instruments | (386,053) | (346,886) |
| **INTEREST EXPENSE ON FINANCIAL ASSETS (NEGATIVE YIELD)** | **(40,320)** | **(93,877)** |
| **MODIFICATION LOSS ON FINANCIAL ASSETS(1)** | **(9,523)** | **0** |
| NET INTEREST INCOME(2) | 982,044 | 988,189 |

(1) In light of the Covid-19 crisis, a payment holiday was granted to individuals on their mortgage loans if, among other criteria, their income fell below EUR 1,700 per month (considered as vulnerable clients). Seeing that the mortgage loans of vulnerable clients are merely extended with the deferred period, without make whole for lost value, the difference between the present value of the original cash flows and the modified cash flows, both discounted at the original EIR, resulted in a "modification loss" to be recognised upfront by Belfius Bank. Refer to the section "Measures in Covid-19 crisis to support the Belgian Society" in the Credit Risk chapter of the Management Report for further information on the Covid-19 measures taken at Belfius. Note that no modification loss was recognised in 1H 2021.

(2) Interest income and expense are recognised on an accrual basis in the statement of income for all interest bearing instruments using the effective interest rate method.

Net interest income increased by EUR 6.1 million, or 0.6%, to EUR 988 million (30 June 2020: EUR 982 million), mainly due to higher volumes in loans combined with a strict pricing discipline despite the pressure of the lower interest rate environment, lower outstandings in Branch 21 and reinvestments at lower market yields. The interest received on TLTRO III funding from ECB/NBB central bank and accounted for in 1H 2021 amounts to EUR 75 million (this was EUR 10 million in 1H 2020, of which EUR 8 million from the TLTRO III). The interest paid on lending to ECB/NBB and accounted for in 1H 2021 amounts to EUR 66 million (this was EUR 4 million in 1H 2020). Based on current and forecast net lending volumes, there is a reasonable expectation that the conditions of the TLTRO programme will be met and therefore the effective interest rate includes the additional reduction of 50 basis points.

Note that 1H 2020 was positively impacted by the extensive restructuring of a specific corporate leasing file. Furthermore, in 1H 2020 a modification loss of EUR 9.7 million was recognised as a result of the relief granted to vulnerable customers, following the moratorium granted on mortgage loans in light of the Covid-crisis. In 1H 2021 no modification loss was recognised.

## 7.2. Net income from financial instruments at fair value through profit or loss

**(refers to table 7.4. of the annual report 2020)**

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| Net trading income | 26,133 | 54,267 |
| Net result of financial assets designated at fair value through profit or loss and result from the related derivatives | 0 | 0 |
| Result of financial assets non-trading mandatorily measured at fair value through profit or loss | (24,683) | (28,382) |
| Loans and advances | 8,532 | (26,140) |
| Debt securities issued by public sector | (538) | 1,992 |
| Other Debt securities | (32,668) | (4,234) |
| Net result of financial liabilities designated at fair value through profit or loss and result from the related derivatives (except own credit risk) | (1,500) | 1,361 |
| Net result of hedge accounting | (51,523) | 7,912 |
| TOTAL | (51,572) | 35,158 |

Net income from financial instruments measured at fair value through profit or loss increased by EUR 86.7 million to EUR 35 million (30 June 2020: EUR -52 million). Net trading income increased by EUR 28 million to EUR 54 million end June 2021, due mainly to the negative impact of the Covid-19 outbreak on credit spreads as well as equity markets in 1H 2020 whereas the markets stabilized in 1H 2021. The net result from financial instruments mandatorily measured at fair value through profit or loss decreased by EUR 4 million to EUR -28 million end June 2021. The net result of hedge accounting increased by EUR 59 million to EUR 8 million end June 2021 and was positively impacted, among other factors, by favourably evolutions on some basis spreads and basis risks.

### Net trading income

The net trading income increased with EUR 28 million to EUR 54 million end June 2021 due mainly to lower credit spreads compared to end June 2020. Note that the total amount recorded on the balance sheet as credit value adjustments stands at EUR -51 million end June 2021 (compared to EUR -99 million end June 2020), whereas total amount on the balance sheet of the debit value adjustment amounts to EUR 2 million end June 2021 (compared to EUR 2 million end June 2020). The total amount on the balance sheet related to funding value adjustments amounts to EUR -58 million end June 2021 (compared to EUR -59 million end June 2020).

The total P&L impact in the line net trading income for credit value adjustments amounted to EUR +27 million end June 2021 (compared to -27 million end June 2020) mainly due to lower credit spreads, for debit value adjustments EUR +0.3 million end June 2021 (compared to EUR -0.7 million end June 2020) and for funding value adjustments EUR +13 million end June 2021 (compared to EUR -7 million end June 2020). Economic hedges of non basic loans through CDS itraxx amounted to EUR -0.3 million (end June 2020: EUR -7 million).

### Result of financial assets non-trading mandatorily measured at fair value through profit or loss

The net result from financial instruments decreased by EUR 4 million. The non-SPPI compliant structured loans as presented in the line "Loans and advances" were negatively impacted by higher interest rates resulting in negative fair value changes of EUR -35 million, partially compensated by positive fair value changes of EUR 28 million as a result of increased equity markets mainly on funds at Belfius Insurance (considered as non-SPPI compliant bonds) as presented in the line "Other Debt securities". Note that hedges of these instruments are classified in net trading income.

### Net result of hedge accounting

The net result of hedge accounting amounts to EUR 8 million (1H 2020: EUR -52 million) and was positively impacted amongst others by basis risks.

Belfius is managing basis risks through additional derivatives (economic hedges) for which no hedge accounting is set up, as the result of the impact of these hedges were recorded in the net trading income line for an amount of EUR -7 million (1H 2020: EUR 33 million). It mainly relates to economic hedges of hedge inefficiency stemming from basis risks (hedged via basis swaps).

## Result of hedge accounting

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| FAIR VALUE HEDGES | (37,610) | 888 |
| Fair value changes of the hedged item attributable to the hedged risk | 931,851 | (289,044) |
| Fair value changes of the hedging derivatives | (969,461) | 289,932 |
| CASH FLOW HEDGES | 0 | 0 |
| PORTFOLIO HEDGE | (13,913) | 7,024 |
| Fair value changes of the hedged item | 362,160 | (402,824) |
| Fair value changes of the hedging derivatives | (376,073) | 409,848 |
| TOTAL | (51,523) | 7,912 |

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| DISCONTINUATION OF CASH FLOW HEDGE ACCOUNTING (CASH FLOWS STILL EXPECTED TO OCCUR) – AMOUNTS RECORDED IN INTEREST MARGIN | (5) | 77 |

All effectiveness tests were respected at all times.

For more details we refer to note 5.5. derivatives.

## 7.3. Net income on investments and liabilities

**(refers to table 7.5. of the annual report 2020)**

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED) | 2,849 | 579 |
| Realised gains on debt securities issued by public sector | 1 | 0 |
| Realised gains on other debt securities | 2,848 | 579 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED) | 22,325 | 776 |
| Realised gains on debt securities issued by public sector | 17,364 | 0 |
| Realised gains on other debt securities | 4,960 | 776 |
| OTHER | 40,228 | 6,905 |
| Realised gains on tangible fixed assets | 40,228 | 6,905 |
| FINANCIAL LIABILITIES AT AMORTISED COST | 5 | 15 |
| Realised gains on financial liabilities | 5 | 15 |
| TOTAL GAINS | 65,406 | 8,275 |
| FINANCIAL ASSETS AT AMORTISED COST (NOT IMPAIRED) | (6,176) | (1,239) |
| Realised losses on other debt securities | (6,176) | (1,239) |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (NOT IMPAIRED) | (521) | (96) |
| Realised losses on debt securities issued by public sector | (16) | (14) |
| Realised losses on other debt securities | (505) | (82) |
| ASSETS HELD FOR SALE | 0 | (4) |
| Realised losses on assets held for sale | 0 | (4) |
| OTHER | (24) | (0) |
| Realised losses on tangible fixed assets | (24) | 0 |
| FINANCIAL LIABILITIES AT AMORTISED COST | (2) | (2) |
| Realised losses on financial liabilities | (2) | (2) |
| TOTAL LOSSES | (6,723) | (1,341) |
| TOTAL NET INCOME ON INVESTMENTS AND LIABILITIES | 58,683 | 6,934 |

Net income on investments and liabilities decreased by EUR 51.7 million, or 88.2%, to EUR 7 million (30 June 2020: EUR 59 million).

Belfius realised capital gains of EUR 6.5 million on the sale of tangible fixed assets from the sale of different bank offices and the sale of a building in Mechelen. Note that capital gains of EUR 40 million were realised in 1H 2020, mainly on the partial sale of the Galilee building.

Furthermore, Belfius Insurance realised EUR 22 million from the sale of bonds in 1H 2020 in order to manage its duration gap while no capital gains on bonds were realised in 1H 2021.

The table below provides a summary of the realised gains and losses from derecognition on not impaired and impaired financial instruments. These realised gains and losses are accounted for in the line-item "Net income on investments and liabilities" for not impaired debt instruments measured at fair value through OCI (note 7.3.) or in the line-item "Impairments on financial instruments and provisions for credit commitments" for impaired debt instruments, and impaired and not impaired loans and advances.

## 1. Realised gains or losses arising from derecognition of debt instruments measured at amortised cost (impaired and not impaired)

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| **REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST** | **4,330** | **1,498** |
| Realised gains on loans and advances | 709 | 632 |
| Realised gains on debt securities issued by public sector | 93 | 104 |
| Realised gains on other debt securities | 3,527 | 763 |
| **REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST** | **7,808** | **5,165** |
| Realised gains on impaired loans and advances | 7,808 | 5,165 |
| Realised gains on impaired other debt securities | 0 | 0 |
| **REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST** | **(8,868)** | **(2,819)** |
| Realised losses on Loans and advances | (1,294) | (1,580) |
| Realised losses on other debt securities | (7,573) | (1,239) |
| **REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT AMORTISED COST** | **(7,817)** | **(5,096)** |
| Realised losses on impaired Loans and advances | (7,817) | (5,096) |

## 2. Realised gains or losses arising from derecognition of debt instruments measured at fair value through other comprehensive income (impaired and not impaired)

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| **REALISED GAINS FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | **22,325** | **776** |
| Realised gains on debt securities issued by public sector | 17,364 | 0 |
| Realised gains on other debt securities | 4,960 | 776 |
| **REALISED GAINS ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | **0** | **0** |
| **REALISED LOSSES ARISING FROM DERECOGNITION OF NOT IMPAIRED FINANCIAL ASSETS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | **(521)** | **(96)** |
| Realised losses on debt securities issued by public sector | (16) | (14) |
| Realised losses on other debt securities | (505) | (82) |
| **REALISED LOSSES ARISING FROM DERECOGNITION OF IMPAIRED FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | **0** | **0** |

# 7.4. Fee and commission income – expense

**(refers to table 7.6. of the annual report 2020)**

| | 30/06/20 | | | 30/06/21 | | |
|---|---|---|---|---|---|---|
| (in thousands of EUR) | Income | Expense | Net | Income | Expense | Net |
| Commissions on unit trusts and mutual funds managed by third parties | 146,866 | (27,524) | 119,342 | 179,550 | (31,985) | 147,565 |
| Insurance activity | 63,019 | (2,489) | 60,530 | 65,157 | (2,592) | 62,565 |
| Credit activity | 18,644 | (3,084) | 15,560 | 21,705 | (2,769) | 18,936 |
| Purchase and sale of securities | 10,691 | (478) | 10,213 | 8,508 | (323) | 8,185 |
| Purchase and sale of unit trusts and mutual funds | 21,200 | (13) | 21,186 | 32,431 | (26) | 32,405 |
| Payment services | 84,299 | (31,928) | 52,371 | 91,674 | (27,551) | 64,123 |
| Commissions to not exclusive brokers | 867 | (5,667) | (4,800) | 1,021 | (6,308) | (5,287) |
| Services on securities other than safekeeping | 3,494 | (692) | 2,802 | 3,138 | (820) | 2,318 |
| Custody | 14,159 | (2,161) | 11,999 | 16,046 | (1,938) | 14,108 |
| Issues and placements of securities | 3,929 | (2,515) | 1,413 | 4,742 | (2,516) | 2,227 |
| Servicing fees of securitisation | 98 | 0 | 98 | 91 | 0 | 91 |
| Advisory services and discretionary management | 15,806 | (3,218) | 12,588 | 19,955 | (3,830) | 16,124 |
| Clearing and settlement | 7,048 | (2,408) | 4,639 | 7,586 | (2,511) | 5,074 |
| Securities lending | 3,777 | (0) | 3,777 | 3,754 | (0) | 3,753 |
| Financial guarantees | 2,339 | (2,590) | (251) | 2,093 | (2,487) | (394) |
| Beyond banking and insurance | 0 | 0 | 0 | 63 | (7) | 56 |
| TOTAL | 396,235 | (84,768) | 311,468 | 457,512 | (85,662) | 371,850 |

Net fee and commission income increased by EUR 60.4 million, or 19.4%, to EUR 372 million (30 June 2020: EUR 311 million). The increase was mainly attributed to an increase in commission income on asset management services resulting from increased subscriptions, higher average outstanding volumes thanks to organic growth, increasing equity markets and higher (entry and servicing) fees, as well as on payment services.

# 7.5. Insurance results

**(refers to table 7.7. of the annual report 2020)**

Note that Belfius has opted to present the figures on technical results from insurance activities including intragroup transactions between bank and insurance entities, as these mainly relate to insurance contracts concluded between the bank and insurance entities and distribution commissions that Belfius Insurance pays to Belfius Bank. Please refer to note 7.4. "Fee and commission income – expense" for more details on the commission income from insurance activities.

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| GROSS EARNED PREMIUMS | | |
| In the consolidated income statement (as presented on statement of income) | 709,091 | 730,083 |
| Intragroup transactions | 4,672 | 4,641 |
| Gross earned premiums including intragroup transactions | 713,763 | 734,723 |

## 1. Overview per activity

Please refer to note 4. "Operating segment reporting" part B, segmentation by contribution scope, for a breakdown of the contribution of Belfius Bank and Belfius Insurance into the group result. The contribution to the "technical result" refers also to the statement of income IX. Technical result from insurance activities" as only insurance activities are reported to this line.

The further breakdown of the contribution of Belfius Insurance into the activities Life, Non-Life and Non-technical is based on the results of the insurance activities and the corresponding investment portfolios.

### A. Consolidated statement of income

| | 30/06/20 | | | | 30/06/21 | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of EUR) | Life | Non-Life | Non-Technical | Total | Life | Non-Life | Non-Technical | Total |
| **INCOME** | **114,864** | **129,370** | **15,024** | **259,258** | **143,679** | **122,226** | **14,121** | **280,026** |
| Technical result[1] | (81,913) | 112,070 | 0 | 30,157 | (52,584) | 103,720 | 0 | 51,137 |
| Gross earned premiums | 357,224 | 356,540 | 0 | 713,763 | 356,709 | 378,014 | 0 | 734,723 |
| Other technical income and charges | (439,136) | (244,470) | 0 | (683,606) | (409,293) | (274,294) | 0 | (683,587) |
| Financial result | 188,332 | 16,952 | 14,280 | 219,564 | 185,688 | 18,464 | 13,143 | 217,295 |
| Interest income, Interest expense, Dividend income | 194,710 | 19,916 | 10,595 | 225,221 | 190,548 | 18,612 | 10,932 | 220,093 |
| Net income on investments and liabilities | 29,034 | 12 | 9,455 | 38,502 | 704 | 10 | 0 | 715 |
| Net income from equity method companies, Net income from financial instruments at fair value through profit or loss, Other income, Other expense | (35,412) | (2,977) | (5,770) | (44,159) | (5,564) | (158) | 2,210 | (3,512) |
| Fee and commission income, Fee and commission expense | 8,445 | 348 | 743 | 9,537 | 10,575 | 42 | 978 | 11,595 |
| **EXPENSES** | **(36,582)** | **(79,713)** | **(8,172)** | **(124,468)** | **(37,461)** | **(79,732)** | **(8,348)** | **(125,541)** |
| Impairments on loans and advances and provisions for credit commitments, Impairments on goodwill | (6,035) | (837) | 1,464 | (5,408) | 1,396 | 102 | (580) | 918 |
| Impairments on tangible and intangible assets | 0 | 0 | (2,414) | (2,414) | 0 | 0 | (425) | (425) |
| NET INCOME BEFORE TAX | 72,247 | 48,820 | 5,902 | 126,968 | 107,613 | 42,597 | 4,768 | 154,979 |
| Tax (expense) income | (22,142) | (14,702) | (1,771) | (38,615) | (27,062) | (10,439) | (1,169) | (38,670) |
| NET INCOME | 50,104 | 34,118 | 4,131 | 88,353 | 80,552 | 32,158 | 3,600 | 116,309 |
| Attributable to non-controlling interests | 0 | 0 | (692) | (692) | 0 | 0 | 269 | 269 |
| Attributable to equity holders of the parent | 50,104 | 34,118 | 4,823 | 89,045 | 80,552 | 32,158 | 3,331 | 116,041 |

(1) Statement of income IX. Technical result from insurance activities.

## B. Consolidated balance sheet

| (in thousands of EUR) | 30/06/20 Life | Non-Life | Non-Technical | Total | 30/06/21 Life | Non-Life | Non-Technical | Total |
|---|---|---|---|---|---|---|---|---|
| **TECHNICAL PROVISIONS OF INSURANCE COMPANIES** | | | | | | | | |
| Technical provisions - insurance activities | 11,174,518 | 1,304,252 | 0 | 12,478,769 | 10,668,976 | 1,365,209 | 0 | 12,034,185 |
| Technical provisions unit-linked | 3,828,584 | 0 | 0 | 3,828,584 | 4,227,511 | 0 | 0 | 4,227,511 |
| Technical provisions - share of reinsurers | 13,384 | 93,100 | 0 | 106,484 | 10,487 | 93,894 | 0 | 104,382 |

The technical result from insurance activities Life and Non-Life improved by EUR 20.9 million to a profit of EUR 51.1 million (30 June 2020: profit of EUR 30.2 million).

The technical result from insurance activities Life improved by EUR 29.3 million. The interest guarantees decreased by EUR 11 million due to the declining outstanding volume in Branch 21. Belfius Insurance also observed better mortality results compared to 1H 2020. Furthermore the reassessment of the life provisions resulted in a release of EUR 15 million in line with the risk appetite framework (no release in 2020).

In Non-Life, the technical result decreased by EUR 8.4 million, mainly resulting from higher claims charges, especially in Car, as last year's results were positively impacted by the confinement period following the Covid-19 crisis. The decrease was partially offset by a lower cost for natural catastrophes (net of reinsurance) of EUR 13 million. As a result of the update of the indicative tables in May 2021, Belfius Insurance released the additional provisions of EUR 31 million which were accounted for in December 2020, partially compensated by a further reassessment of the related technical provisions, resulting in an increase in bodily injury provisions for EUR 26 million in 1H 2021. Note that in 1H 2020 a reassessment of the general Non-Life claims provisions resulted in a release of EUR 13 million, in line with the risk appetite framework.

# 7.6. Other income

**(refers to table 7.8. of the annual report 2020)**

| (in thousands of EUR) | 30/06/20 | 30/06/21 |
|---|---|---|
| Write-back of impairment on inventory | 0 | 1 |
| Operational taxes | 3 | 0 |
| Rental income from investment property | 16,653 | 21,322 |
| Other rental income | 2,087 | 1,785 |
| Other banking income | 258 | 316 |
| Write-back of provisions for litigations[1] | 3,178 | 3,757 |
| Real estate projects | 1,546 | 3,337 |
| Asset Finance activities | 40,973 | 51,367 |
| Other income on other activities | 28,862 | 34,159 |
| **OTHER INCOME** | **93,561** | **116,044** |

(1) We refer to note 6.6. "Provisions and contingent liabilities" for a detailed description. Please note that the additional provisions for litigations are recorded in other expense (we refer to note 7.7.).

## 7.7. Other expense

### (refers to table 7.9. of the annual report 2020)

| (in thousands of EUR) | 30/06/20 PF[3] | 30/06/21 |
|---|---|---|
| Impairment on inventory | (99) | 0 |
| Sector levies[1] | (237,076) | (269,071) |
| Other levies[2] | 0 | (8,307) |
| Expenses related to investment properties that generated income during the current financial year[3] | (16,212) | (12,996) |
| Provisions for litigations | (4,177) | (6,685) |
| Real estate projects | (1,655) | (1,675) |
| Asset Finance activities | (38,248) | (46,940) |
| Other expense on other activities[4] | (27,274) | (37,218) |
| **OTHER EXPENSE** | **(324,741)** | **(382,891)** |

(1) Sector levies are specific taxes for financial institutions or insurers, it includes
→ the Deposit Guarantee Scheme contributions,
→ Subscription tax,
→ Financial Stability Contribution and
→ The contributions to the Single Resolution Fund.
Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 17.5 million in its off balance sheet accounts (stable compared to 2020).
(2) Other levies include the tax on securities accounts, mainly on Branch 23 funds of Belfius Insurance for EUR 5.9 million.
(3) Depreciation and amortization on investment property were presented under the line item "Other expense on other activities" in the previous half yearly report.
(4) "Other expenses on other activities" includes other operational expenses and other operational taxes.

# Other notes to the condensed consolidated interim financial statements

## VIII. Notes on the condensed consolidated interim off-balance sheet items

(some amounts may not add up due to roundings)

### 8.1. Regular way trade

**(refers to table 8.1. of the annual report 2020)**

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Loans to be delivered and purchases of assets | 2,431,514 | 3,444,693 |
| Borrowings to be received and sales of assets | 11,320,885 | 13,271,886 |

### 8.2. Guarantees

**(refers to table 8.2. of the annual report 2020)**

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Guarantees given to credit institutions | 1,241,204 | 1,272,113 |
| Guarantees given to customers | 4,587,080 | 4,757,453 |
| Guarantees received from credit institutions(1) | 1,126,020 | 989,200 |
| Guarantees received from customers | 28,078,339 | 27,312,323 |
| Guarantees received from the Belgian State(2) | 9,142,355 | 9,160,215 |

(1) This amount includes the personal guarantees and similar rights of recourse obtained for derivatives.
(2) This amount concerns the allocation to Belfius of the Belgian State guarantee scheme for loans to SME in the framework of the Covid-19 crisis. The allocation of EUR 9.2 billion is based on our market share. Refer to the section "Measures in Covid-19 crisis to support the Belgian Society" in the Credit Risk chapter of the Management Report for further information on the Covid-19 measures taken at Belfius.

### 8.3. Loan commitments

**(refers to table 8.3. of the annual report 2020)**

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Unused lines granted to credit institutions | 197,824 | 332 |
| Unused lines granted to customers | 29,581,213 | 30,427,965 |
| Unused lines obtained from credit institutions | 1,312 | 962 |
| Unused lines obtained from customers | 0 | 0 |

## 8.4. Other commitments to financing activities

**(refers to table 8.4. of the annual report 2020)**

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Insurance activity – Commitments given | 0 | 0 |
| Insurance activity – Commitments received | 71,814 | 69,444 |
| Banking activity – Commitments given(1) | 36,776,363 | 39,468,250 |
| Banking activity – Commitments received | 85,652,163 | 88,051,991 |

(1) Mainly related to repurchase agreements and collateralisation of loans with the European Central Bank and other central banks. Belfius drew from TLTRO, resulting in a total TLTRO III participation of EUR 15.65 billion as of 30 June 2021.

The section "Banking activity- commitments given" also includes the underlying assets of the covered bond programs. The special estate of the mortgage covered bond program contains mainly residential mortgage loans for a total amount of EUR 7.8 billion (nominal) at the end of June 2021, stable compared to end 2020. See also note 6.4. "Debt securities issued and other financial liabilities".

## 8.5. Commitments – contingent liabilities

**(refers to table 8.5. of the annual report 2020)**

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Single Resolution Fund – Commitments given(1) | 17,473 | 17,473 |
| Other contingent liabilities | 143 | 143 |

(1) Sector levies are specific taxes for financial institutions or insurers, it includes:
→ the Deposit Guarantee Scheme contributions,
→ Subscription tax,
→ Financial Stability Contribution and
→ the contributions to the Single Resolution Fund.
Belfius has opted in the past to pay part of its contribution to the Single Resolution Fund through an Irrevocable Payment Commitment. This payment commitment was fully covered by cash collateral. Belfius has recorded EUR 17.5 million in its off balance sheet accounts (stable compared to 2020).

## 8.6. Bond lending and bond borrowing transactions

**(refers to table 8.6. of the annual report 2020)**

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Securities lending | 2,222,572 | 1,814,888 |
| Securities borrowing | 0 | 0 |

In the context of its liquidity management, Belfius enters from time to time into bond lending transactions against fees.

# IX. Notes on risk exposure

(some amounts may not add up due to rounding)

## 9.1. Fair value

**(refers to table 9.1. of the annual report 2020)**

### 1. Fair value of financial instruments

A. Breakdown of fair value of assets

| (in thousands of EUR) | 31/12/20 Carrying amount | 31/12/20 Fair value | 31/12/20 Difference |
|---|---|---|---|
| Cash and balances with central banks | 25,433,799 | 25,433,799 | 0 |
| Loans and advances due from credit institutions | 11,911,665 | 11,911,666 | 1 |
| Measured at amortised cost | 11,911,665 | 11,911,666 | 1 |
| Measured at fair value through other comprehensive income | 0 | 0 | 0 |
| Measured at fair value through profit or loss | 0 | 0 | 0 |
| Loans and advances | 98,108,050 | 103,775,713 | 5,667,663 |
| Measured at amortised cost | 96,811,908 | 102,479,571 | 5,667,663 |
| Measured at fair value through other comprehensive income | 0 | 0 | 0 |
| Measured at fair value through profit or loss | 1,296,142 | 1,296,142 | 0 |
| Debt securities | 27,267,236 | 29,117,011 | 1,849,775 |
| Measured at amortised cost | 22,039,067 | 23,888,843 | 1,849,775 |
| Measured at fair value through other comprehensive income | 3,866,789 | 3,866,789 | 0 |
| Measured at fair value through profit or loss | 1,361,380 | 1,361,380 | 0 |
| Equity instruments | 1,581,629 | 1,581,629 | 0 |
| Measured at fair value through other comprehensive income | 1,303,641 | 1,303,641 | 0 |
| Measured at fair value through profit or loss | 277,988 | 277,988 | 0 |
| Unit linked products insurance activities | 3,813,059 | 3,813,059 | 0 |
| Derivatives | 12,188,113 | 12,188,113 | 0 |
| Gain/loss on the hedged item in portfolio hedge of interest rate risk | 4,631,922 | 4,631,922 | 0 |
| Non current assets (disposal group) held for sale and discontinued operations | 25,700 | 43,276 | 17,576 |
| TOTAL | 184,961,174 | 192,496,188 | 7,535,014 |

| (in thousands of EUR) | 30/06/21 Carrying amount | 30/06/21 Fair value | 30/06/21 Difference |
|---|---|---|---|
| Cash and balances with central banks | 33,721,380 | 33,721,380 | 0 |
| Loans and advances due from credit institutions | 10,596,494 | 10,596,667 | 173 |
| Measured at amortised cost | 10,596,494 | 10,596,667 | 173 |
| Measured at fair value through other comprehensive income | 0 | 0 | 0 |
| Measured at fair value through profit or loss | 0 | 0 | 0 |
| Loans and advances | 100,103,844 | 104,737,690 | 4,633,846 |
| Measured at amortised cost | 98,872,136 | 103,505,982 | 4,633,846 |
| Measured at fair value through other comprehensive income | 8,638 | 8,638 | 0 |
| Measured at fair value through profit or loss | 1,223,070 | 1,223,070 | 0 |
| Debt securities | 26,669,866 | 27,883,024 | 1,213,158 |
| Measured at amortised cost | 21,745,763 | 22,958,921 | 1,213,158 |
| Measured at fair value through other comprehensive income | 3,572,235 | 3,572,235 | 0 |
| Measured at fair value through profit or loss | 1,351,868 | 1,351,868 | 0 |
| Equity instruments | 1,677,883 | 1,677,883 | 0 |
| Measured at fair value through other comprehensive income | 1,337,870 | 1,337,870 | 0 |
| Measured at fair value through profit or loss | 340,013 | 340,013 | 0 |
| Unit linked products insurance activities | 4,227,511 | 4,227,511 | 0 |
| Derivatives | 9,752,470 | 9,752,470 | 0 |
| Gain/loss on the hedged item in portfolio hedge of interest rate risk | 3,980,765 | 3,980,765 | 0 |
| Non current assets (disposal group) held for sale and discontinued operations | 27,741 | 44,748 | 17,007 |
| TOTAL | 190,757,955 | 196,622,139 | 5,864,185 |

## B. Breakdown of fair value of liabilities

| (in thousands of EUR) | 31/12/20 Carrying amount | Fair value | Difference |
|---|---|---|---|
| Cash and balances from central banks | 14,173,519 | 14,093,552 | (79,967) |
| Borrowings and deposits | 100,346,168 | 100,537,862 | 191,694 |
| Measured at amortised cost | 100,295,133 | 100,486,827 | 191,694 |
| Measured at fair value through profit or loss | 51,036 | 51,036 | 0 |
| Debt securities issued and other financial liabilities | 24,402,198 | 25,125,815 | 723,617 |
| Measured at amortised cost | 16,068,804 | 16,792,421 | 723,617 |
| Measured at fair value through profit or loss | 8,333,394 | 8,333,394 | 0 |
| Unit linked products insurance activities | 3,813,059 | 3,813,059 | 0 |
| Derivatives | 18,310,156 | 18,310,156 | 0 |
| Gain/loss on the hedged item in portfolio hedge of interest rate risk | 373,447 | 373,447 | 0 |
| Subordinated debts | 1,150,681 | 1,267,053 | 116,372 |
| Measured at amortised cost | 1,150,681 | 1,267,053 | 116,372 |
| Measured at fair value through profit or loss | 0 | 0 | 0 |
| Liabilities included in disposal group and discontinued operations | 0 | 0 | 0 |
| TOTAL | 162,569,228 | 163,520,945 | 951,716 |

| (in thousands of EUR) | 30/06/21 Carrying amount | Fair value | Difference |
|---|---|---|---|
| Cash and balances from central banks | 15,676,144 | 15,368,654 | (307,489) |
| Borrowings and deposits | 105,980,089 | 106,118,211 | 138,121 |
| Measured at amortised cost | 105,928,817 | 106,066,938 | 138,121 |
| Measured at fair value through profit or loss | 51,272 | 51,272 | 0 |
| Debt securities issued and other financial liabilities | 26,731,798 | 27,356,044 | 624,246 |
| Measured at amortised cost | 18,452,374 | 19,076,620 | 624,246 |
| Measured at fair value through profit or loss | 8,279,424 | 8,279,424 | 0 |
| Unit linked products insurance activities | 4,227,511 | 4,227,511 | 0 |
| Derivatives | 14,877,895 | 14,877,895 | 0 |
| Gain/loss on the hedged item in portfolio hedge of interest rate risk | 209,494 | 209,494 | 0 |
| Subordinated debts | 1,133,851 | 1,239,406 | 105,554 |
| Measured at amortised cost | 1,133,851 | 1,239,406 | 105,554 |
| Measured at fair value through profit or loss | 0 | 0 | 0 |
| Liabilities included in disposal group and discontinued operations | 0 | 0 | 0 |
| TOTAL | 168,836,782 | 169,397,214 | 560,432 |

The decrease in fair value of the loan portfolio is linked to an increase of the interest rate compared to year-end 2020. Note that an internal estimate of the future potential prepayment rate has been considered in the determination of the fair value. The evolution of debt securities also reflects the impact of higher interest rates partially offset by lower credit spreads.

For some assets and liabilities, Belfius estimates that the fair value approximates the carrying value. The determination of the fair value of loans for 2020 and 2021 is explained further on in the valuation techniques. In addition, Belfius estimates that the own credit risk has not changed significantly and has thus not taken into account a revaluation of the own credit risk.

## 2. Analysis of fair value of financial instruments

### A. Assets

| (in thousands of EUR) | 31/12/20 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Loans and advances | 0 | 4,265 | 1,291,877 | 1,296,142 |
| Measured at fair value through profit or loss | 0 | 4,265 | 1,291,877 | 1,296,142 |
| Debt securities | 3,682,218 | 712,632 | 833,319 | 5,228,169 |
| Measured at fair value through other comprehensive income | 3,256,635 | 263,910 | 346,244 | 3,866,789 |
| Measured at fair value through profit or loss | 425,583 | 448,722 | 487,075 | 1,361,380 |
| Equity instruments | 1,229,336 | 0 | 352,293 | 1,581,629 |
| Measured at fair value through other comprehensive income | 951,357 | 0 | 352,284 | 1,303,641 |
| Measured at fair value through profit or loss | 277,979 | 0 | 9 | 277,988 |
| Unit linked products insurance activities | 3,813,059 | 0 | 0 | 3,813,059 |
| Derivatives | 297 | 11,428,498 | 759,318 | 12,188,113 |
| Non current assets (disposal group) held for sale and discontinued operations | 0 | 40,852 | 2,424 | 43,276 |
| TOTAL | 8,724,909 | 12,186,246 | 3,239,232 | 24,150,387 |

| (in thousands of EUR) | 30/06/21 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Loans and advances | 0 | 9,615 | 1,222,094 | 1,231,709 |
| Measured at fair value through other comprehensive income | 0 | 8,638 | 0 | 8,638 |
| Measured at fair value through profit or loss | 0 | 976 | 1,222,094 | 1,223,070 |
| Debt securities | 3,389,801 | 679,769 | 854,533 | 4,924,103 |
| Measured at fair value through other comprehensive income | 2,991,834 | 252,894 | 327,506 | 3,572,235 |
| Measured at fair value through profit or loss | 397,966 | 426,875 | 527,027 | 1,351,868 |
| Equity instruments | 1,319,415 | 0 | 358,468 | 1,677,883 |
| Measured at fair value through other comprehensive income | 979,411 | 0 | 358,459 | 1,337,870 |
| Measured at fair value through profit or loss | 340,004 | 0 | 9 | 340,013 |
| Unit linked products insurance activities | 4,227,511 | 0 | 0 | 4,227,511 |
| Derivatives | 277 | 9,117,497 | 634,696 | 9,752,470 |
| Non current assets (disposal group) held for sale and discontinued operations | 0 | 43,297 | 1,452 | 44,748 |
| TOTAL | 8,937,003 | 9,850,178 | 3,071,244 | 21,858,425 |

Level 2 loans and advances measured at fair value through other comprehensive income increased compared to 2020 due to the consolidation of Belfius Euro Loans that invests in leveraged loans. Level 2 derivatives decreased due mainly to the impact of higher interest rates.

### B. Liabilities

| (in thousands of EUR) | 31/12/20 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Borrowings and deposits | 0 | 100,328,452 | 209,411 | 100,537,862 |
| Measured at amortised cost | 0 | 100,277,416 | 209,411 | 100,486,827 |
| Measured at fair value through profit or loss | 0 | 51,036 | 0 | 51,036 |
| Debt securities issued and other financial liabilities | 10,806,470 | 6,256,017 | 8,063,329 | 25,125,815 |
| Measured at amortised cost | 10,479,059 | 836,754 | 5,476,608 | 16,792,421 |
| Measured at fair value through profit or loss | 327,410 | 5,419,263 | 2,586,721 | 8,333,394 |
| Unit linked products insurance activities | 3,813,059 | 0 | 0 | 3,813,059 |
| Derivatives | 809 | 17,688,673 | 620,674 | 18,310,156 |
| Subordinated debts | 902,410 | 92,721 | 271,922 | 1,267,053 |
| Measured at amortised cost | 902,410 | 92,721 | 271,922 | 1,267,053 |
| TOTAL | 15,522,748 | 124,365,862 | 9,165,335 | 149,053,946 |

| (in thousands of EUR) | 30/06/21 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Borrowings and deposits | 0 | 105,941,911 | 176,293 | 106,118,211 |
| Measured at amortised cost | 0 | 105,890,639 | 176,293 | 106,066,938 |
| Measured at fair value through profit or loss | 0 | 51,272 | 0 | 51,272 |
| Debt securities issued and other financial liabilities | 11,581,451 | 6,466,733 | 9,307,861 | 27,356,044 |
| Measured at amortised cost | 11,334,967 | 836,889 | 6,904,764 | 19,076,620 |
| Measured at fair value through profit or loss | 246,484 | 5,629,843 | 2,403,096 | 8,279,424 |
| Unit linked products insurance activities | 4,227,511 | 0 | 0 | 4,227,511 |
| Derivatives | 789 | 14,271,784 | 605,322 | 14,877,895 |
| Subordinated debts | 931,153 | 89,918 | 218,335 | 1,239,406 |
| Measured at amortised cost | 931,153 | 89,918 | 218,335 | 1,239,406 |
| Measured at fair value through profit or loss | 0 | 0 | 0 | 0 |
| Liabilities included in disposal group and discontinued operations | 0 | 0 | 0 | 0 |
| TOTAL | 16,740,903 | 126,770,345 | 10,307,811 | 153,819,066 |

The increase in level 2 borrowings and deposits is mainly related to the increase in demand deposit and saving accounts. The increase in level 1 debt securities issued and other financial liabilities is due mainly to the issuance of EUR 0.5 billion in Preferred Senior bonds and EUR 0.5 billion in Green Non-Preferred Senior bonds, while the increase in level 3 debt securities issued and other financial liabilities is due mainly to the issuance of EUR 1.6 billion in certificates of deposit.

## 3. Transfer between Level 1 and Level 2 fair value for assets and liabilities at fair value in the balance sheet

### A. Assets at fair value in the balance sheet

| (in thousands of EUR) | 31/12/20 From level 1 to 2 | 31/12/20 From level 2 to 1 | 30/06/21 From level 1 to 2 | 30/06/21 From level 2 to 1 |
|---|---|---|---|---|
| Debt securities | 70,476 | 8,234 | 63,078 | 49,897 |
| Measured at fair value through other comprehensive income | 70,299 | 8,234 | 63,078 | 28,196 |
| Measured at fair value through profit or loss | 177 | 0 | 0 | 21,700 |
| TOTAL | 70,476 | 8,234 | 63,078 | 49,897 |

### B. Liabilities at fair value in the balance sheet

Nil.

## 4. Reconciliation Level 3

### A. Assets

| (in thousands of EUR) | 31/12/20 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance | Total of unrealised gains and losses in P&L | Total gains/losses in other comprehen-sive income | Purchases | Sales | Settlements | Transfer in Level 3 | Transfer out of Level 3 | Foreign exchange adjustments | Closing balance |
| Loans and advances | 1,533,849 | (174,197) | | 30,959 | (97,991) | (743) | 0 | 0 | 0 | 1,291,877 |
| Measured at fair value through profit or loss | 1,533,849 | (174,197) | | 30,959 | (97,991) | (743) | 0 | 0 | 0 | 1,291,877 |
| Debt securities | 815,520 | (7,065) | (1,548) | 337,481 | (162,629) | (124,623) | 9,857 | (33,674) | 0 | 833,319 |
| Measured at fair value through other comprehensive income | 362,689 | (114) | (1,548) | 108,984 | 0 | (99,932) | 9,829 | (33,663) | 0 | 346,244 |
| Measured at fair value through profit or loss | 452,832 | (6,951) | | 228,497 | (162,629) | (24,690) | 28 | (11) | 0 | 487,075 |
| Equity instruments | 296,501 | 4 | (15,727) | 169,424 | (94,586) | (3,332) | 9 | 0 | 0 | 352,293 |
| Measured at fair value through other comprehensive income | 296,236 | 4 | (15,727) | 169,424 | (94,322) | (3,332) | 0 | 0 | 0 | 352,284 |
| Measured at fair value through profit or loss | 265 | 0 | | 0 | (265) | 0 | 9 | 0 | 0 | 9 |
| Derivatives | 792,276 | 137,013 | | 54,731 | (779) | (137,573) | 6 | (83,459) | (2,897) | 759,318 |
| TOTAL | 3,438,146 | (44,246) | (17,275) | 592,595 | (355,985) | (266,270) | 9,872 | (117,133) | (2,897) | 3,236,808 |

| (in thousands of EUR) | 30/06/21 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance | Total of unrealised gains and losses in P&L | Total gains/losses in other comprehen-sive income | Purchases | Sales | Settlements | Transfer in Level 3 | Transfer out of Level 3 | Foreign exchange adjustments | Closing balance |
| Loans and advances | 1,291,877 | (61,543) | | 7,030 | (15,270) | 0 | 0 | 0 | 0 | 1,222,094 |
| Measured at fair value through profit or loss | 1,291,877 | (61,543) | | 7,030 | (15,270) | 0 | 0 | 0 | 0 | 1,222,094 |
| Debt securities | 833,319 | 2,973 | (6,606) | 234,334 | (110,935) | (76,374) | 0 | (22,177) | 0 | 854,533 |
| Measured at fair value through other comprehensive income | 346,244 | 16 | (6,606) | 66,491 | 0 | (70,149) | 0 | (8,490) | 0 | 327,506 |
| Measured at fair value through profit or loss | 487,075 | 2,957 | | 167,843 | (110,935) | (6,224) | 0 | (13,687) | 0 | 527,027 |
| Equity instruments | 352,293 | 9 | 1,833 | 11,806 | (6,241) | (557) | 0 | 0 | 0 | 358,468 |
| Measured at fair value through other comprehensive income | 352,284 | 9 | 1,833 | 11,806 | (6,240) | (557) | 0 | 0 | 0 | 358,459 |
| Measured at fair value through profit or loss | 9 | 0 | | 0 | (1) | 0 | 0 | 0 | 0 | 9 |
| Derivatives | 759,318 | (245,040) | | 45,570 | 0 | (23,022) | 96,201 | 0 | 1,668 | 634,696 |
| TOTAL | 3,236,808 | (303,601) | (4,773) | 298,740 | (132,446) | (99,953) | 96,202 | (22,177) | 1,668 | 3,069,792 |

## B. Liabilities

| (in thousands of EUR) | 31/12/20 Opening balance | Total of unrealised gains and losses in P&L | Total gains/losses in other comprehensive income | Purchases | Sales | Direct origination | Settlements | Transfer in Level 3 | Transfer out of Level 3 | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt securities issued and other financial liabilities | 2,744,205 | (20,193) | | 0 | 0 | 704,342 | (786,929) | 0 | (54,705) | 2,586,721 |
| Measured at fair value through profit or loss | 2,744,205 | (20,193) | | 0 | 0 | 704,342 | (786,929) | 0 | (54,705) | 2,586,721 |
| Derivatives | 702,740 | 80,252 | | 135,528 | 0 | 0 | (215,710) | 13 | (82,149) | 620,674 |
| TOTAL | 3,446,946 | 60,059 | | 135,528 | 0 | 704,342 | (1,002,639) | 13 | (136,854) | 3,207,395 |

| (in thousands of EUR) | 30/06/21 Opening balance | Total of unrealised gains and losses in P&L | Total gains/losses in other comprehensive income | Purchases | Sales | Direct origination | Settlements | Transfer in Level 3 | Transfer out of Level 3 | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt securities issued and other financial liabilities | 2,586,721 | (24,712) | | 0 | 0 | 203,412 | (277,102) | 26,411 | (111,634) | 2,403,096 |
| Measured at fair value through profit or loss | 2,586,721 | (24,712) | | 0 | 0 | 203,412 | (277,102) | 26,411 | (111,634) | 2,403,096 |
| Derivatives | 620,674 | (166,503) | | 116,546 | 0 | 0 | (74,410) | 109,015 | 0 | 605,322 |
| TOTAL | 3,207,395 | (191,214) | | 116,546 | 0 | 203,412 | (351,512) | 135,426 | (111,634) | 3,008,419 |

The column "total of unrealized gains and losses in P&L" cannot be analysed on a stand alone basis, as some assets or liabilities classified at amortised cost or some assets and liabilities classified in level 1 or 2 may be hedged by derivatives classified in level 3. The column direct origination refers to the issuance of Belfius bonds.

## 5. Valuation techniques and data (level 1, 2 en 3)

### Financial instruments measured at fair value (trading, designated at fair value through profit or loss, debt instruments and investments in equity instruments measured at fair value through other comprehensive income, non trading financial assets mandatorily measured at fair value through profit or loss, derivatives)

#### Financial instruments measured at fair value for which reliable quoted market prices are available (level 1)

If the market is active – meaning that reliable bid-offer prices are available representing effective transactions for meaningful amounts concluded on an arm's length basis between willing counterparties – these market prices provide for reliable evidence of fair value and are therefore used for fair value measurement (f.e. interest rate futures, liquid bonds, etc).

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, which is not the case for the use of quoted prices in inactive markets or the use of quoted spreads.

#### Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques (level 2 and 3)

Financial instruments for which no quoted market prices in active markets are available, are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume, bid- offer spread and the number of price/spread contributions. The models that Belfius uses range from standard models available in the market to in-house developed valuation models. Availability of some observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. These availabilities vary depending on the products and markets and are subject to changes based on specific events and general conditions in the financial markets.

Once a financial instrument is not classified as level 1, Belfius requires that two conditions are met for inclusion in level 2 (f.e. currency swaps, swaptions, cap/floors, foreign exchange contracts/options, and less liquid bonds):

- the model must have either passed a successful validation by the Validation department or comply with the price reconciliation process run by the Market Risk department that has been installed to test the reliability of valuations;
- the data that Belfius incorporates in its valuation models are either directly observable data (prices) or indirectly observable data (spreads).

Fair value measurements that do not fall under level 1 or do not comply with the two conditions for level 2 mentioned above, are reported as part of the level 3 disclosure. In that respect, the following parameters are within Belfius not considered to be observable: Belgian inflation, CMS spread, equity correlations (such as equity baskets, illiquid bonds, total return swaps, credit default obligations and credit default swaps).

For that reason, structured loans measured at fair value through profit and loss are classified as level 3. These financial assets are illiquid and not traded on an active market. The fair value of these loans is determined by a valuation model essentially based on non observable data including additional value adjustments as described below.

Bonds traded in inactive markets are valued using valuation techniques. To price its portfolio of illiquid bonds, Belfius calculates spreads based on a cross section method using a large universe of bonds and CDS spreads. The calculated spreads are challenged (back-testing) every quarter by mean of comparisons with observable market spreads.

Unquoted equity instruments are systematically classified as level 3. In accordance with the principles set out in IFRS 13, different fair value measurement models for unquoted equity instruments are possible (discounted cash flow, net asset value, recent transaction price, …).

Derivatives are valued through a model (using a discount curve that takes into account collateral agreement – if any) at mid-market prices with additional value adjustments.

Following additional value adjustments are applied within Belfius:

- Unearned credit spread: this value adjustment takes account of the possibility that a counterparty might default and part of the fair value cannot be recovered (Credit Value Adjustment) and of the creditworthiness of Belfius (Debit Value Adjustment). The Unearned credit spread is calculated both on collateralized and non collateralized derivatives. For collateralized derivatives with standard ISDA/CSA agreements, the unearned credit spread is calculated taking into account the Margin Period of Risk and the collateral exchanged. For uncollateralized derivatives an estimation is made of the expected exposures, by forecasting the future fair value of the derivative in line with market practice. These expected exposures are then multiplied by an expected loss indication. Seeing that the majority of these expected losses are not directly observable in the market, Belfius uses market-derived spreads which are determined by means of a method based on cross-sections on a large universe of bonds and CDS spreads.
- Bid/ask adjustment: because the mid-market prices do not take account of the direction in which the deal was closed, the bid/ask adjustment does take account of this information in the total fair value.
- Funding spread: this value adjustment takes into account the funding cost or benefit for uncollateralized transactions. For all uncollateralized transactions, a correction is made for the funding value adjustment based on the average funding cost of Belfius Bank. This funding cost is determined by ALM taking into account the different funding sources.
- Market price uncertainty: value adjustment for uncertainty of market parameters.
- Model risk: this value adjustment is made if the assumptions used in a valuation model cannot be verified with sufficient accuracy.
- Cash-CDS adjustment: this adjustment takes into account the spread difference between the cash instruments and corresponding derivatives.

## Financial instruments measured at amortised cost (having valuations at fair value in IFRS disclosures)

The fair value of debt instruments held within the business model "hold to collect contractual cash flows", is determined using the following valuation principles.

### General principles

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds the valuation is done in the same way as bonds measured at fair value through other comprehensive income.

### Interest-rate part

- the fair value of fixed-rate loans and mortgage loans reflects interest-rate movements since inception;
- loans with an adjustable rate are priced using the corresponding forward rates increased with the contractual margin;
- market or model values for caps, floors and prepayment options are included in the fair value of loans and receivables;
- the fair value of variable-rate loans (f.i. 3M euribor) is assumed to be approximated by their carrying amounts;
- target net commercial margins of loans are also included in the fair value, the method was refined in 2020;
- the future potential prepayment rate has been approximated by taking into account an internal estimate.

### A. Quantitative information on significant unobservable data (level 3)

If the fair value of a financial instrument is determined based on valuation techniques using inputs that are not based on observable market data, alternative assumptions may impact the equity and the result.

| Financial instrument | Non-observable items | Difference with alternative assumptions | Impact in P&L of alternative assumptions (in millions of EUR) | Impact in equity of alternative assumptions (in millions of EUR) |
|---|---|---|---|---|
| OTC swaps on Belgian inflation | Expectations in Belgian inflation | +30 bp | -1.87 | |
| OTC derivatives on CMS spread | Correlation between CMS interest rates | 0.1 | 0.08 | |
| OTC swaps Bermudian Feature | Mean Reversion | 1% | 0.50 | |
| Collateralised Debt Obligation | Credit spread | -10 bps | -4.15 | |
| Credit Default Swap | Credit spread | -10 bps | -2.92 | |
| Illiquid bonds | Credit spread | -10 bps | 1.16 | 1.03 |

### B. Valuation process

The valuation process follows a strict governance. First of all, the Risk department operates a strong Independent Price Verification process by the mean of independent controls of the parameters. Any parameters used for the valuation process are independently controlled before injection into the systems. Secondly, the models used are validated by the Validation department which reports directly to the CRO. The validation reports but also the proposals for model changes are presented to the Financial Markets Fair Value committee for decision. This committee refers directly to the Financial Markets Committee which is led by three members of the Management Board (CRO, CFO, head of PCB). For unquoted equities and participations, the fair values are challenged by the Participation Forum which presents the main fair value changes to the Financial Markets Fair Value committee for approval.

### C. Transfers between valuation levels

The IFRS levels are dependent on an internal liquidity score for the bonds or on observability criteria and a validation status of the model for the derivative products. The liquidity score of the bonds is distributed between very liquid (high score) and very illiquid (low score). Therefore, a small change in the liquidity on the market does not influence the distribution of L1, L2 or L3. A few bonds are nevertheless close to the border of illiquidity and can change from L1 to L2 or L3. The main events since the start of 2020 (Covid-19 pandemic, lockdown impact on the economy, monetary decisions from central banks, Brexit and finally the start of Covid vaccination program) caused big movements in the liquidity scores but not enough to increase significantly the transfer between levels. This is also confirmed again during the first half of 2021. For derivatives products, we have not seen any significant transfers between levels since the volume of the stock was stable and the observability of parameters did not change. Moreover, the validation of the models is increasing in coverage leading to a decreasing trend of the L3 stock.

## 6. Disclosure of difference between transaction prices and model values (deferred day one profit)

No significant amounts are recognized as deferred Day One Profit or Loss (DOP) in 2021.

As Belfius deals in plain vanilla products (like Interest Rate Swaps (IRS)), and some more complex products (like structured transactions) which are hedged in the market in line with market risk limits and framework, the resulting day one profit is recognised up-front.

## 9.2. Credit risk exposure

**(refers to table 9.2. of the annual report 2020)**

### 1. Financial assets subject to impairment that are past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered on a contract by contract basis. For example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

| 31/12/20 | Financial instruments without significant increase in credit risk since initial recognition (stage 1) | | | Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2) | | | Carrying amount – Credit impaired financial assets (stage 3) | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands of EUR) | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Loans and advances due from credit institutions | 0 | 0 | 0 | 275 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances | 129,962 | 31,276 | 30,823 | 92,769 | 35,762 | 31,629 | 248,292 | 39,985 | 510,161 |
| Debt securities | 0 | 0 | 0 | 0 | 0 | 0 | 943 | 0 | 0 |
| TOTAL | 129,962 | 31,276 | 30,823 | 93,043 | 35,762 | 31,629 | 249,234 | 39,985 | 510,161 |

| 30/06/21 | Financial instruments without significant increase in credit risk since initial recognition (stage 1) | | | Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2) | | | Carrying amount – Credit impaired financial assets (stage 3) | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands of EUR) | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Loans and advances due from credit institutions | 113 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances | 146,537 | 33,083 | 18,555 | 89,790 | 26,231 | 28,065 | 267,294 | 25,960 | 534,149 |
| Debt securities | 0 | 0 | 0 | 0 | 0 | 0 | 942 | 0 | 0 |
| TOTAL | 146,651 | 33,083 | 18,555 | 89,790 | 26,231 | 28,065 | 268,236 | 25,960 | 534,149 |

A default status is assigned to the debtors who satisfy either one or both of the following criteria:

- The debtor has material exposures which are more than 90 days past due;
- The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless the existence of any past due amount or the number of days past due.

Refer to the section "Asset quality" in the Credit Risk chapter of the Management Report for further information.

## 2. Forbearance

| 31/12/20<br>(in thousands of EUR) | Gross carrying amount of exposures with forbearance measures | Impairment | Collateral received and financial guarantees received | |
|---|---|---|---|---|
| | | | Collateral received on exposures with forbearance measures | Financial guarantees received on exposures with forbearance measures |
| Loans and advances due from credit institutions | 0 | 0 | 0 | 0 |
| Loans and advances | 1,011,781 | (183,162) | 666,903 | 22,682 |
| Debt securities | 0 | 0 | 0 | 0 |
| Off-Balance sheet exposure | 18,936 | 0 | 7,490 | 829 |

| 30/06/21<br>(in thousands of EUR) | Gross carrying amount of exposures with forbearance measures | Impairment | Collateral received and financial guarantees received | |
|---|---|---|---|---|
| | | | Collateral received on exposures with forbearance measures | Financial guarantees received on exposures with forbearance measures |
| Loans and advances due from credit institutions | 0 | 0 | 0 | 0 |
| Loans and advances | 1,884,620 | (234,373) | 1,247,115 | 66,197 |
| Debt securities | 0 | 0 | 0 | 0 |
| Off-Balance sheet exposure | 56,099 | 0 | 28,774 | 162 |

In 1H 2021 Belfius was faced with certain borrowers having moratoria that exceeded the 9-month time limit that was foreseen by the EBA Guidance. In these cases, using risk-based criteria, Belfius classified the exposures in question as being forborne. For moratoria that did not exceed the 9-month threshold, the bank continued its general 2020 policy. Refer to the section "Asset quality" in the Credit Risk chapter of the Management Report for further information.

## 3. Movements in allowances for credit losses

| 31/12/20<br>(in thousands of EUR) | Financial instruments without significant increase in credit risk since initial recognition (stage 1) PF[2] | Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2) | Credit impaired financial assets (stage 3) | Total PF[2] |
|---|---|---|---|---|
| LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS | | | | |
| Measured at amortised cost | | | | |
| BALANCE AT 1 JANUARY | (420) | (56) | (0) | (476) |
| Changes due to origination, acquisition and derecognition | 97 | (8) | 0 | 90 |
| Changes due to credit risk[1] | 265 | (380) | 0 | (115) |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 10 | (10) | 0 | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (33) | 33 | 0 | 0 |
| Foreign exchange and other movements | 12 | 1 | 0 | 14 |
| BALANCE AT 31 DECEMBER | (69) | (419) | 0 | (488) |
| LOANS AND ADVANCES | | | | |
| Measured at amortised cost | | | | |
| BALANCE AT 1 JANUARY | (198,110) | (159,466) | (1,158,313) | (1,515,890) |
| Changes due to origination, acquisition and derecognition PF[2] | (30,972) | (39,527) | 13,720 | (56,780) |
| Changes due to credit risk PF[1][2] | 85,648 | (261,032) | (150,400) | (325,783) |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 76,799 | (75,306) | (1,492) | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (65,802) | 96,692 | (30,890) | 0 |
| Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2 | (3,235) | (58,534) | 61,769 | 0 |
| Decrease in allowance due to write off | 0 | 0 | 62,533 | 62,533 |
| Foreign exchange and other movements | 1,789 | 1,954 | 4,248 | 7,991 |
| BALANCE AT 31 DECEMBER | (133,883) | (495,220) | (1,198,825) | (1,827,929) |

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.
(2) Pro forma due to refinement of presentation.

| 31/12/20 (in thousands of EUR) | Financial instruments without significant increase in credit risk since initial recognition (stage 1) | Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2) | Credit impaired financial assets (stage 3) | Total |
|---|---|---|---|---|
| DEBT SECURITIES | | | | |
| Measured at amortised cost | | | | |
| BALANCE AT 1 JANUARY | (1,471) | (185,065) | (840) | (187,376) |
| Changes due to origination, acquisition and derecognition PF[1] | (16) | 17,729 | 0 | 17,714 |
| Changes due to credit risk PF[1][2] | (228) | 5,957 | (2,436) | 3,292 |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 199 | (150) | (49) | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (667) | 667 | 0 | 0 |
| Foreign exchange and other movements | 18 | 7,406 | 0 | 7,424 |
| BALANCE AT 31 DECEMBER | (2,165) | (153,455) | (3,325) | (158,946) |
| Measured at fair value through other comprehensive income | | | | |
| BALANCE AT 1 JANUARY | (1,790) | (17,560) | 0 | (19,350) |
| Changes due to origination, acquisition and derecognition PF[1] | 182 | (1,505) | 0 | (1,323) |
| Changes due to credit risk PF[1][2] | 383 | 171 | 0 | 554 |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 110 | (110) | 0 | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (1,439) | 1,439 | 0 | 0 |
| BALANCE AT 31 DECEMBER | (2,554) | (17,565) | 0 | (20,119) |
| OFF-BALANCE SHEET EXPOSURE | | | | |
| BALANCE AT 1 JANUARY | 41,107 | 51,512 | 10,943 | 103,562 |
| Changes due to origination, acquisition and derecognition PF[1] | 20,131 | 120 | (7,530) | 12,720 |
| Changes due to credit risk PF[1][2] | (14,286) | 67,419 | 8,281 | 61,413 |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | (22,562) | 22,391 | 171 | (0) |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | 13,527 | (23,372) | 9,845 | 0 |
| Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2 | 532 | 3,010 | (3,542) | 0 |
| Foreign exchange and other movements | (450) | (426) | (671) | (1,547) |
| BALANCE AT 31 DECEMBER | 37,999 | 120,654 | 17,496 | 176,149 |

(1) Pro forma due to refinement of presentation.
(2) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

As at 31 December 2020, the total impairment stock reached EUR 2,184 million compared to EUR 1,827 million to the end of 2019. This increase of EUR 357 million is mainly explained by the impact of the Covid-19 crisis.

The decrease of expected credit losses in stage 1 is explained by the shifts to Stage 2 and Stage 3 resulting from the update of the underlying macro-economic scenarios and their weights, in line with EBA guidance, to reflect the changes in the economic environment and perspectives following the Covid-19 crisis. This decrease is more than counterbalanced by an increase of expected credit losses in Stage 2 and 3 mostly driven by the overlays and name based expected credit losses adjustments for the Stage 2 and by a limited number of Corporate and SME files with material impacts for the Stage 3.

| 30/06/21<br><br>(in thousands of EUR) | Financial instruments without significant increase in credit risk since initial recognition (stage 1) | Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2) | Credit impaired financial assets (stage 3) | Total |
|---|---|---|---|---|
| LOANS AND ADVANCES DUE FROM CREDIT INSTITUTIONS | | | | |
| Measured at amortised cost | | | | |
| BALANCE AT 1 JANUARY | (69) | (419) | 0 | (488) |
| Changes due to origination, acquisition and derecognition | (700) | 1 | 0 | (699) |
| Changes due to credit risk(1) | 191 | 13 | 0 | 204 |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 4 | (4) | 0 | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (257) | 257 | 0 | 0 |
| Foreign exchange and other movements | 586 | (1) | 0 | 585 |
| BALANCE AT 30 JUNE | (245) | (153) | 0 | (398) |
| LOANS AND ADVANCES | | | | |
| Measured at amortised cost | | | | |
| BALANCE AT 1 JANUARY | (133,883) | (495,220) | (1,198,825) | (1,827,928) |
| Changes due to origination, acquisition and derecognition | (14,476) | (17,467) | 9,560 | (22,383) |
| Changes due to credit risk(1) | 63,108 | 14,632 | (28,611) | 49,130 |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 13,230 | (12,790) | (440) | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (48,387) | 60,592 | (12,206) | 0 |
| Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2 | (1,012) | (11,030) | 12,042 | 0 |
| Decrease in allowance due to write off | 0 | 0 | 28,947 | 28,947 |
| Foreign exchange and other movements | (49) | (589) | 6,666 | 6,028 |
| BALANCE AT 30 JUNE | (121,469) | (461,872) | (1,182,866) | (1,766,206) |

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

| 30/06/21<br>(in thousands of EUR) | Financial instruments without significant increase in credit risk since initial recognition (stage 1) | Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2) | Credit impaired financial assets (stage 3) | Total |
|---|---|---|---|---|
| DEBT SECURITIES | | | | |
| Measured at amortised cost | | | | |
| BALANCE AT 1 JANUARY | (2,165) | (153,455) | (3,325) | (158,946) |
| Changes due to origination, acquisition and derecognition | (46) | (278) | 0 | (324) |
| Changes due to credit risk(1) | 944 | 3,166 | 0 | 4,110 |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 21 | (21) | 0 | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (337) | 337 | 0 | 0 |
| Foreign exchange and other movements | (18) | (5,786) | 0 | (5,804) |
| BALANCE AT 30 JUNE | (1,602) | (156,037) | (3,325) | (160,963) |
| Measured at fair value through other comprehensive income | | | | |
| BALANCE AT 1 JANUARY | (2,554) | (17,565) | 0 | (20,119) |
| Changes due to origination, acquisition and derecognition | 186 | 452 | 0 | 638 |
| Changes due to credit risk(1) | 736 | (1,662) | 0 | (926) |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | 2 | (2) | 0 | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | (253) | 253 | 0 | 0 |
| BALANCE AT 30 JUNE | (1,883) | (18,523) | 0 | (20,407) |
| OFF-BALANCE SHEET EXPOSURE | | | | |
| BALANCE AT 1 JANUARY | 37,999 | 120,654 | 17,496 | 176,149 |
| Changes due to origination, acquisition and derecognition | 8,823 | (771) | (2,473) | 5,580 |
| Changes due to credit risk(1) | (21,968) | 2,871 | 2,727 | (16,370) |
| Transfer from stage 1 (12-month ECL) to stages 2 & 3 | (2,781) | 2,755 | 26 | 0 |
| Transfer from stage 2 (lifetime ECL not credit impaired) to stages 1 & 3 | 11,819 | (12,070) | 252 | (0) |
| Transfer from stage 3 (lifetime ECL credit impaired) to stages 1 & 2 | 114 | 3,967 | (4,081) | 0 |
| Foreign exchange and other movements | 32 | 137 | 90 | 260 |
| BALANCE AT 30 JUNE | 34,038 | 117,543 | 14,037 | 165,618 |

(1) Includes movements in expected credit losses (ECL) following transfers from higher or lower stages.

A decrease in stage 1 and 2 impairment allowances can be noted following the macro-economic improvements in 1H 2021. In particular, Belfius has updated the underlying macro-economic scenarios as well as the management overlays in specific risk pockets, resulting in reversals of part of the stage 1 and 2 impairments accounted for in 2020. Furthermore, impairments were also recognised on a limited number of defaulted exposures during 1H 2021.

The impact on the statement of income (impairments on financial instruments and provisions for credit commitments) is EUR +31 million end June 2021, compared to EUR -393 million end June 2020.

We refer to the section "Asset quality" in the Credit Risk chapter of the Management Report for further information on the Covid-19 measures taken at Belfius.

## 9.3. Market risk and ALM

**(refers to table 9.5. of the annual report 2020)**

Refer to the Market Risk chapter of the Management Report for further information on this topic.

### 1. Financial markets

Within Belfius Bank, the Financial Markets Services department (FM) is the central point of entry to the financial markets. In general aspect, the department does not negotiate positions for own account: all transactions are based on client transactions. Transactions made by external or internal clients, for instance ALM including liquidity management belonging to the last category, are hedged overall within a framework of limits that complies with Belfius's risk policies. As a result, the various market risks are kept within that framework, a.o. by hedging transactions. The VaR figures stated below reflect these residual positions.

The risks on client flow management activities include general interest rate, foreign exchange, equity prices, credit spread and other risks (inflation, $CO_2$). These risks are managed within Value at Risk limits and other appropriate risk limits.

Cash and Liquidity Management (CLM) is monitored by means of Value at Risk limits (VaR) and interest rate sensitivity limits.

The spread risk of the investment portfolio and client flow management activities are managed with spread limits.

The Value-at-Risk (VaR) concept is used as the principal metric for management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (NPV) the bank might be facing in historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius using a VaR computation:

- The interest rate and foreign-exchange rate risk: this category of risk is monitored via a historical VaR based on an internal model approved by the National Bank of Belgium. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.

The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear).

- The general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios.
- The spread risk and the inflation risk are measured via a historical approach, applying 300 observed variations on the sensitivities.

Since the end of 2011, Belfius also computes a Stressed Value-at-Risk (S-VaR) on top of its regular VaR, which also enters into the computation of weighted risks for Market Risk. This S-VaR measure consists of calculating a historical VaR based on a 12 consecutive months observation period which generates the largest negative variations of Net Present Value in the bank's current portfolio of financial instruments.

| VaR(1) (99%, 10 days) | 31/12/20 | | | | 30/06/21 | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of EUR) | IR & FX(2)(3) | Equity | Spread | Other risks(4) | IR & FX(2)(3) | Equity | Spread | Other risks(4) |
| By activity | | | | | | | | |
| Average | 7,344 | 5,767 | 1,205 | 383 | 6,985 | 6,338 | 945 | 360 |
| EOY | 8,651 | 6,238 | 510 | 450 | 3,166 | 3,514 | 910 | 291 |
| Maximum | 12,296 | 8,359 | 3,639 | 450 | 14,360 | 9,700 | 1,518 | 450 |
| Minimum | 4,486 | 2,636 | 237 | 300 | 3,166 | 3,445 | 415 | 291 |
| Global | | | | | | | | |
| Average | 14,699 | | | | 14,629 | | | |
| EOY | 15,848 | | | | 7,881 | | | |
| Maximum | 21,478 | | | | 25,418 | | | |
| Minimum | 9,360 | | | | 7,881 | | | |
| Limit | 24,300 | | | | 23,300 | | | |

(1) The Value at Risk (VaR) is a measure of the potential change in market value with a probability of 99% and over a period of 10 days.
(2) IR: interest rate risk.
(3) FX: foreign exchange risk.
(4) Inflation and $CO_2$ risk.

Interest rate risk (IR) and forex risk (FX) are not measured separately. The forex risk is however not material.

## 2. Value adjustments

A separate sensitivity based monitoring is in place for three blocks of activities that are not part of the VaR scope. For each type separately and for all three combined, limits are in place for interest rate, FX, inflation and credit spread sensitivities

Firstly, the value adjustments (CVA/DVA/FVA) related to Belfius' derivative exposures are sensitive to market risk as well. While certain sensitivities can be hedged almost completely (interest rate, inflation and currency), other risks like credit spreads and funding spread can only be hedged with proxies (like ITRAXX).

Similarly for the credit derivatives, the IR, FX and inflation sensitivities are well hedged, and also credit spreads and bond-cds basis sensitivity is within limits.

Finally, the hedge inefficiency of the bond portfolio due to difference in discount curve for the bond and it's related swap is managed on a daily basis as well, with hedges in place for the resulting inflation, basis risk and directional IR exposure.

| Basis Point Sensitivity | 31/12/20 | | | | | 30/06/21 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands of EUR) | IR | Spread[1] | Tenor Basis | Cross currency | Inflation risk | IR | Spread[1] | Tenor Basis | Cross currency | Inflation risk |
| By activity | | | | | | | | | | |
| EOY | (25) | (136) | 0 | 247 | 6 | (25) | (124) | 9 | 234 | 14 |

(1) Impact of a 1bp increase in spread (either credit spread, or bond-cds basis spread).

## 3. Asset-liability management (ALM)

### A. Interest rate risk

Interest rate risk has two forms – economic value volatility and earnings volatility. The measurement of both is complementary in understanding the complete scope of interest rate risk in the balance sheet (excluding financial markets).

Economic value indicators capture the long-term effect of the interest rate changes on the economic value. Interest rate sensitivity of economic value measures the net change of the ALM economic value to an interest rate move by 10 basis points across the entire curve.

Earnings at Risk indicators capture the more shorter term effect of the interest rate changes on the earnings of the Bank. Therefore, indirectly through profitability, interest rate changes can also have a shorter term solvency effect. A 50 bps increase of interest rates has an estimated positive impact on net interest income (before tax) of EUR +30 million of the next book year and an estimated cumulative effect of EUR +146 million over a three year period, whereas a 35 bps decrease would lead to an estimated negative impact of EUR -14 million of the next book year and an estimated cumulative effect of EUR -80 million over a three year period (compared to EUR +31 million, resp. EUR +168 million and EUR -20 million, resp. EUR -143 million for similar rate shocks end of last year).

| (in thousands of EUR) | 31/12/20 | 30/06/21 |
|---|---|---|
| Bank | | |
| Economic value (+10 bps) | (34,770) | (69,261) |
| Earnings at risk (+50 bps) | 30,889 | 29,558 |
| Insurance | | |
| Economic value (+10 bps) | 5,224 | 6,716 |
| Earnings at risk (+50 bps) | 2,981 | 2,777 |

### B. Real estate - direct property

| | 31/12/20 | 30/06/21 |
|---|---|---|
| (in thousands of EUR) | Measured at amortised cost | Measured at amortised cost |
| Insurance | | |
| Market value[1] | 727,068 | 758,098 |
| Shock 12.5% (negative) | (117,262) | (113,715) |

(1) Includes real estate site which was classified under "Other assets".

Sensitivities are only reported for the direct property investment portfolio of the insurer. The direct property held by the Belfius bank mainly includes leasing contracts for the construction of property and property for own use.

## 4. Debt securities

### A. Outstanding nominal amounts debt securities

| (in thousands of EUR) | 31/12/20 Measured at amortised cost | 31/12/20 Measured at fair value through other comprehensive income | 31/12/20 Measured at fair value through profit or loss(1) | 30/06/21 Measured at amortised cost | 30/06/21 Measured at fair value through other comprehensive income | 30/06/21 Measured at fair value through profit or loss |
|---|---|---|---|---|---|---|
| Bank - bond portfolio (nominal value) | 10,850,299 | | 101,792 | 10,959,745 | | 91,453 |
| Insurance - bond portfolio (nominal value) | 5,459,295 | 3,039,866 | 197,029 | 5,322,834 | 2,913,185 | 196,056 |
| Insurance - investment funds (market value) | | | 527,048 | | | 507,894 |

### B. Interest-rate sensitivity

| (in thousands of EUR) | 31/12/20 Measured at amortised cost | 31/12/20 Measured at fair value through other comprehensive income | 31/12/20 Measured at fair value through profit or loss | 30/06/21 Measured at amortised cost | 30/06/21 Measured at fair value through other comprehensive income | 30/06/21 Measured at fair value through profit or loss |
|---|---|---|---|---|---|---|
| Bank | 0 | | 0 | 0 | | 0 |
| Insurance | (6,428) | (3,549) | (274) | (5,442) | (3,157) | (188) |

The interest rate risk of the bond portfolio of the bank is either micro-hedged (for the former Side portfolio; hence low net interest rate sensitivity), or is managed through the ALM-framework (hence net interest rate sensitivity part of global ALM interest rate sensitivity). The sensitivity to 1 bp interest rate increase of the value of the bond portfolio of the insurance companies amounted to EUR -8,8 million at the end of June 2021, part of the global ALM management of the insurance companies.

### C. Credit-spread sensitivity

This calculation estimates the sensitivity of the value of the bond portfolio after one basis point spread widening.

| (in thousands of EUR) | 31/12/20 Measured at amortised cost | 31/12/20 Measured at fair value through other comprehensive income | 31/12/20 Measured at fair value through profit or loss | 30/06/21 Measured at amortised cost | 30/06/21 Measured at fair value through other comprehensive income | 30/06/21 Measured at fair value through profit or loss |
|---|---|---|---|---|---|---|
| Bank | (17,655) | | (11) | (17,356) | | (6) |
| Insurance | (6,454) | (3,561) | (283) | (5,440) | (3,141) | (239) |

### D. Shock Equity risk 30% (negative)

Concerns equity shock on investment funds within Belfius Insurance.

| (in thousands of EUR) | 31/12/20 Measured at fair value through other comprehensive income | 30/06/21 Measured at fair value through other comprehensive income |
|---|---|---|
| Insurance | (37,698) | (44,607) |

## 5. Listed equity & real estate

| (in thousands of EUR) | 31/12/20<br>Measured at fair value through other comprehensive income | 30/06/21<br>Measured at fair value through other comprehensive income |
|---|---|---|
| Insurance | | |
| Market value – quoted shares & assimilated | 379,250 | 387,123 |
| Market value – quoted real estate | 195,006 | 227,970 |
| Shock 30% (negative) | (172,277) | (184,528) |
| VaR (99%, 10 days) | 175,891 | 70,360 |

# X. Notes on the significant changes in scope of consolidation

## 10.1. Significant changes in scope of consolidation

(Only those changes that have a material impact (i.e. an impact of more than 1% of balance sheet total and/or P&L) have been reported).

### 1. As at 31 December 2020

Belfius acquired a stake of 32.63% in Skipr, a mobility software solution for professionals, which enables its users to manage, plan, book and pay for their mobility requirements. The investment is consolidated using the equity method.

Belfius acquired a stake of 33.33% in Fairville through the incorporation of certain assets of its wholly owned subsidiary, The Studio. This new partnership allows Belfius to accelerate the development of sustainable digital local citizen services. The subsidiary is consolidated using the equity method.

Belfius sold its fully consolidated subsidiary BrightKnight.

Belfius Insurance injected an additional EUR 3 million into Jaimy in 2020, which increased its shareholding to 89.19%. Furthermore, Belfius Insurance also injected an additional EUR 3 million into Jane, which increased its shareholding to 87.97%.

Belfius Insurance invested in direct property and purchased the real estate companies, Immo Saint Michel and Philadelphus. Both entities are fully consolidated. Furthermore, Belfius Insurance acquired a stake of 48.03% in the real estate investment company, Vicinity Affordable Housing Fund. This investment is consolidated using the equity method.

The investment company, Auxipar, changed its name to Capline on 4 February 2020.

### 2. As at 30 June 2021

Belfius acquired a 30% equity stake in Immovlan (alongside the Rossel Group (35%) and Roularta Group (35%)) with a view to create a reference real estate platform on the Belgian market. The aim is to combine digital expertise and diversify service offerings in residential real estate. The investment is consolidated using the equity method.

In March 2021, Belfius Insurance injected additional capital of EUR 1 million into Jaimy, as such increasing its shareholding to 90.84%. Furthermore, in January 2021 Belfius Insurance injected additional capital of EUR 2.2 million into Jane, as such increasing its shareholding to 91.04%. These investments ensure that the entities can further develop and commercially expand in their respective markets.

Belfius Insurance acquired a 100% stake in the real estate company, Alysea, in February 2021, for a total amount of EUR 37 million.

Belfius Insurance acquired a dedicated fund, Belfius Euro Loans, in which it holds 99.99% of the parts, as of June 2021 for an amount of EUR 10 million. Belfius Euro Loans invests in European leveraged loans. The investment is fully consolidated since June 2021.

M80 Capital, a participation consolidated via the equity method, was deconsolidated in March 2021 as our shareholders' interest got diluted to 18.7%.

# 10.2. Acquisitions and disposals of consolidated companies

## 1. Main acquisitions

### A. Year 2020

The real estate company Immo Saint Michel was purchased by Belfius Insurance and is fully consolidated since March 2020.

The real estate company Philadelphus was purchased by Belfius Insurance and is fully consolidated since June 2020.

In June 2020, Belfius acquired 32.63% in Skipr, a mobility software solution for professionals which enables its users to manage, plan, book and pay for their mobility requirements. The investment is consolidated using the equity method as from June 2020.

Belfius acquired a stake of 33.33% in Fairville through the incorporation of certain assets of its fully owned subsidiary The Studio. This new partnership allows Belfius to accelerate the development of sustainable digital local citizen services, the subsidiary is consolidated using the equity method from December 2020.

Belfius Insurance acquired a stake of 48.03% in the real estate investment company Vicinity Affordable Housing Fund. This investment is consolidated using the equity method from December 2020.

The assets and liabilities acquired were as follows:

| | 2020 | | | | |
|---|---|---|---|---|---|
| (in thousands of EUR) | Immo Saint Michel | Philadelphus | Skipr | Fairville | Vicinity |
| Loans and advances due from credit institutions | 390 | 409 | | | |
| Debt securities & equity instruments | | | | | |
| Investments in equity method companies | | | 6,000 | 792 | 20,000 |
| Tangible fixed assets | | 39,749 | | | |
| Tax assets | | 38 | | | |
| Other assets | 4,132 | 642 | | | |
| Borrowings and deposits | | (19,401) | | | |
| Tax liabilities | (9) | | | | |
| Other liabilities | (16) | (389) | | | |
| **NET ASSETS** | **4,497** | **21,049** | **6,000** | **792** | **20,000** |
| Group share | 4,497 | 21,049 | 6,000 | 792 | 20,000 |
| Already in possession of the Group | | | | | |
| Purchase price (in cash) | 4,497 | 21,049 | 6,000 | 792 | 20,000 |
| Less: cost of the transaction | | | | | |
| Less: cash and cash equivalents in the subsidiary acquired | (390) | | | | |
| **NET CASH OUTFLOW THROUGH ACQUISITION** | **4,107** | **21,049** | **6,000** | **792** | **20,000** |

### B. 30 June 2021

Belfius acquired a 30% equity stake in Immovlan, an innovative real estate platform, for an amount of EUR 6.6 million. The investment is consolidated using the equity method.

Belfius Insurance acquired the real estate company Alysea in February 2021, for a total amount of EUR 37 million, the subsidiary is fully consolidated.

Belfius Insurance acquired a dedicated fund, Belfius Euro Loans, in which it holds 99.99% of the parts, as of June 2021 for an amount of EUR 10 million. Belfius Euro Loans invests in European leveraged loans. The investment is fully consolidated since June 2021.

The assets and liabilities acquired were as follows:

| | 2021 | | |
|---|---|---|---|
| (in thousands of EUR) | Alysea | Immovlan | Belfius Euro Loans |
| Loans and advances due from credit institutions | 305 | | 10,001 |
| Loans and advances | | | 8,638 |
| Debt securities & equity instruments | | | |
| Investments in equity method companies | | 6,600 | |
| Tangible fixed assets | 46,878 | | |
| Tax assets | | | 3 |
| Other assets | 13 | | |
| Borrowings and deposits | (10,020) | | |
| Tax liabilities | (8) | | (0) |
| Other liabilities | (28) | | (8,641) |
| NET ASSETS | 37,139 | 6,600 | 10,001 |
| Group share | 37,139 | 6,600 | 10,000 |
| Already in possession of the Group | 0 | 0 | 0 |
| Purchase price (in cash) | 37,139 | 6,600 | 10,000 |
| Less: cost of the transaction | | | |
| Less: cash and cash equivalents in the subsidiary acquired | (305) | | (10,001) |
| NET CASH OUTFLOW THROUGH ACQUISITION | 36,834 | 6,600 | (1) |

## 2. Main disposals

### A. Year 2020

Belfius sold its investments in "Brightknight".

The assets and liabilities were as follows:

| | 2020 |
|---|---|
| (in thousands of EUR) | Brightknight |
| Loans and advances due from credit institutions | 131 |
| Debt securities & equity instruments | |
| Investments in equity method companies | |
| Tangible fixed assets | 13 |
| Tax assets | |
| Other assets | 204 |
| Borrowings and deposits | |
| Tax liabilities | (23) |
| Other liabilities | (207) |
| NET ASSETS | 118 |
| Proceeds from sale (in cash) | 550 |
| Less: cost of the transaction | |
| Less: Cash and cash equivalents in the subsidiary sold | |
| NET CASH INFLOW ON SALE | 550 |

B. 30 June 2021

M80 Capital, a participation consolidated via the equity method, was deconsolidated in March 2021 as our shareholders' interest got diluted to 18.7%.

| (in thousands of EUR) | 2021<br>M80 |
|---|---|
| Loans and advances due from credit institutions | |
| Debt securities & equity instruments | |
| Investments in equity method companies | 15,883 |
| Tangible fixed assets | |
| Tax assets | |
| Other assets | |
| Borrowings and deposits | |
| Tax liabilities | |
| Other liabilities | |
| NET ASSETS | 15,883 |
| Group share | 15,883 |
| Proceeds from sale (in cash) | |
| Less: cost of the transaction | |
| Less: Cash and cash equivalents in the subsidiary sold | |
| NET CASH INFLOW ON SALE | 0 |

### 3. Assets and liabilities included in disposal groups held for sale and discontinued operations

A. Year 2020

As at 31 December 2020 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

B. 30 June 2021

As at 30 June 2021 no subsidiaries were recorded as "Non current assets (disposal group) held for sale and discontinued operations".

# XI. Related parties transactions

The standard IAS 24 "Related Parties Disclosures" provides a partial exemption from the disclosure requirements for government-related entities. Consequently these related entities are not included in the table "Related parties transactions". The exposure of Belfius on for instance Belgian Government bonds can be found in the chapter "Risk Management" of the management report.

## 1. Related parties transactions

| | Directors and key management personnel(1) | | Subsidiaries(2) | |
|---|---|---|---|---|
| (in thousands of EUR) | 31/12/20 | 30/06/21 | 31/12/20 | 30/06/21 |
| Loans(3) | 2,738 | 1,728 | 6,095 | 6,086 |
| of which impaired loans stage 3 | 0 | 0 | 0 | 0 |
| Interest income | 34 | 14 | 212 | 106 |
| Deposits and debt securities(3) | 10,128 | 9,970 | 9,944 | 13,788 |
| Interest expense | (3) | (2) | 0 | (0) |
| Net commission | 0 | 0 | 87 | 59 |
| Guarantees issued and commitments provided by the Group(4) | 0 | 0 | 9 | 69 |
| Guarantees and commitments received by the Group | 5,543 | 3,344 | 0 | 0 |

(1) Key management includes the Board of Directors and the Managing Board, as well as these persons's children and spouses or domestic partners and children of these persons's spouses or domestic partners.
(2) The amounts reported relate to transactions with subsidiaries that are not consolidated due to immateriality.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

## 2. Dexia Real Estate Capital Markets

Dexia Real Estate Capital Markets (DRECM) was sold by Belfius in July 2010 to Dexia Holdings, Inc. (DHI). In June 2011, DRECM was sold by DHI to its parent, Dexia Crédit Local SA (DCL). In December 2016, DRECM assigned to DHI all of the assets, business and activities of DRECM, and DHI assumed all of DRECM's liabilities and obligations related thereto. Following such transfer, DRECM was liquidated into DCL with the DRECM legal entity being dissolved. DHI thus acts as the successor to DRECM. Although DHI (as the successor to DRECM) is no longer a related party to Belfius, an overview of the remaining engagements of Belfius towards the former activities of DRECM is presented. Note that no claims have been made up to the date of this report towards Belfius under these representations and warranties.

### A. The purpose and context of the comfort letters

In the framework of the last Commercial Real Estate Mortgage Loans securitisation operation in which DRECM was involved until February 2020, DRECM entered into a Mortgage Loan Purchase Agreement as a seller of Commercial Mortgage Loans and into an Indemnification Agreement. In these agreements, DRECM gave certain representations and warranties in respect to some aspects of corporate standing and on some characteristics of the Commercial Mortgage Loans to certain CMBS trusts. Under the Mortgage Loan Purchase Agreement, a loan seller would be obligated under the reps and warranties to repurchase a loan if there was a material breach of the reps and warranties or a material document defect that can not be remedied, or cured, within a certain period of time (usually 90 days with extensions possible), so long as the repurchase demand was made in a timely manner. Given the fact that this was a kind of operational ongoing obligation of DRECM and DRECM was a non-rated entity, transaction participants and rating agencies required a larger first loss tranche (economically expensive for DRECM) or a counter guarantee from a rated entity. In this context Belfius Bank as a successor of Artesia Banking Corporation S.A. delivered the said comfort letters because the bank had a sufficient rating to reduce the requirement for credit enhancement.

### B. The legal nature of the comfort letters

The first obligation to respect the terms of the Mortgage Loan Purchase Agreements and the Indemnification Agreements is the responsibility of DHI (as the successor to DRECM). It is only in case DHI (as the successor to DRECM) would not be performing that Belfius Bank promised to intervene with all means be it, human, technical or financial. The obligations of Belfius are obligations to perform or to pay. It is not a guarantee on first demand, nor an obligation to buy any non performing loan but a stand by back-up agreement for performance or payment. Although the shares of Belfius in DRECM were sold to DHI on 16 July 2010, these comfort letters are still in place. However, we believe that the risks for Belfius are extremely remote, seen no repurchase demands are outstanding, no previous transactions have led to any repurchases, and DHI (as a successor to DRECM) is sufficiently capitalized to meet its contractual obligations.

# Statutory auditor's report to the board of directors of Belfius Bank NV/SA on the review of the condensed consolidated interim financial information as at 30 June 2021 and for the six-month period then ended

## Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Belfius Bank NV/SA ("the Company") as at 30 June 2021, the condensed consolidated interim statements of income, comprehensive income, changes in equity and condensed consolidated interim cash flow statement for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2021 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Zaventem, 6 August 2021

**Statutory Auditor**

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
represented by

| | |
|---|---|
| Olivier Macq<br>Réviseur d'Entreprises<br>Bedrijfsrevisor | Kenneth Vermeire<br>Réviseur d'Entreprises<br>Bedrijfsrevisor |

# Abbreviations

| Acronym | |
|---|---|
| ABS | Asset-Backed Securities |
| ALM | Asset-Liability Management |
| AUM | Assets Under Management |
| BRRD | Bank Recovery and Resulotion Directive |
| B/S | Balance Sheet |
| bp | Basis Point |
| C/I | Cost-Income |
| CCF | Credit Conversion Factor |
| CET 1 | Common Equity Tier 1 |
| CoR | Cost of Risk |
| CRD | Capital Regulative Directive |
| CRR | Capital Requirements Regulation |
| CVA | Credit Value Adjustment |
| DCM | Debt Capital Markets |
| EAD | Exposure at Default |
| EBA | European Banking Authority |
| ECB | European Central Bank |
| ECM | Equity Capital Markets |
| EIF | European Investment Fund |
| EL | Expected Loss |
| FEAD | Full Exposure at Default |
| FHIC | Federal Holding and Investment Company |
| GDP | Gross Domestic Product |
| GRI | Global Reporting Initiative |
| IRB | Internal Rate Based |
| LCM | Liquidity and Capital Management |
| LCR | Liquidity Coverage Ratio |
| LGD | Loss Given Default |
| LRE | Leverage Risk Exposure |
| LT | Long Term |
| LTRO | Long-Term Refinancing Operations |
| MCRE | Maximum Credit Risk Exposure |
| MREL | Minimum Requirement for own funds and Eligible Liabilities |
| NBB | National Bank of Belgium |
| NFR | Non-Financial Risks |
| NIG | Non-Investment Grade |
| NPS | Non Preferred Senior Bonds |
| NSFR | Net Stable Funding Ratio |
| P&L | Profit and Losses |
| PD | Probability of Default |
| PS | Preferred Senior Bonds |
| RAF | Risk Appetite Framework |
| RMBS | Residential Mortgage-Backed Securities |
| ROA | Return On Assets |
| ROE | Return On Equity |
| RoNRE | Return on Normative Regulatory Equity |
| SRB | Single Resolution Board |
| SREP | Supervisory Review and Evaluation Process |
| SRM | Single Resolution Mechanism |
| TLOF | Total Liabilities and Own Funds |
| TREA | Total Risk Exposure Amount |
| TRIM | Targeted Review of Internal Models |
| T-LTRO | Targeted Long-Term Refinancing Operations |
| VaR | Value at Risk |

# Additional information

## General information about Belfius Bank

**Company name and legal form**
Belfius Bank SA/NV

**Contact**
Tel: + 32 2 222 11 11

**Registered office**
Place Charles Rogier 11
B-1210 Brussels

**Main postal address**
Place Charles Rogier 11
B-1210 Brussels

**Company number**
RLE Brussels VAT BE 403.201.185

**FSMA number**
19649 A

**Website**
*www.belfius.be*
If you encounter a problem, you can take it initially to your branch or your relationship manager. If your problem is not resolved, then contact the Complaints department.

## Complaints

**Belfius Bank**
**Complaints department – Colis 7908**
**Place Charles Rogier 11**
**B-1210 Brussels**
**E-mail: *complaints@belfius.be***

If you are not satisfied with the response you receive, you can turn to the Negotiation department of Belfius Bank

**Belfius Bank**
**Negotiation – Colis 7913**
**Place Charles Rogier 44**
**B-1210 Brussels**
**E-mail: *negotiation@belfius.be***

If you are a natural person acting in a private capacity and you are not satisfied with the responses you have received from the Bank's official bodies mentioned above, you can take your complaint to the Ombudsman in financial conflicts if it relates to banking products.

**Ombudsman in financial conflicts**
**North Gate II**
**Boulevard du Roi Albert II 8, boîte 2**
**B-1000 Brussels**
**Tel: +32 2 545 77 70**
**Fax: +32 2 545 77 79**
**E-mail: *Ombudsman@Ombudsfin.be***

For insurance products, you can take your complaint to the Insurance Ombudsman.

**Insurance Ombudsman**
**Square de Meeûs 35**
**B-1000 Brussels**
**E-mail: *info@ombudsman.as***

# CONTACT

For further general info over Belfius Bank & Insurance,
feel free to surf *www.belfius.com*.

Got a question about Belfius Bank's results or strategy?
Then please e-mail *financialcommunication@belfius.be*.

Any other queries? Then call +32 2 222 12 01
(Mon-Fri: 8 am-10 pm/Sat: 9 am-5 pm).

And, of course, you can always follow us on the social networks:

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