Belfius FY 2016 Results

Presentation to analysts and investors

Information based on unaudited figures

Highlights (1/2)

In a challenging macroeconomic environment putting pressure on interest income, Belfius achieved strong 2016 results:

- **Net income at EUR 535 m** (+6% yoy)**, with Franchise at EUR 666 m** (+9% yoy) confirming the growing profitability of Belfius' commercial activities
- **Operational efficiency :** the **C/I-ratio of Franchise** improved on a yearly basis further from 59.6% to **57.0%,** i.e. well below the target of 60%
- **Legacy activities** had a **negative impact of EUR 130 m**, including the de-risking costs for ending our active tactical de-risking program

Commercial franchise performed well

- ***Retail and Commercial***
  - Excellent organic growth in AUM : EUR +2.5 bn
  - 250,000 new active clients in 2016
  - Strong production in business (+23% yoy) and in mortgage loans (EUR 5.6 bn)
  - Steadily growing non-life bank-insurance footprint : +10% yoy premiums via bank channels
- ***Public and Corporate***
  - Successful development of commercial activity with Belgian corporates: production LT loans +9% yoy
  - Sustained leadership in Belgian public & social profit sector: both in production LT loans +27% yoy as in DCM activities (86% participation rate)

Highlights (2/2)

Belfius ended its active tactical de-risking program: the Side portfolios have been brought to an acceptable risk profile, defined at inception of the program, which is in line with the risk profile of Franchise

- **Strong reduction of the Legacy bond portfolio** (EUR -1.7 bn) **to EUR 6.3 bn and of the Legacy credit guarantees** (EUR -1.2 bn) **to EUR 4.2 bn**
- **NIG-share from 6% in 2011 to less than 4% end of 2016**

  (and less than 2% if we exclude impaired US RMBS)

Solid capital and liquidity position

- **Phased In CET 1 ratio at 16.6%** as of December 2016, up 72 bps vs 2015
- **Fully Loaded CET 1 ratio at 16.1%** as of December 2016, up 123 bps vs 2015
- **Lower SREP requirement from 2017 onwards:** minimum CET 1 Phased In of 9% (+ 1% P2G)**,** testimony of de-risking execution and **solid outcome** in the 2016 **EU-wide stress test** conducted by EBA
- **LCR at 127 %** and **NSFR at 110 %**
- **Net Asset Value at EUR 9 bn** end December 2016

Dividend

The Board of Directors intends to propose to the General Assembly of April 26, 2017 **a dividend of EUR 215 m** on the 2016 results (i.e. a pay-out ratio of 40%), of which EUR 75 m has already been paid as interim dividend in 2H 2016

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Part 1

BELFIUS AT A GLANCE

Belfius at a glance

An integrated Belgian bank-insurer

- More than 50 years of experience as bank and insurer of proximity for more than 3.5 million individual account holders, liberal professions, self-employed and companies
- 150 years of experience as the preferred partner to the public and social sector in Belgium

December 2016 FIGURES

Commercial Franchise

Retail & Commercial Banking
- EUR 42 bn loans to customers
- EUR 103 bn AUM

Public / Social & Corporate Banking
- EUR 38 bn loans to customers
- EUR 32 bn AUM

Insurance
- EUR 15.8 bn life reserves
- EUR 637 m non-life premiums
- EUR 888 m life premiums

Side

Bond portfolio
- EUR 6.3 bn outstanding
- 15.6 years average life

Credit guarantees
- EUR 4.2 bn outstanding
- 8.2 years average life

Funding to Dexia
- Reduced to almost zero since mid Feb. 2015

STRATEGY

Further develop commercial franchise towards a local relationship bank-insurer in two client markets

→ **Retail & Commercial**

→ **Public & Corporate**

Managed towards core risk profile without affecting commercial franchise

Contents

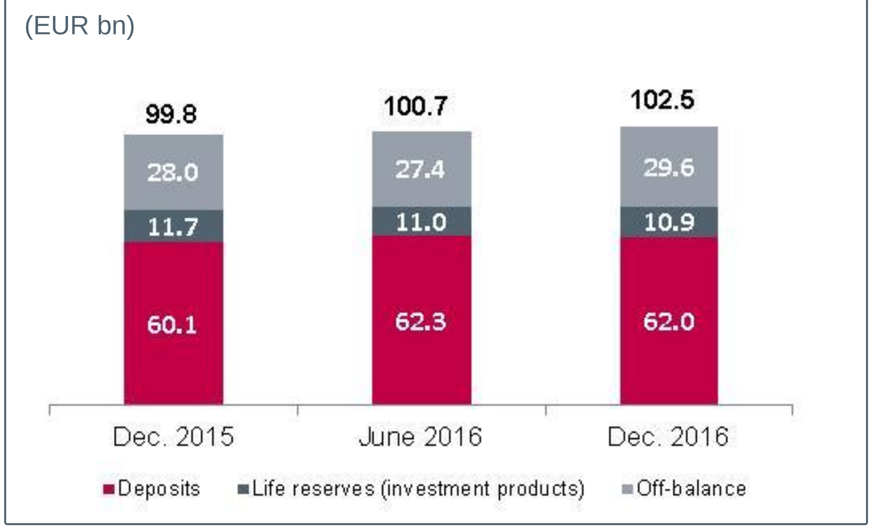
Part 2

VALUABLE COMMERCIAL FRANCHISE

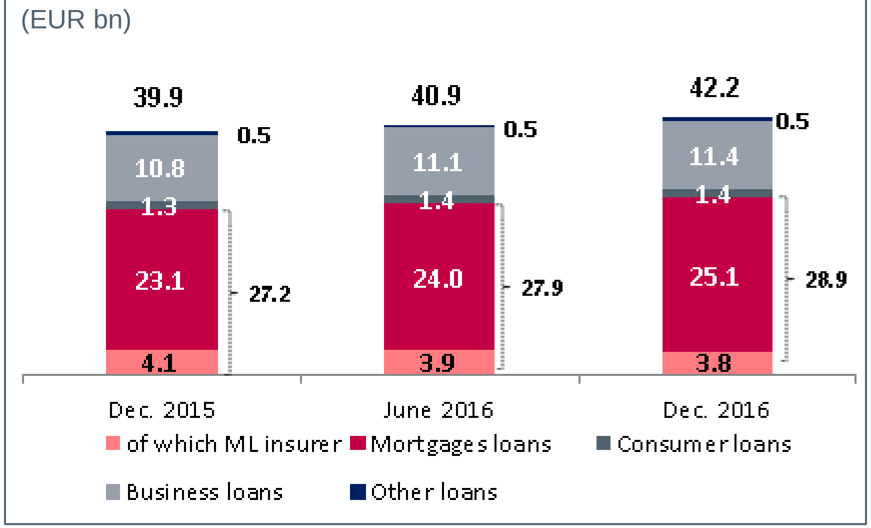
Valuable commercial franchise

Retail & Commercial – outstandings

Outstanding savings & investments



Outstanding loans



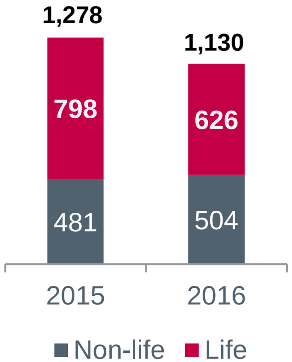
Retail & Commercial continues to show excellent dynamics:

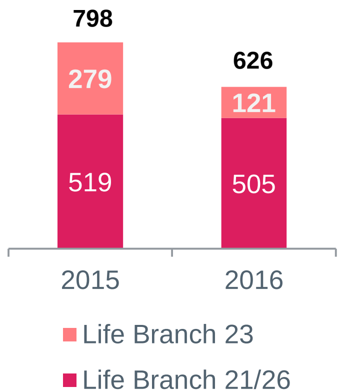
- **Total assets under management** stood at EUR 103 bn, up 3% compared to December 2015 thanks to an organic growth of EUR 2.5 bn
  - On-balance sheet deposits increased by EUR 1.9 bn (+3%), mainly as a result of growth in current & savings accounts (+9%)
  - Off-balance sheet products increased by EUR 1.6 bn (+6%), as a result of net inflow in asset management products
  - Life reserves (investment products) decreased (-7%), driven by low client appetite for Branch 21 products in a low interest rate environment
- **Outstanding loans** increased by EUR 2.3 bn, up 6% compared to December 15, mainly driven by a strong growth in mortgage loans and business loans

Valuable commercial franchise
Retail & Commercial – insurance activities

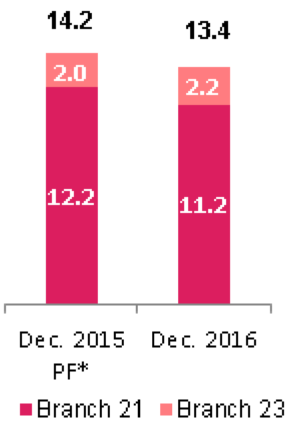
Insurance sales and reserves

Insurance premiums (EUR m)



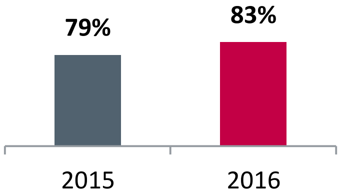


Life reserves[1]
(EUR bn)

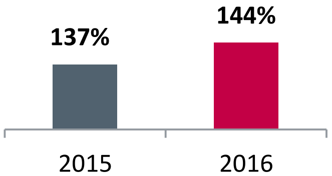


Cross-sell with mortgages

Property insurance



Credit linked life insurance



- **Non-Life insurance premiums** in 2016 stood at EUR 504 m, up 5% compared to 2015, thanks to the bank-insurance strategy and increased cross selling activities, in particular with mortgage loans
- **Life insurance premiums** in 2016 stood at EUR 626 m, down 22% compared to 2015
  - Life Branch 21/26 premiums decreased (-3%) in line with low client appetite in low interest rate environment
  - Life Branch 23 premiums strongly decreased (-57%) due to volatile market conditions in 2016
- **Total life reserves** stood at EUR 13.4 bn: unit-linked reserves (Branch 23) increased by 11% and guaranteed interest products reserves (Branch 21 & 26) decreased by 8%
- Mortgage related cross-sell ratios continue to reach higher levels, confirming good bank-insurance development

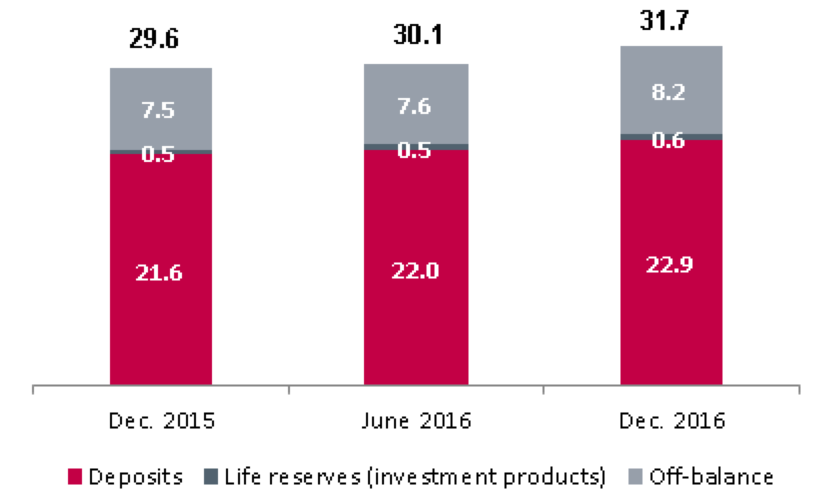
[1] *including EUR 11 bn life reserves under investment product format*   ** PF excluding IWI (EUR 3.1 bn) subsidiary sold in 2016*

Valuable commercial franchise

Public & Corporate - outstandings

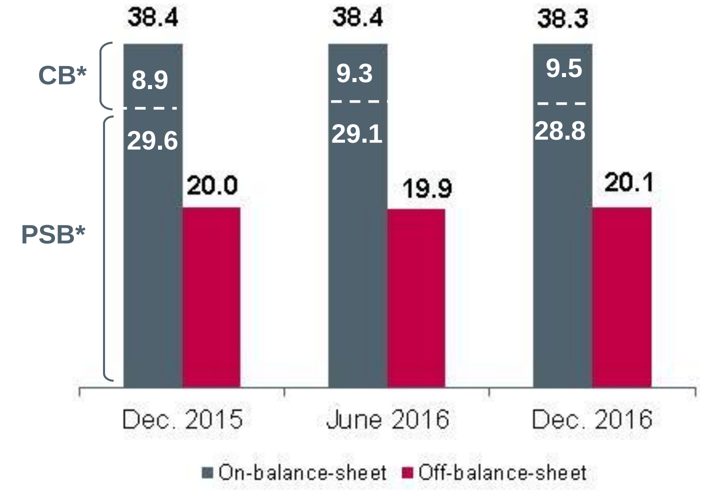
Outstanding savings & investments

(EUR bn)



Outstanding loans & off-balance-sheet commitments

(EUR bn)



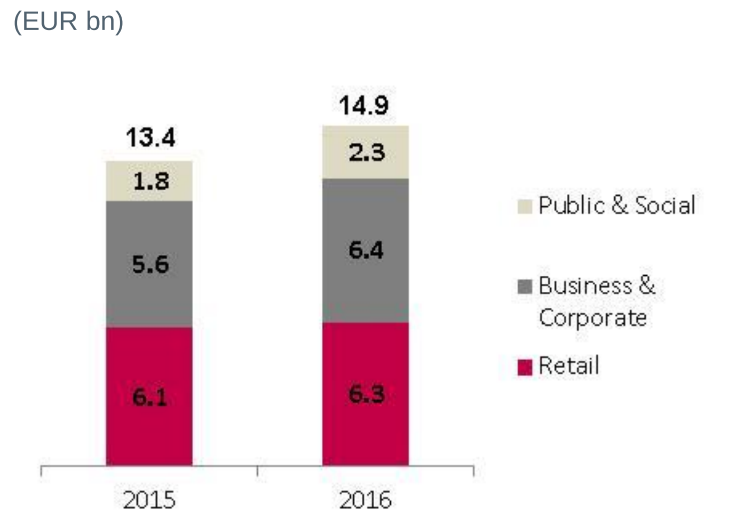
Public & Corporate continues to benefit from diversification strategy towards cross-sell & corporate

- Excellent growth in **AUM** to EUR 32 bn (+7%) illustrates strong cross selling performance
- Intensified **commercial strategy towards Belgian corporates** results in 7.4% increase (compared to December 2015) of outstanding loans to EUR 9.5 bn as of end December 2016
- Belfius remains the **preferred partner of public & social profit sector in Belgium**
  - Outstanding loans in PSB* are decreasing mainly due to lower demand than maturing stock and the structural shift to more alternative financing (a.o. desintermediation), where Belfius is also market leader for PSB in Belgium. Production new LT loans PSB for the first time since 2012 increasing again (+ 27% yoy)

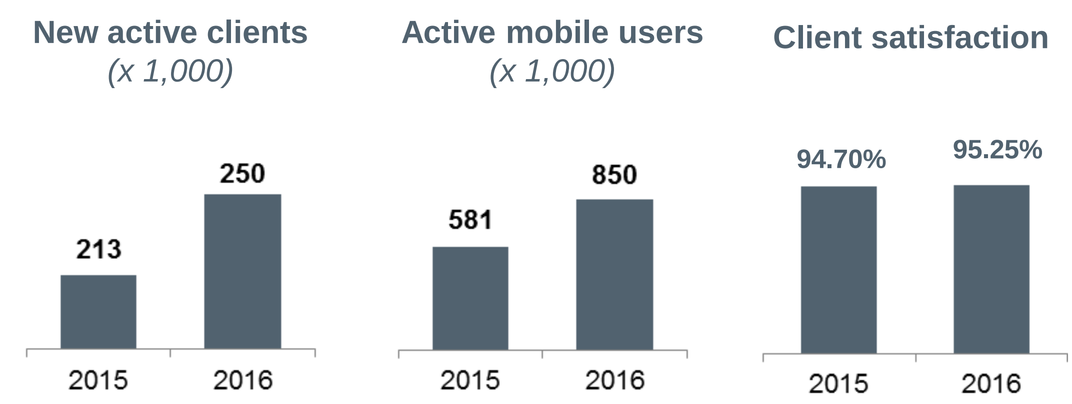
** PSB = Public & Social Banking // CB = Corporate Banking*

Valuable commercial franchise
Activity figures

New long-term lending



Growing active/mobile clients and client satisfaction



- **EUR 14.9 bn new long-term lending granted to the Belgian economy,** up 11% compared to 2015
  - EUR 6.3 bn new long-term lending to retail clients (of which EUR 5.6 bn mortgage loans) up 3.2%,
  - EUR 6.4 bn new long-term lending to both the Business segment (EUR 3 bn, up 23%) and the Corporate customers (EUR 3.4 bn, up 9%)
  - EUR 2.3 bn new long-term lending to Public and Social clients, up 27%
- **Since 2012, Belfius granted EUR 61 bn of new long-term lending to the Belgian economy**
- **Strong increase of new active clients (+17%) and active mobile users (+46%) in 2016**
- **Client satisfaction amounted to 95.25% in 2016,** of which 96.9% for PC and 94.4% for RC

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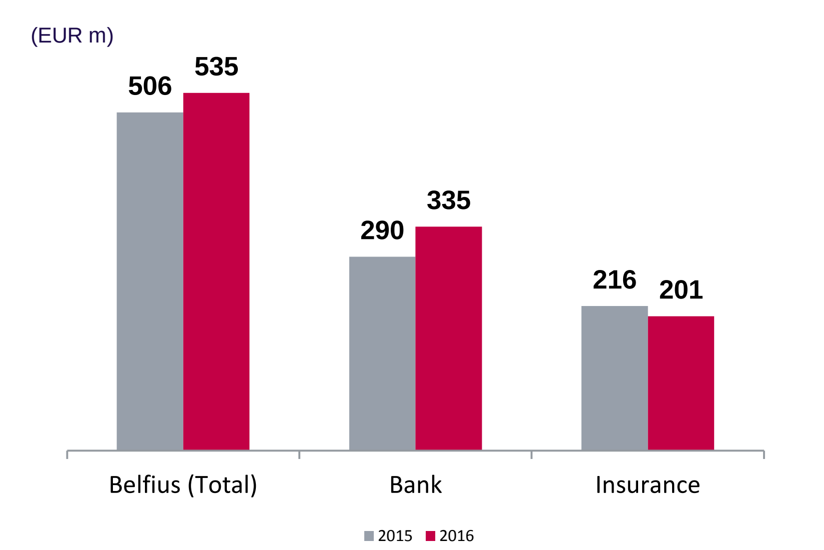
Part 3

SOLID FINANCIALS

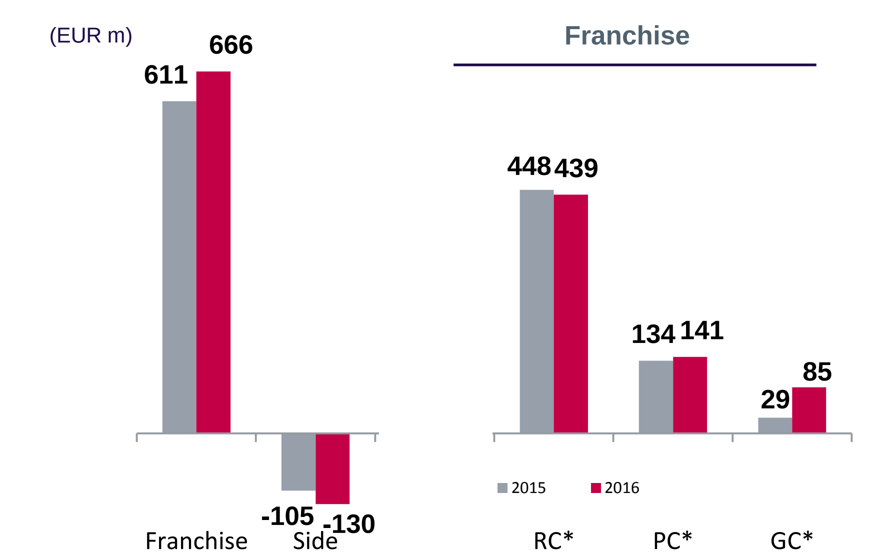
Solid financials

Net income group share

Net income Belfius Bank / Insurance



Net income Franchise / Side



- **2016 Belfius net income** stood at **EUR 535 m**, up 5.8% compared to 2015
  - **Net income** of the **bank** stood at EUR 335 m, up 16% thanks to higher income (+5%) & lower costs (-2%), and despite more negative cost of credit risk (in Side)
  - The **insurer** contributed EUR 201 m to the **net income**, lower than 2015, as a result of lower BR 21 volumes due to the low interest rate environment and the cost of terrorist attacks and storms in 1H 16
- **2016 Franchise net income** stood at **EUR 666 m**, a strong increase of 9% compared to 2015
  - RC net income amounted to EUR 439 m
  - PC net income amounted to EUR 141 m
- **2016 Net income of Side** activities stood at **EUR -130 m**, compared to EUR -105 m in 2015

** RC = Retail & Commercial // PC = Public & Corporate // GC = Group Center*

Solid financials

Components of the statement of income (1/2)

(EUR m)	2015	2016	Evolution
Income	**2,184**	**2,259**	**3.5%**
Of which			
Net interest income	*2,024*	*1,943*	
Net fee and commission income	*497*	*508*	
Technical margin on insurance activities	*-286*	*-255*	
Net income on investm. from financial instruments at FV & dividend income	*122*	*226*	
Other income & expenses	*-173*	*-162*	
Expenses	**-1,396**	**-1,366**	**-2.2%**
Gross operating income	**787**	**893**	**13.4%**
Cost of risk	-93	-116	
Impairments on (in)tangible assets	-13	3	
Pre-tax income	**682**	**780**	**14.3%**
Tax expenses	-176	-244	
Net income after taxes	**506**	**535**	**5.8%**
Non-controlling interests	0	0	
Net income group share	**506**	**535**	**5.8%**
Cost to income ratio	***63.9%***	***60.5%***	
RoE	***6.3%***	***6.4%***	

- **Income** at EUR 2,259 m, up 3.5% compared to 2015
  - Net interest income decreased by 4% mainly due to the low interest rate environment, lower volume of BR 21 products and the negative impact of mortgage loans prepayments
  - Net fee and commission income went up by 2%, despite lower and volatile equity markets mainly during 1H 2016
  - Technical margin on insurance activities improved by 11% mainly thanks to decreasing BR 21 outstanding reserves
  - Income on investments and from financial instruments increased mainly due to further enhanced asset returns at Belfius Insurance & some reversals 2016 versus negative one offs in 2015
  - Other income & expenses are mainly related to the sector levies and are also impacted by realized gains on some real estate projects in 1H 2016

Solid financials

Component of the statement of income (2/2)

(EUR m)	2015	2016	Evolution
Income	**2,184**	**2,259**	**3.5%**
Expenses	**-1,396**	**-1,366**	**-2.2%**
Gross operating income	**787**	**893**	**13.4%**
Cost of risk	-93	-116	
Impairments on (in)tangible assets	-13	3	
Pre-tax income	**682**	**780**	**14.3%**
Tax expenses	-176	-244	
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Net income group share	**506**	**535**	**5.8%**
Cost to income ratio	***63.9%***	***60.5%***	
RoE	***6.3%***	***6.4%***	

- **Expenses** further decreased with 2.2% compared to 2015, thanks to continued strict cost control, even following higher IT & marketing costs related to digital investments
- **Cost of risk** increased due to a specific impairment in the Side portfolio*
  - Excluding this specific impairment in Side, the Cost of risk would have been EUR -82 m, down compared to 2015
- **Tax expenses** at EUR 244 m
- **Net income** stood at EUR 535 m, up 5.8% vs 2015
- **C/I ratio** at 60.5%

* This specific impairment has been booked on a US RMBS (hereinafter the "Riverview bonds"), that are part of the legacy bond portfolio. These Riverview bonds are conditionally US government guaranteed reverse mortgages that were downgraded to non-performing in 2016; as such, an impairment has been booked in 2H 2016, bringing the net book value well below current market price indications ; this will allow Belfius to take adequate time to sell these positions at a price that reflects the continuous performance improvement of these bonds, and at the same time to end (in financial accounts' terms as of end 2016) its active tactical de-risking trajectory towards its targeted acceptable risk profile, even if these bonds are still on the balance sheet end 2016

Solid financials

Franchise results

(EUR m)	2015	2016	Evolution
Income	**2,321**	**2,377**	**2.4%**
Of which			
Net interest income	*2,067*	*1,979*	
Net fee and commission income	*498*	*507*	
Technical margin on insurance activities	*-286*	*-255*	
Net income on investm. from financial instruments at FV & dividend income	*193*	*290*	
Other income & expenses	*-151*	*-144*	
Expenses	**-1,384**	**-1,355**	**-2.1%**
Gross operating income	**937**	**1,022**	**9.1%**
Cost of risk	-65	-68	
Impairments on (in)tangible assets	-13	3	
Pre-tax income	**860**	**957**	**11.3%**
Tax expenses	-248	-291	
Net income after taxes	**611**	**666**	**8.9%**
Non-controlling interests	0	0	
Net income group share	**611**	**666**	**8.9%**
Cost to income ratio	***59.6%***	***57.0%***	
RONRE*	***14.3%***	***16.4%***	

- **Franchise income** at EUR 2,377m, up 2.4% compared to 2015
  - Net interest income decreased by 4% mainly due to the low interest rate environment, lower volume of BR 21 products and the negative impact of mortgage loans prepayments
  - Net fee income went up by 2%, despite lower and volatile financial markets mainly during 1H 2016
- **Expenses** decreased by 2.1%
- **Cost of risk** remained stable, demonstrating the Franchise's continued good credit quality
- **Franchise net income** at EUR 666 m, up with 8.9% compared to 2015
- **C/I ratio** at 57.0%, well below the 60% target

- *RoNRE : Return on Normative Regulatory Equity, NRE allocated such as to set Franchise at 10.5% CET 1 ratio FL & Side at 13% CET 1 ratio FL*

Solid financials

RC results

(EUR m)	2015	2016	Evolution
Income	**1,767**	**1,686**	**-4.6%**
Of which			
Net interest income	*1,488*	*1,346*	
Net fee and commission income	*457*	*470*	
Expenses	**-1,073**	**-1,018**	**-5.1%**
Gross operating income	**694**	**669**	**-3.7%**
Cost of risk	-38	-41	
Impairments on (in)tangible assets	-8	2	
Pre-tax income	**649**	**630**	**-2.9%**
Tax expenses	-200	-190	
Net income after taxes	**448**	**439**	**-2.0%**
Non-controlling interests	0	0	
Net income group share	**448**	**439**	**-2.0%**
Cost to income ratio	***60.7%***	***60.3%***	
RONRE	***19.7%***	***19.8%***	

- **RC income** at EUR 1,686 m, down 4.6% compared to 2015
  - Net interest income decreased mainly due to the low interest rate environment, lower volume of BR 21 products and the negative impact of prepayments of mortgage loans
  - Net fee income increased by almost 3%, despite lower and volatile markets mainly during 1H 2016
  - Insurance business with RC clients generates around 30% of RC income
- **Expenses** decreased by 5%
- **Cost of risk** remains stable and historically low demonstrating continued good credit quality
- **RC net income** at EUR 439 m
- **C/I ratio** at 60.4%

- *RoNRE : Return on Normative Regulatory Equity, NRE allocated such as to set Franchise at 10.5% CET 1 ratio FL & Side at 13% CET 1 ratio FL*

Solid financials

PC results

(EUR m)	2015	2016	Evolution
Income	**444**	**441**	**-0.8%**
Of which			
Net interest income	*402*	*398*	
Net fee and commission income	*49*	*46*	
Expenses	**-211**	**-210**	**-0.5%**
Gross operating income	**233**	**231**	**-1.0%**
Cost of risk	-28	-25	
Impairments on (in)tangible assets	-4	1	
Pre-tax income	**201**	**206**	**2.3%**
Tax expenses	-67	-64	
Net income after taxes	**134**	**141**	**5.6%**
Non-controlling interests	0	0	
Net income group share	**134**	**141**	**5.6%**
Cost to income ratio	***47.5%***	***47.6%***	
RONRE	***15.8%***	***17.8%***	

- **PC income** at EUR 441 m, down 0.8% compared to 2015
  - Net interest income remained stable
  - Fee income decreased slightly
  - Insurance business with PC clients generating around 10 % of PC income
- **Expenses** remained stable
- **Cost of risk** remains stable at very low levels
- **PC net income** at EUR 141 m, up 5.6% vs 2015
- **C/I ratio** at 47.6%

- *RoNRE : Return on Normative Regulatory Equity, NRE allocated such as to set Franchise at 10.5% CET 1 ratio FL & Side at 13% CET 1 ratio FL*

Solid financials

Impact of Side

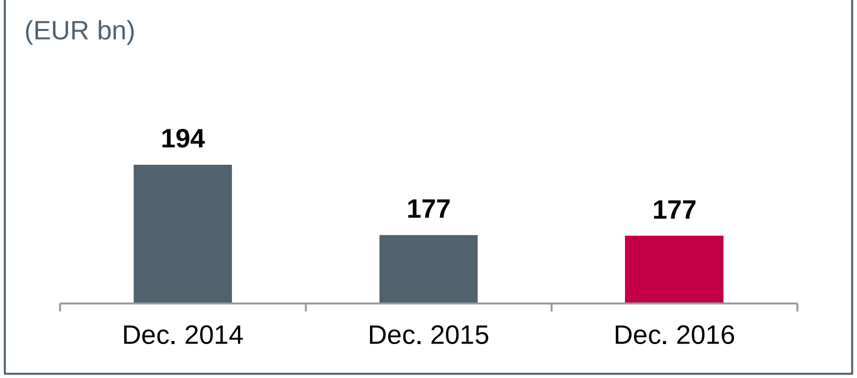
(EUR m)	2015	2016
Income	**-137**	**-118**
Expenses	**-13**	**-11**
Gross operating income	**-150**	**-129**
Cost of risk	-28	-48
Impairments on (in)tangible assets	0	0
Pre-tax income	**-178**	**-178**
Tax expenses	73	47
Net income after taxes	**-105**	**-130**
Non-controlling interests	0	0
Net income group share	**-105**	**-130**

- **Side income** 2016 especially impacted by the de-risking program (EUR -100 m of de-risking losses), next to slowly decreasing cost of carry
- **Expenses** decreased slightly
- **Cost of risk** increased due to a specific impairment in the Side portfolio on US RMBS *(cf. slide 15)*
  - Excluding this specific impairment the Cost of risk would have been EUR -13 m, down compared to 2015
- **Pre-tax income** at EUR -178 m
- **Side net income** at EUR -130 m compared to EUR -105 m in 2015

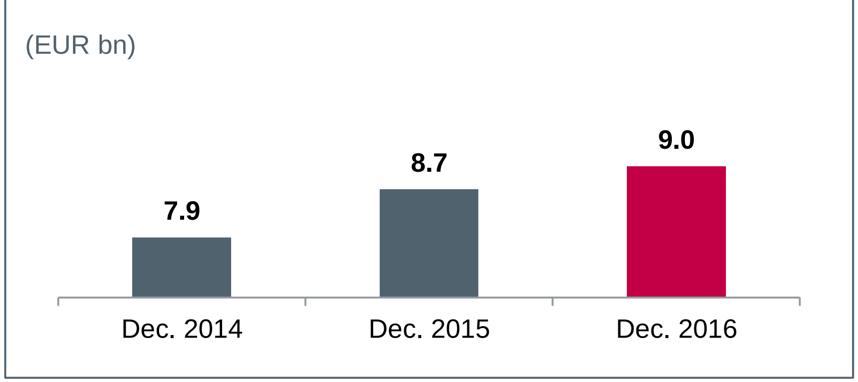
Solid financials

Stable balance sheet and increased NAV

Balance sheet



Net asset value



- **Balance sheet**
  - Total balance sheet remained stable at EUR 177 bn in December 2016. The decrease of the balance sheet by EUR 3.3 bn following the sale of the subsidiary "International Wealth Insurer" was mainly compensated by higher outstanding loans and advances

- **Net asset value**
  - Total shareholders' equity further increased to EUR 9.0 bn: positive impact of the consolidated net profit, net of paid out dividends (EUR 150 m* in 2016), combined with stable other comprehensive income (OCI) at bank level and slightly negative OCI evolution at Belfius Insurance following more conservative shadow loss accounting

** EUR 75 m dividend paid relative to the accounting year 2015 and EUR 75 m interim dividend paid during the year 2016*

Contents

Part 4

ROBUST SOLVENCY & LIQUIDITY

Robust solvency & liquidity

CET 1 further improves to very robust level

Basel III *

Phased In | Fully Loaded

CET 1 ratio

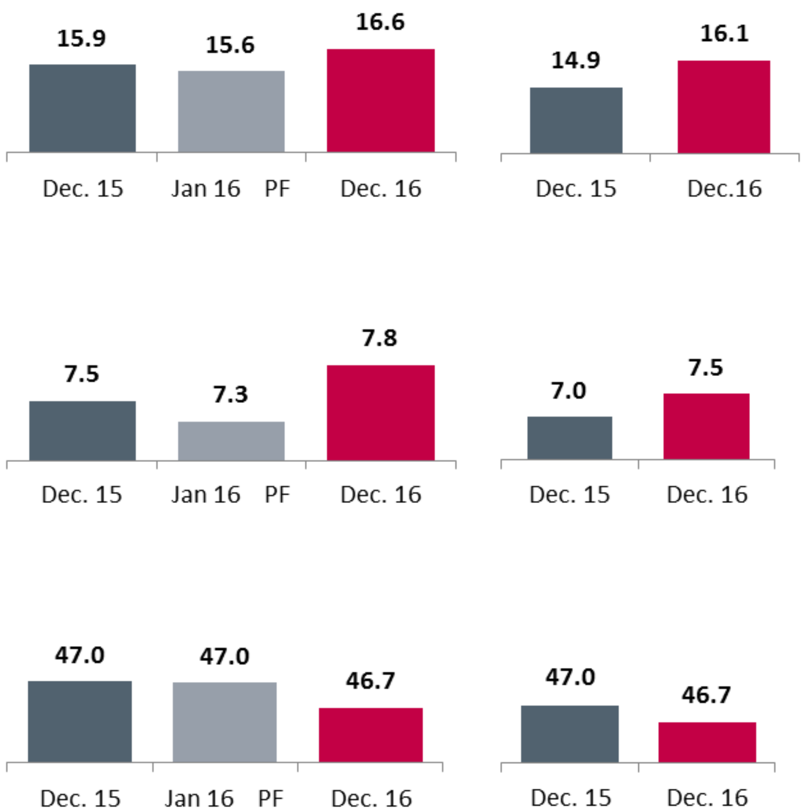
(%)

CET 1 capital

(EUR bn)

Total regulatory risk exposures

(EUR bn)



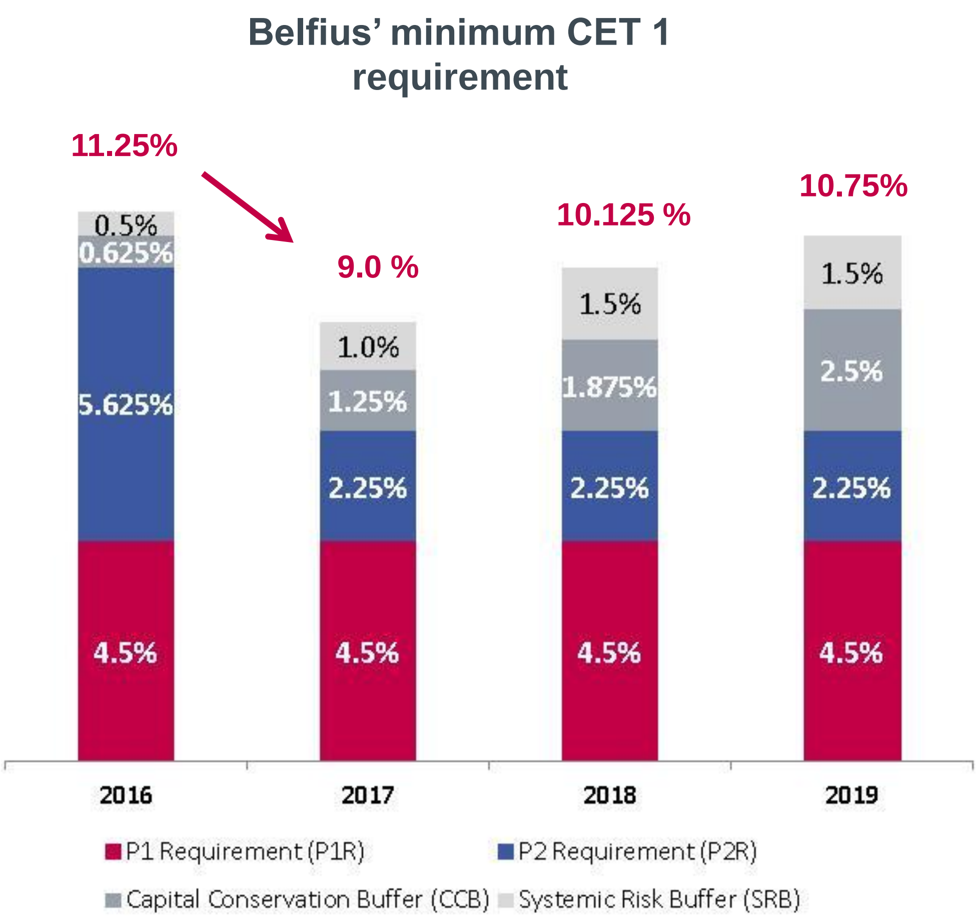
- **Phased In CET 1 ratio** stood at **16.6%**, up 72 bps, well above the 11.25% supervisory requirement of 2016
- **Fully Loaded CET 1 ratio** stood at **16.1%,** up 123 bps, due to an increase of the CET 1 capital (+114 bps) and a decrease of regulatory risk exposures (+9 bps)
- **Regulatory risk exposures** decreased by EUR 0.3 bn, mainly thanks to de-risking & market risk exposure decreases, partially compensated by commercial development

** Danish Compromise : for the determination of the Common Equity Tier 1 capital, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill*

PF - The shift in grandfathering in 2016 (i.e. 60% vs 40% in 2015) has a negative impact of 35 bps on the CET 1 ratio

Robust solvency & liquidity

SREP : Belfius' minimum CET 1 requirement (1/2)

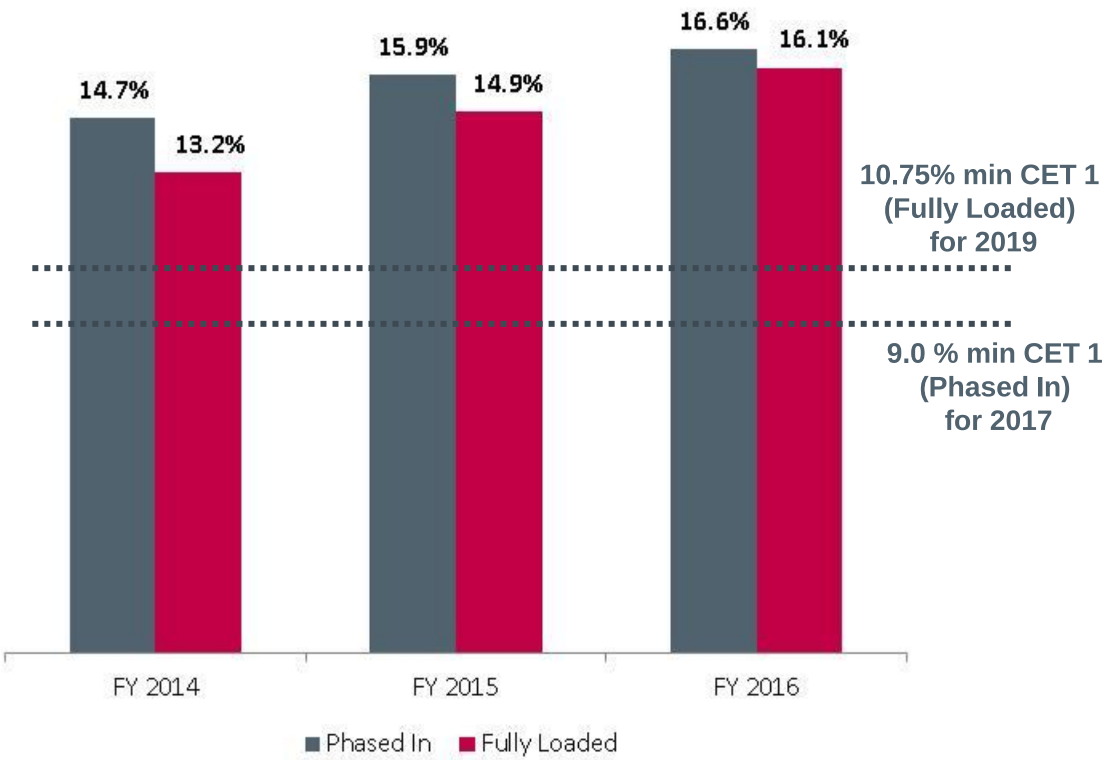


- **For 2017** the ECB imposes a **9% Phased In minimum CET 1 requirement** on Belfius, a decrease of 2.25% from the Phased In CET 1 requirement 2016 which stood at 11.25%
- Based upon a gradual phasing in of the Capital Conservation Buffer to 2.5% and the Systemic Risk Buffer to 1.5%, and all other things remaining equal, this would lead to a **10.75% Fully Loaded minimum CET 1 requirement for 2019**
- The ECB also formally notified Belfius to set a **Pillar 2 Guidance ("P2G") of 1%**
- The ECB makes thus a split between P2R (which restricts profit distribution) and P2G (early warning, which might affect dividend policy)

Robust solvency & liquidity

SREP : Belfius' minimum CET 1 requirement (2/2)

Belfius' Basel III Capital Ratios *



* *Based on the Danish Compromise*

- With a 16.6% Phased In CET 1 ratio as of December 2016, Belfius stands well above the new minimum CET 1 requirement for 2017
- With a 16.1% Fully Loaded CET 1 ratio as of December 2016, Belfius stands also well above the pro forma minimum CET 1 requirement for 2019 (all other things remaining equal)
- Under the new framework on Maximum Distributable Amounts (MDA), the formal minimum solvency level under which restriction on dividends would appear decreases from a CET 1 ratio of 11.25% in 2016 to a CET 1 ratio of 9% in 2017 and to a T1 ratio of 10.5% in 2017 (assuming that the T2 minimum capital bucket continues to be adequately filled with externally placed instruments).

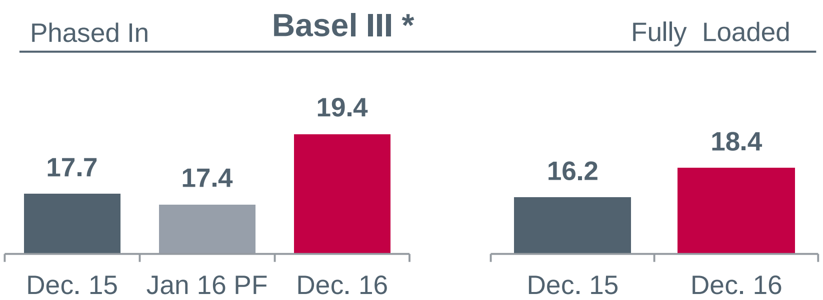
  The additional P2G buffer of 1% is there to be treated as an early warning signal in that respect

Robust solvency & liquidity

Total capital & leverage ratio reaching excellent levels

Total Capital ratio

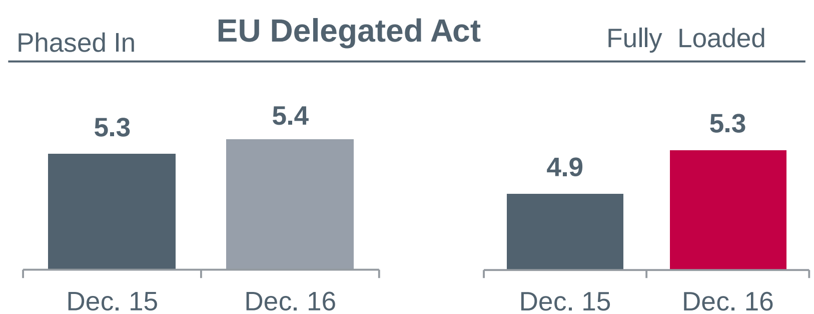
(%)



- **Total Capital ratio increased strongly after the inaugural benchmark Tier 2 issue launched in 1H 2016**
  - **Phased In** Total Capital ratio amounted to **19.4%** (vs. 17.7% end 2015)
  - **Fully Loaded** Total Capital ratio amounted to **18.4%** (vs. 16.2% end 2015)

Leverage ratio

(%)



- **Leverage ratio increased in 2016**
  - **Phased In** Leverage ratio remained stable at **5.4%**, compared to 2015 (5.3%)
  - **Fully Loaded** Leverage ratio increased to **5.3%**, from 4.9% in 2015

** Danish Compromise : for the determination of the Common Equity Tier 1 capital, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill*

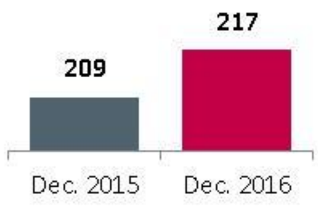
PF - The shift in grandfathering in 2016 (i.e. 60% vs 40% in 2015) has a negative impact of 35 bps on the Total Capital ratio

Robust solvency & liquidity

Solvency II Belfius Insurance

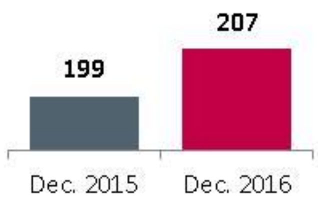
Solvency II ratio
before dividend

(%)



Solvency II ratio
after dividend

(%)



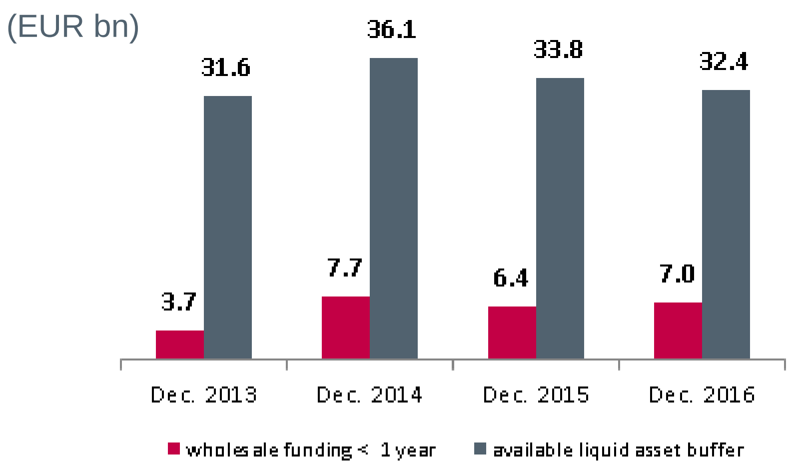
- **Further increasing Solvency II ratio at Belfius Insurance**
  - **The Solvency II ratio** (before dividend) **stood at 217%,** compared to 209% end 2015, due to an increase of the own funds (including T2) and stable solvency capital requirements (SCR)
  - **The Solvency II ratio** (after dividend payment of EUR 120 m) amounted to **207%**
  - The Solvency II capital ratios are calculated using the "Standard Formula". A cap on the loss absorbing capacity of deferred taxes in the calculation of the required capital is also applied, following a decision of the Belgian regulator NBB*. Without this cap, the Solvency II ratio (after dividend) would have been 236%.

* *In April 2016, the NBB published a circular determining the treatment of the loss absorbing capacity of deferred taxes for Belgian insurance companies*

Robust solvency & liquidity

Liquidity profile of Belfius continues to benefit from executed strategy

- Execution of the funding plan leads to continued strong **liquidity profile,** despite a challenging interest rate environment
  - **LCR*** stood at **127%** and **NSFR**** at **110%** as of 31 December 2016
  - The bank has an **available liquid asset buffer** of **EUR 32 bn** as of 31 December 2016, almost five times the wholesale funding maturing within 1 year



The wholesale funding < 1 year refers to the unsecured money market & LT wholesale funding maturing within 1 year

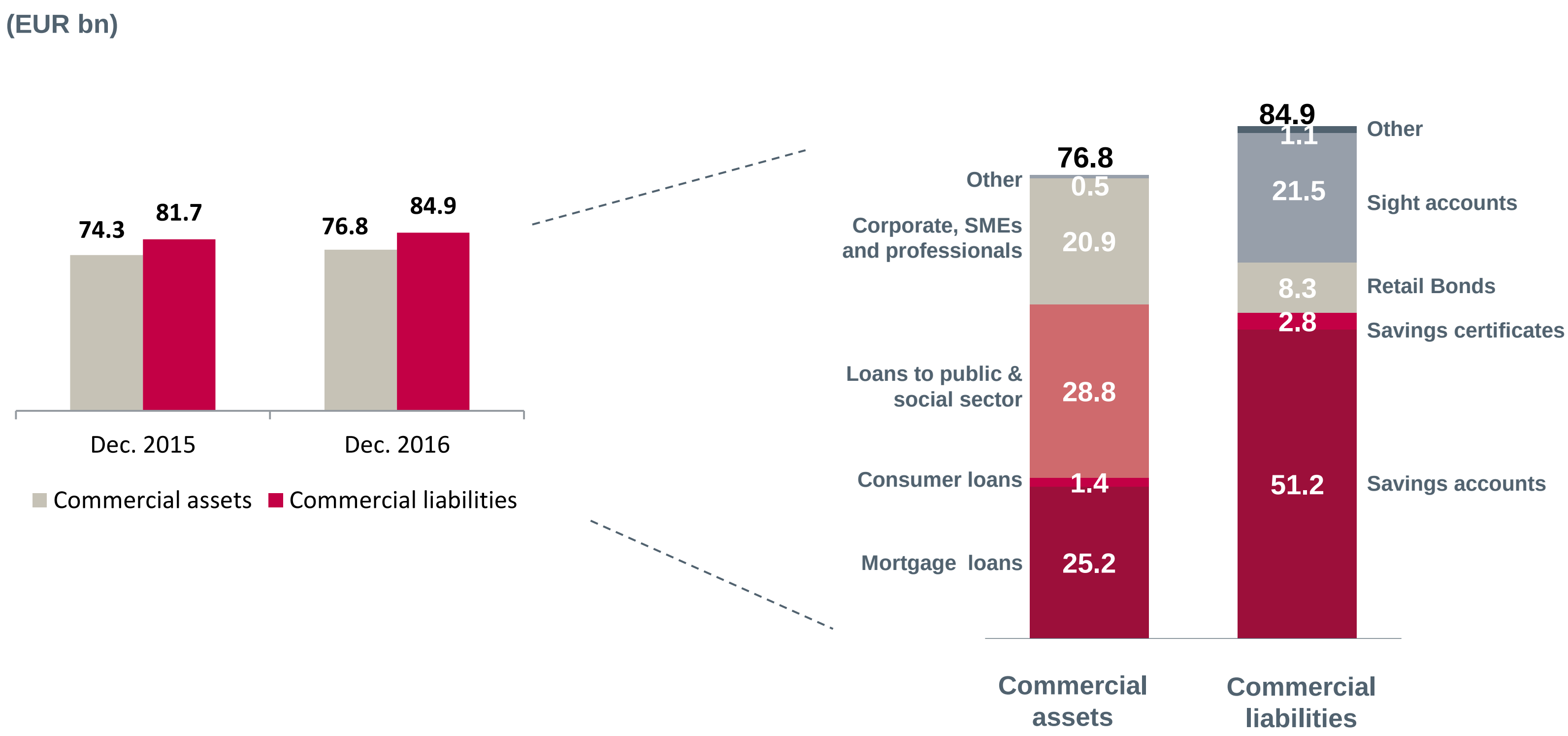
The available liquid asset buffer includes the liquid assets rapidly tradable in the market and the central bank eligible assets, unencumbered net of haircuts

* *The Liquidity Coverage Ratio (LCR) refers to the ratio between the stock of high quality liquid assets and the total net cash outflow over the next month under stress*

** *The Net Stable Funding Ratio (NSFR) refers to the ratio between the available amount of stable funding and the required amount of stable funding and is based on Belfius' interpretation of the current Basel Committee guidelines, which may change in the future*

Robust solvency & liquidity

A sound L/D ratio in the commercial balance sheet



- The commercial balance sheet (*) shows an increasing excess of funding of EUR 8.1 bn end 2016 versus EUR 7.4 bn end 2015
- Loan-to-deposit ratio moved to 90% end 2016 compared to 91% end 2015

* *At bank level*

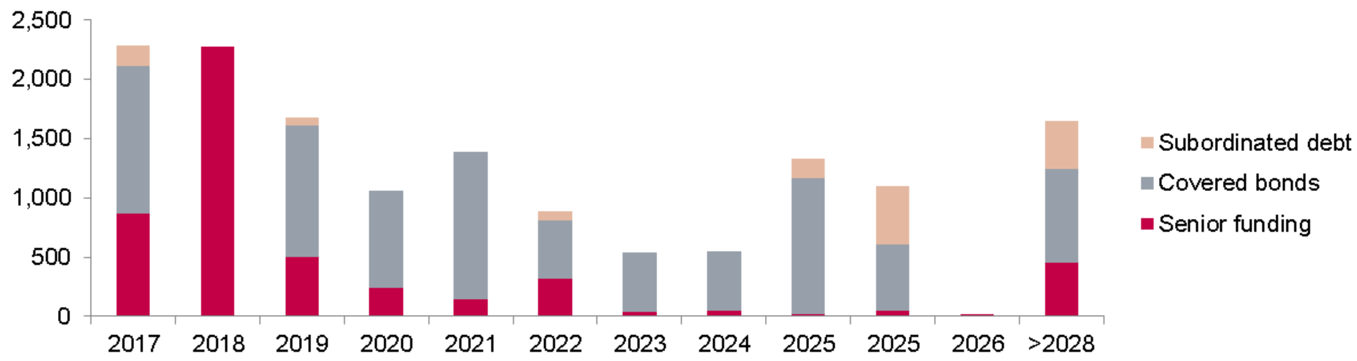
Robust solvency & liquidity

Belfius continues to diversify its funding

- **The highlights of Belfius' funding plan are :**
  - Belfius was the first issuer of Belgian covered bonds (November 2012) with the set up of its Mortgage Pandbrieven Programme
  - Set up of EMTN programme, with Belfius as an active issuer of private placements
  - Set up of ECP programme and reactivating the CD programme
  - Development of N-Bonds format for Mortgage Pandbrieven
  - Launch of the second Belfius covered bond programme (October 2014) being the Public Pandbrieven Programme (as first Belgian issuer)
  - Launch of the first Belfius RMBS transaction to be offered to external investors (October 2015), being the first Belgian RMBS since 2007
  - Launch of aninaugural benchmark bullet Tier 2 issue (April 2016) with a 10 year maturity (no call option)

Robust solvency & liquidity
Redemption profile of wholesale funding

- Redemption profile of medium/long term wholesale funding as of December 2016



- In 2017, around EUR 2.3 bn wholesale funding comes to maturity
- The funding needs of Belfius are in line with these redemptions, however can be adapted in function of general evolutions within the banking environment. Various instruments can be targeted under both benchmark or private placement format, e.g. (preferred) senior unsecured, Tier 2, Certificats of Deposit, covered bonds, TLTRO, potential non-preferred senior (*) ,…
- It is expected that a formal MREL level will be given to Belfius by SRB in 2017. At this stage, no formal MREL target has been communicated to Belfius. Based on the recent disclosures on MREL published by SRB, Belfius' mechanical target (**) would potentially amount to 27.25 % of risk exposures (in fully loaded format).
- As of today the SRB has not yet fully clarified which unsecured long term funding will be MREL-eligible. If (part of) our unsecured funding would no longer be MREL eligible, this can be rolled, at maturity during the coming years, into MREL-eligible instruments.

(*) The application of a non-preferred senior type instrument under Belgian law is currently under development
(**) Potential MREL requirement, published by SRB in November 2016, could be equal to the higher of:
- Double (Pillar 1 + Pillar 2 requirement)+ Combined Buffer (CBR) plus Market Confidence Charge (equal to the CBR less 125 bps), or
- 8% of total liabilities and own funds (taking into account derivative netting where applicable)

Robust solvency & liquidity

Belfius' various issuing programmes

	Outstanding End Dec. 2016	**Issuer**	**Listing**
Belfius Euro Commercial Paper Programme (Institutional)	EUR 1.3 bn *(end 2015 : EUR 1.2 bn)*	Belfius Financing Company with guarantee of Belfius Bank	Not listed
Belfius CD Programme (Institutional)	EUR 4.5 bn *(end 2015 : EUR 3.0 bn)*	Belfius Bank	Not listed
Belfius Mortgage Pandbrieven Programme (Institutional)	EUR 6.1 bn *(end 2015 : EUR 5.5 bn)*	Belfius Bank	Euronext Brussels
Belfius Public Pandbrieven Programme (Institutional)	EUR 2.3 bn *(end 2015 : EUR 1.8 bn)*	Belfius Bank	Euronext Brussels
EMTN Programme (Institutional)	EUR 3.4 bn *(end 2015 : EUR 4.6 bn)*	Belfius Bank	Luxembourg Stock Exchange
Belfius Notes Issuance Programme (Retail)	EUR 8.4 bn *(end 2015 : EUR 8.2 bn)*	Belfius Bank, and Belfius Financing Company with guarantee of Belfius Bank	Not listed

Robust solvency & liquidity

Positive rating actions

Ratings of Belfius Bank as at 31 March 2017

	Stand-alone rating (*)	Long-term rating	Outlook	Short-term rating
Fitch	a-	A-	Stable	F2
Moody's	baa2	A2	Positive	Prime-1
Standard & Poor's	bbb+	A-	Stable	A-2

- Latest rating actions:
  - In January 2016, Moody's upgraded Belfius' stand-alone Baseline Credit Assessment (BCA) to baa3 and its LT-rating to A3
  - In April 2016, Fitch upgraded Belfius' stand-alone Viability Rating (VR) to a- and its LT-rating to A-
  - In November 2016, S&P revised Belfius' outlook from negative to stable and confirmed its ratings
  - In March 2017, Moody's upgraded Belfius' stand-alone Baseline Credit Assessment (BCA) to baa2 and its LT-rating to A2. The ST-rating has been upgraded from Prime-2 to Prime-1. The outlook has changed from stable to positive

** Intrinsic creditworthness*

Contents

Part 5

THE END OF ACTIVE TACTICAL DE-RISKING

The end of active tactical de-risking

De-risking legacy portfolios (1/5)

- At the time of its separation from the Dexia group in 2011, **Belfius inherited a large non-core portfolio** (mainly financial products such as bonds and structured credit guarantees)
- As a result thereof, Belfius has analytically separated its activities and financial accounts in **two segments**:
  - **Franchise,** meaning the core business lines (bank and insurance) of the Belfius group, and
  - **Side,** incorporating the above referenced non-core assets and exposures

Franchise

- Retail and Commercial
- Public and Corporate
- Group Center

Side

- Legacy portfolios
- Funding to Dexia
- Other run-off activities

"LEGACY"

- Legacy portfolios: EUR 18 bn of legacy bonds and EUR 12 bn of legacy credit guarantees in 2011
- Funding to Dexia: EUR 44 bn of funding in 2011

Other run-off activities: Inherited from the Dexia era and no longer part of the commercial activities (a.o. EUR 105 bn (collateralized) nominal of derivatives with Dexia entities)

- As per the end of 2011, Belfius started to **actively de-risk its legacy portfolios and reduce its funding to Dexia**, as described hereafter

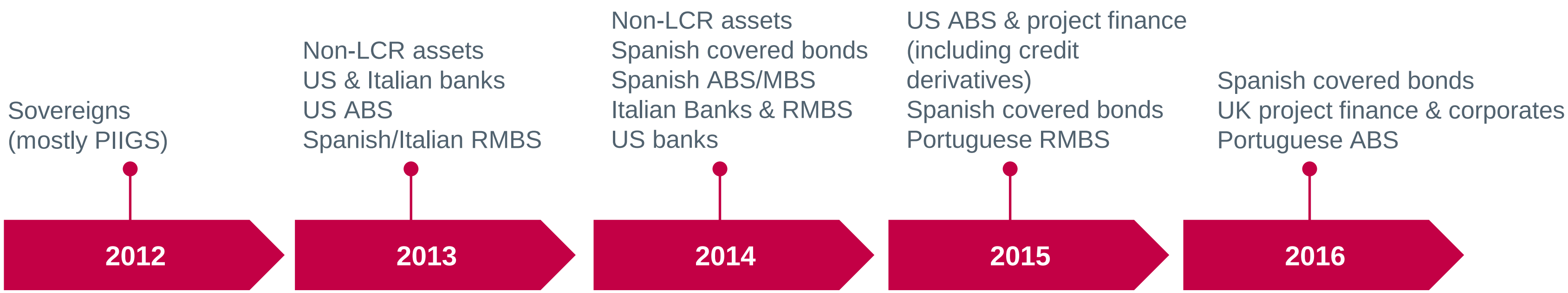
The end of active tactical de-risking

De-risking legacy portfolios (2/5)

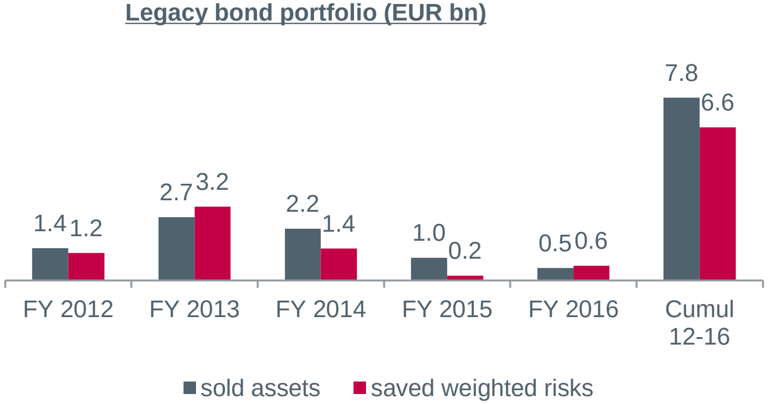
- Since end 2011, Belfius disposes of a clearly defined **tactical de-risking process** with respect to its legacy portfolios, with as **key governing principle** the downsizing of the legacy portfolios in a way that:
  - Belfius' general risk profile would improve continuously without hurting the commercial franchise, and
  - Belfius would be capable of complying with the materially stricter Basel III regulations on a stand-alone basis
- **Each year a de-risking budget was defined** as part of the financial plan process and dedicated teams worked on the de-risking throughout the year, whereby **assets were selected in a weekly de-risking committee** (and often discussed at board levels)
- De-risking actions were always taken based upon a **thorough analysis of individual de-risking files**, taking into account **market circumstances** and a number of **KPI that were computed and monitored within the global tactical de-risking program** (each of which formed a separate decision axis around which a de-risking analysis was built):

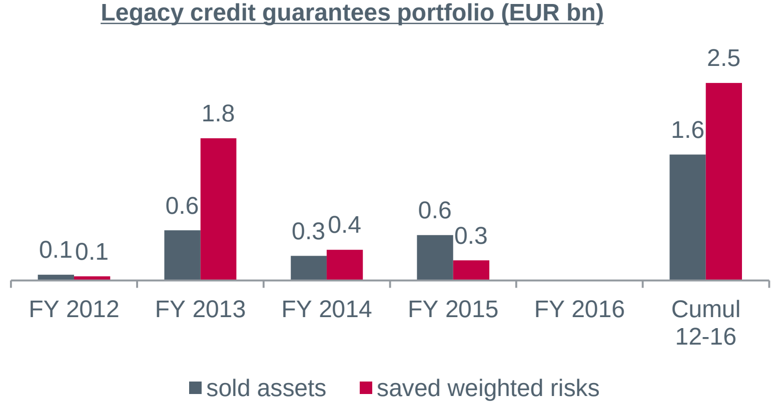
The end of active tactical de-risking
De-risking legacy portfolios (3/5)

- As such, **several de-risking waves** were executed (both on legacy bonds and credit guarantees):



- Resulting in a **total sale of EUR 9.4 bn of assets** and **a reduction of risk exposures by EUR 9.1 bn:**



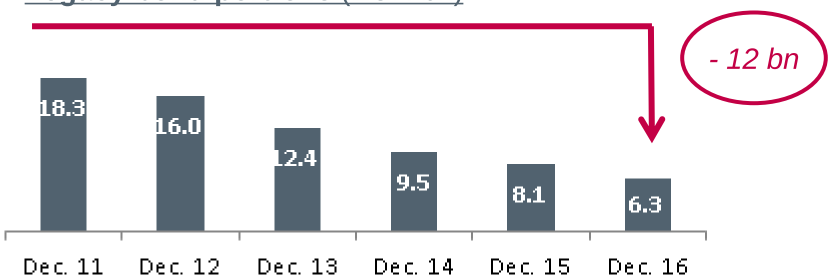


The end of active tactical de-risking

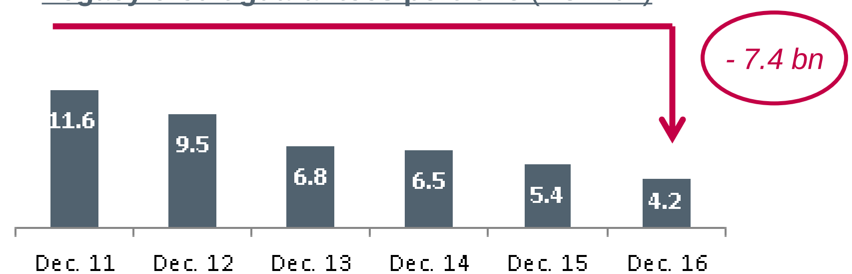
De-risking legacy portfolios (4/5)

- Combined with the portfolios' natural amortization, this tactical de-risking program resulted in approximatively **EUR 20 bn total decrease of outstanding amounts**. The tactical de-risking represented ca. 2/3 of the total decrease in the bond portfolio and ca. 20% of the total decrease in the credit guarantees portfolio.

Legacy bond portfolio (EUR bn)



Legacy credit guarantees portfolio (EUR bn)



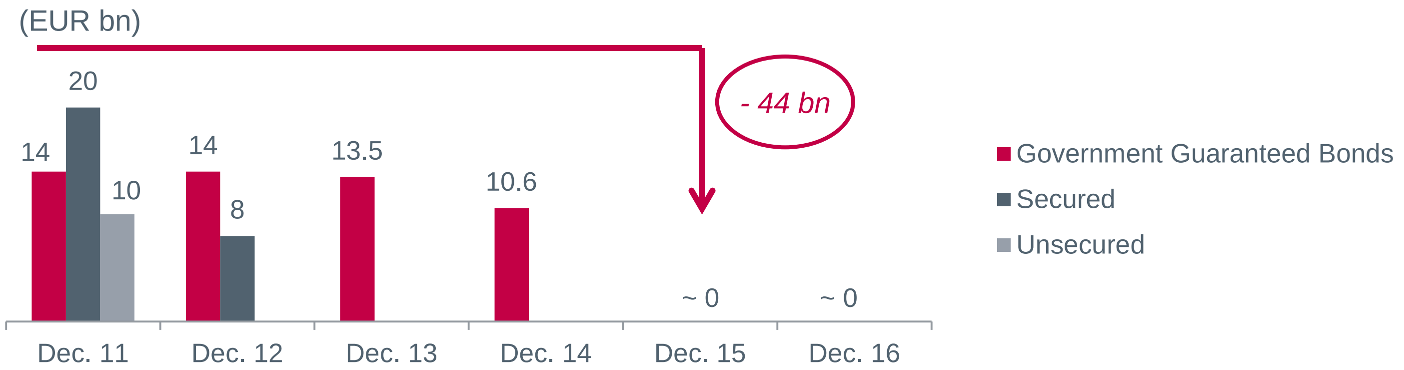
- The **KRI of the legacy portfolios** moved positively step by step to the levels defined as acceptable :

	2011	2012	2013	2014	2015	2016
Average rating						
Legacy bond portfolio	BBB+	BBB+	BBB+	A-	A-	A-
Legacy credit guarantees	BBB	BBB-	BBB+	BBB+	A-	A-
NIG share of notional (%)						
Legacy bond portfolio	6%	4%	8%	6%	6%	6%
Legacy credit guarantees	6%	8%	4%	4%	0%	0%
NIG share of notional (EUR m)						
Legacy bond portfolio	1,044	696	1,034	567	462	402
Legacy credit guarantees	663	759	254	265	0	0
Risk concentration						
Liquidity need						

The end of active tactical de-risking

De-risking legacy portfolios (5/5)

- **Another key element of the tactical de-risking program was to manage down Belfius' exposure on Dexia** and as such improve its liquidity profile in a material and rapid way
- Within the Transition Committee (with Dexia and FPIM representatives), many steps were taken to unwind Belfius from the Dexia entities, leading to a **gradual decrease of Belfius' exposure on Dexia**:



- **As per the end of 2016, the remaining exposure on Dexia is the following:**
  - EUR 5 m loan to Dexia Crediop for which Dexia Crediop has made a deposit of the same amount
  - EUR 48 m co-financing of a loan from Dexia Crédit Local to a "A" rated British real estate company
  - EUR 39.9 bn notional amount of derivatives(*)

(*) These derivatives are fully collateralized

The end of active tactical de-risking

Target KRI for legacy portfolios (1/3)

	2011 ➡	2016 Actual	2016 PF*	TARGET	2016 Actual	2016 PF*	Comply or explain
Average rating							
Legacy bond portfolio	BBB+	A-	A-	A-	✓	✓	*Target average rating complied with*
Legacy credit guarantees	BBB	A-	A-	A-	✓	✓	
NIG share of notional							
Legacy bond portfolio	6 %	6.3 %	2.6 %	2 %	✗	≈	*Target NIG share complied with for legacy credit guarantees, but not for legacy bonds*
Legacy credit guarantees	6 %	0 %	0 %	2 %	✓	✓	
Total legacy portfolio	6 %	3.8 %	1.5 %	2 %	✗	✓	*Excluding Riverview bonds*, NIG share of notional for legacy bonds would be 2.6%, i.e. close to 2% target, and for total legacy 1.5%, i.e. below 2% target*

** PF Excluding Belfius' position in Riverview bonds (cf. also slide 15 and Appendix 19)*

The end of active tactical de-risking

Target KRI for legacy portfolios (2/3)

(EUR)	2011	→	2016 Actual	2016 PF*	TARGET	2016 Actual	2016 PF*	Comply or explain
Total legacy portfolio								
Total volume	30 bn		10.5 bn	10.3 bn	EUR 11-13 bn	✓	✓	*End 2016, a total nominal volume of ca. EUR 10.5 bn is reached, i.e. below targeted total volume*
NIG share of portfolio								
Total volume	1.7 bn		402 m	157 m	EUR 220-260m (i.e. 2 % of targeted volume)	≈	✓	*EUR 402 m of total NIG volume, i.e. EUR 142 m above high end of target range, which is fairly limited* *Excluding Riverview bonds*, total NIG volume would stand at EUR 157 m, i.e. below target volume*

** PF Excluding Belfius' position in Riverview bonds (cf. also slide 15 and Appendix 19)*

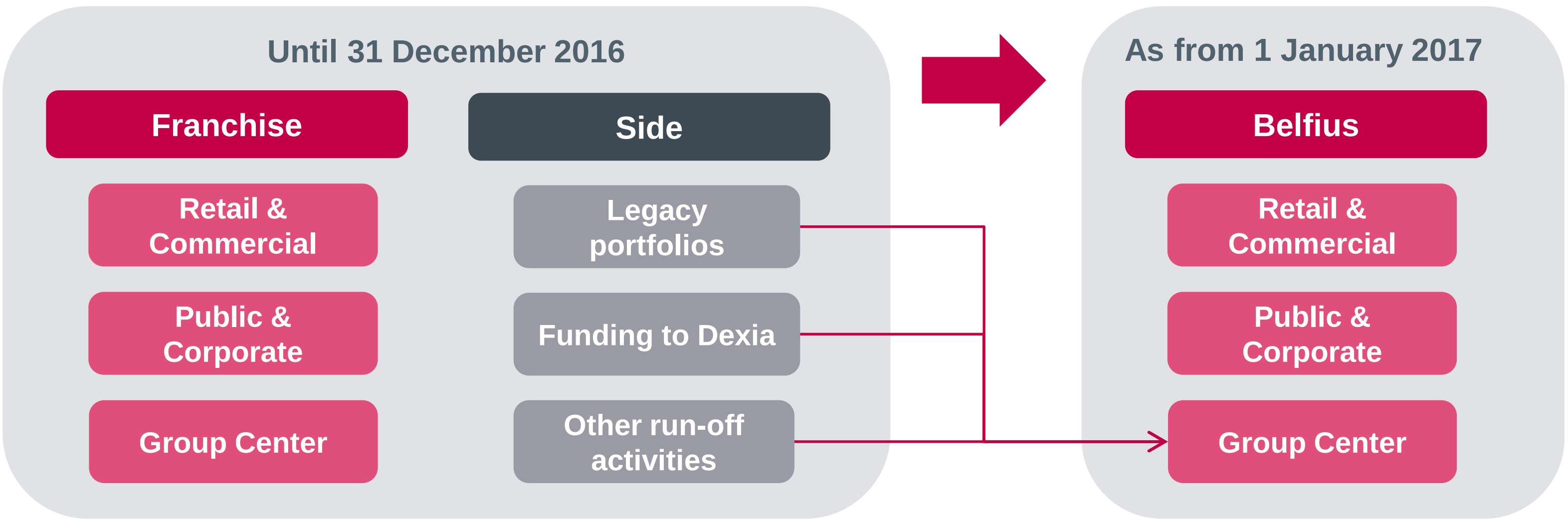
The end of active tactical de-risking

Target KRI for legacy portfolios (3/3)

	2011 → 2016	TARGET		Comply or explain
Liquidity need	• Funding to Dexia has been strongly reduced to almost zero • Focus on sale of non-LCR eligible bonds	Improve LCR-impact of Legacy	✓	*Targeted LCR improvement complied with, through material decrease of highly liquidity consuming positions over the years*
Concentration	↘	Concentration limits in line with Belfius core risk level	✓	*No positions with stressed loss at default levels exceeding Belfius Bank's RAF thresholds*

The end of active tactical de-risking
Integration of Side into Franchise

- As from **1 January 2017, Belfius will integrate Side into Franchise;** more particularly Side will be merged into Group Center:



- The **new Group Center** will be composed of a **bond portfolio**, a **derivatives portfolio** and a **remaining group of non-commercial activities**

➔ As from **1 January 2017 onwards, and after the integration of Side, the segment « Franchise » will no longer exist as such** (i.e. Belfius with segments RC, PC and GC)

Contents

Part 6

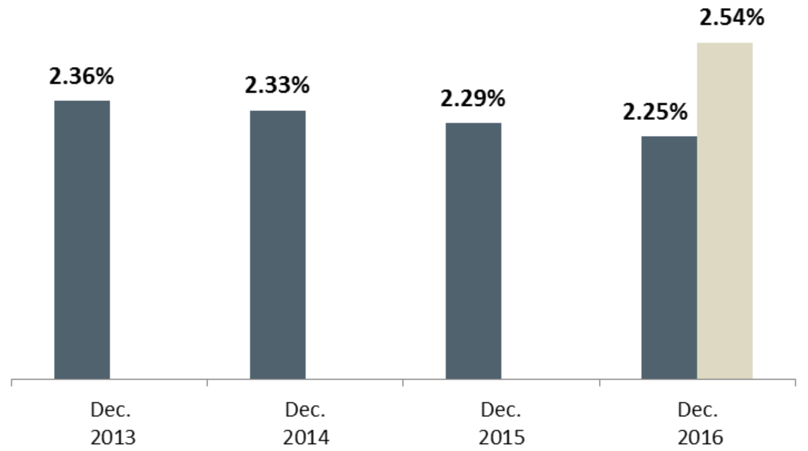
SOUND RISK PROFILE

Sound risk profile

Continued strong asset quality indicators (1/2)

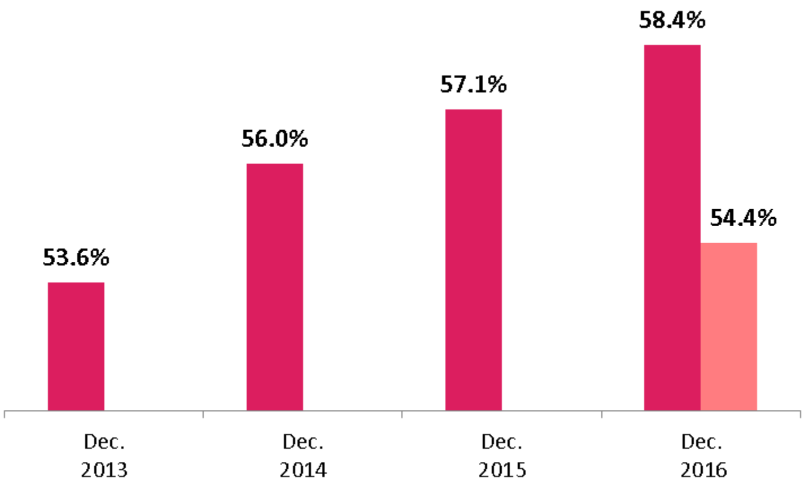
Asset quality ratio

$$\frac{\text{Impaired loans and advances to customers}}{\text{Loans and advances to customers (gross)}}$$



Coverage ratio

$$\frac{\text{Specific impairments}}{\text{Impaired loans and advances to customers}}$$



- The **asset quality ratio** increased to 2.54% (■), due to the 2016 specific impairment related to the Riverview bonds* in the Side portfolio. Excluding this exposure, the asset quality ratio would have been at 2.25% (■), further down compared to December 2015
- The **coverage ratio** remains above the 50% mark (54.4% (■) including the above mentioned exposure in the Side portfolio and 58.4% (■) excluding this exposure)

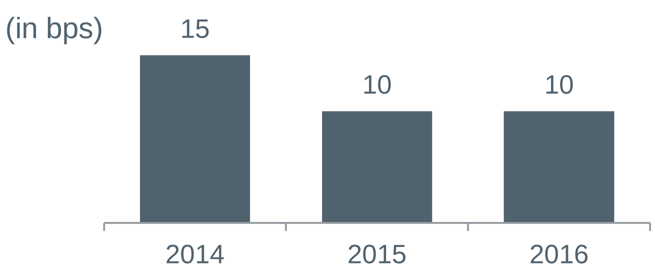
** cf. also slide 15 and Appendix 19*

Sound risk profile

Continued strong asset quality indicators (2/2)

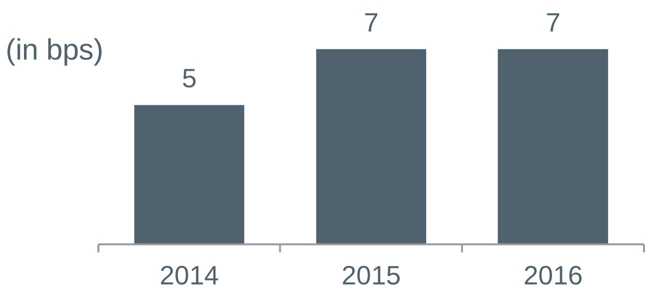
Credit cost ratio RC

$$\frac{\text{Cost of risk RC}}{\text{Average outstanding loans RC}}$$



Credit cost ratio PC

$$\frac{\text{Cost of risk PC}}{\text{Average outstanding loans PC}}$$



Sound credit cost ratio underpinned by low-risk lending

- Low credit cost ratio for **Retail & Commercial of 10 bps**, stable v-à-v 2015, following a decrease in cost of risk between 2014 and 2015
- Very low credit cost ratio for **Public & Corporate of 7 bps**, following a slight increase in cost of risk between 2014 and 2015

Contents

Part 7

WRAP UP

Wrap up

Belfius is strongly positioned

- to further grow its commercial franchises over the coming years,
- in customer segments and business activities that are at the heart of its strategy and its role in the Belgian society,
- in a financially sound and profitable way,
- even in the current challenging macro-economical environment.

After the first 5 years of Belfius, the overall performance in 2016 is demonstrative of Belfius' sound growth potential in its well targeted domains.

In particular, for 2016 :

- **Again a very sound financial performance on solvency, liquidity and efficiency (C/I)**
- **Strong development of commercial franchises and profit capacity**
- **Strong clients' affinity, underscored by increasing number of active clients & client satisfaction, resulting in strong franchise foundation**
- **The end of active tactical de-risking, bringing the legacy portfolio to an acceptable risk profile**

Wrap up

Belfius' Ambitions 2020

- 2020 Financial ambitions
- 2020 Commercial ambitions

Universal bankinsurer present everywhere in Belgium and supporting 100% Belgian society and economy (ambition of 60 bn EUR support over 2016-2020 period)

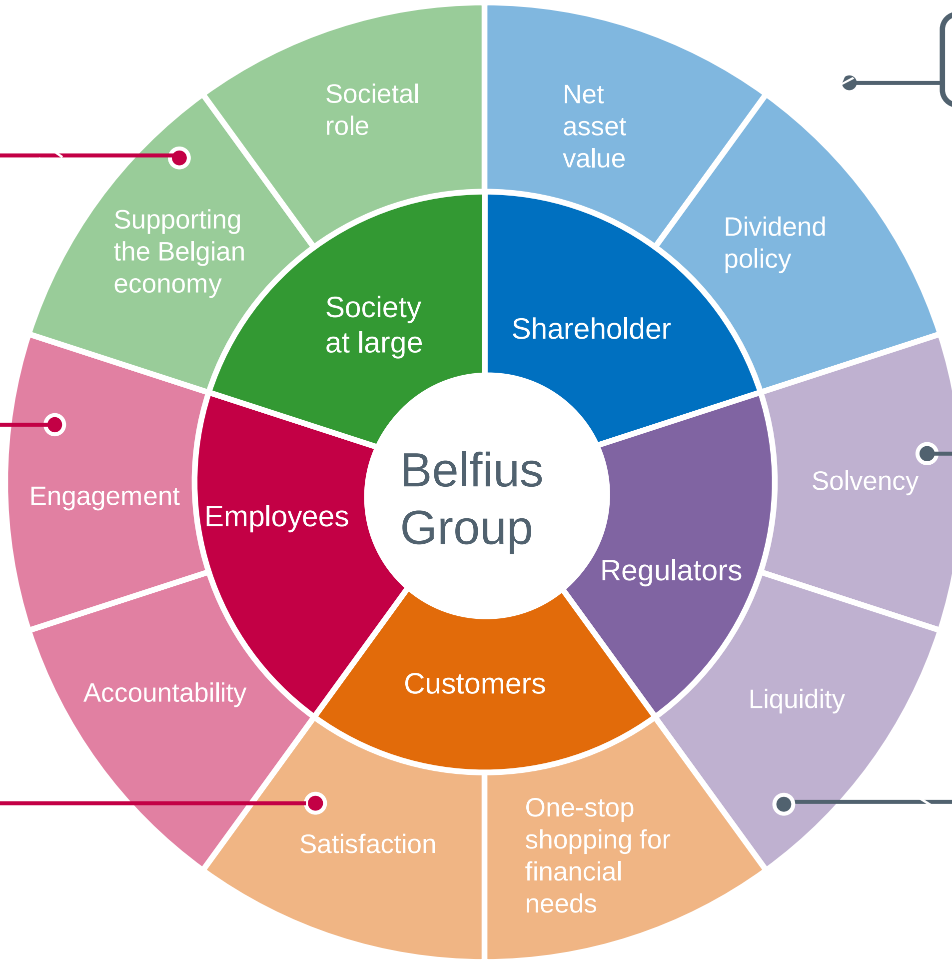
✓ Production 2016: EUR 14.9 bn

Further improve even more on employee engagement barometer results

✓ As of 2016 the average score of engagement increased to 87%

Combine +95% satisfaction with growing client recommendation

✓ Client satisfaction as of December 2016: 95.25 %



Group net profit > 600m EUR
Cost-income ratio < 60%

✓ As of Dec. 2016:
C/I Group: 60.5%
C/I Franchise: 57.0%

CET1 > 13%
Total capital > 17%
Leverage ratio > 5%
Solvency II > 175%

✓ As of Dec. 2016:
CET1 FL: 16.1%
Solvency II: 207%

LCR > 110%
NSFR > 105%

✓ As of Dec. 2016:
LCR: 127%
NSFR: 110%

Appendices

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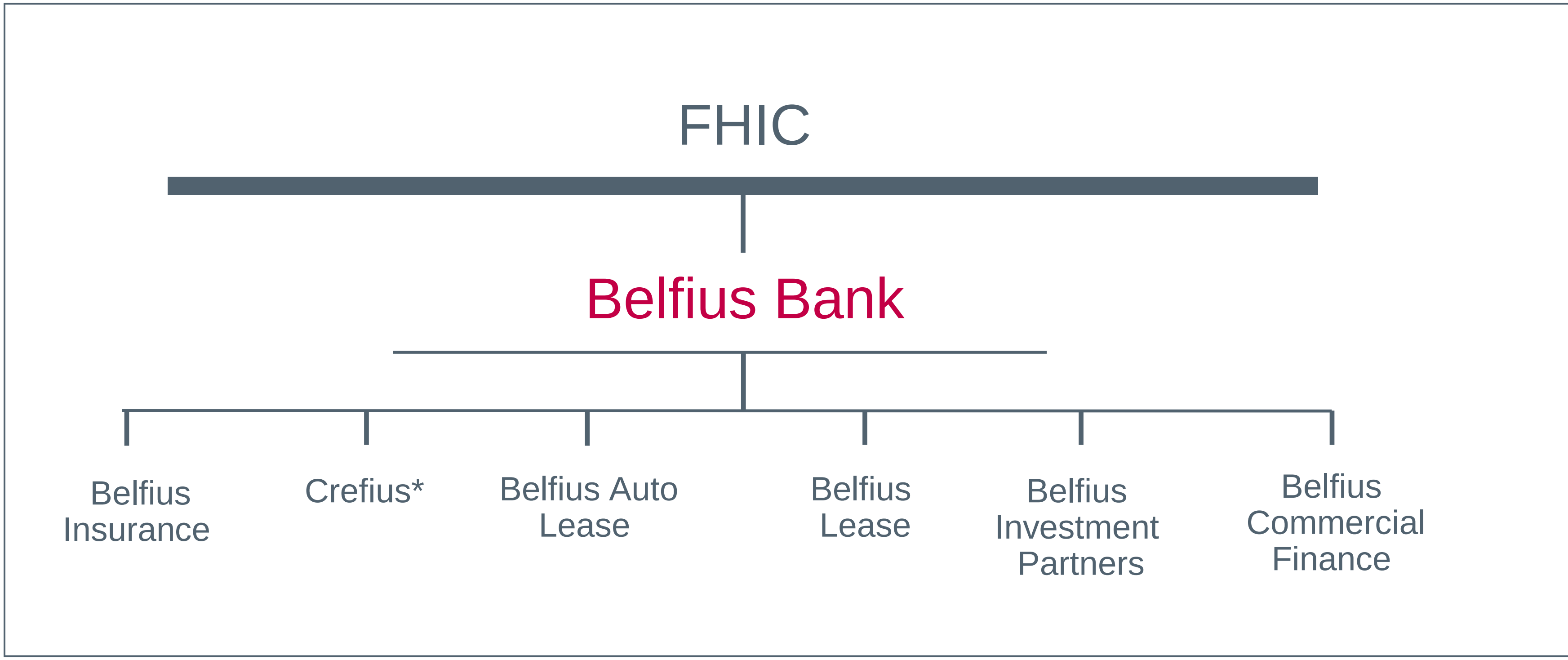
Appendices

Section I – Belfius at a glance

- Appendix 1 : A bank-insurer … with one sole shareholder
- Appendix 2 : Retail & Commercial - description
- Appendix 3 : Public & Corporate – description

Belfius at a glance

Appendix 1 : A bank-insurer … with one sole shareholder



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

** Crefius is involved in granting and managing mortgage loans*

Belfius at a glance

Appendix 2 : Retail & Commercial - description

3.5m

696

Retail, Private & Business clients

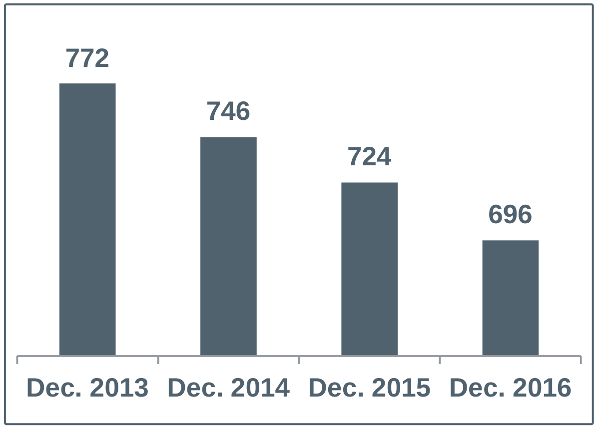
Belfius serves 3.5 million customers, of which 0.3 million business clients (self-employed, SME's) combining personal advice through a network of 696 branches and state of the art applications in internet and mobile banking

Belfius provides a large range of high quality products and services:

- **payments products & treasury management services**
- **savings & investments products**
- **loans, ST & LT-financing, credit lines and/or guarantees**
- **life & non-life , staff or activity related insurance products**

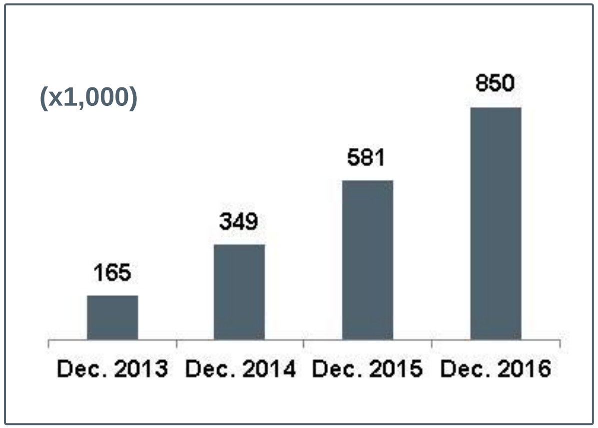
Belfius' distribution offering in line with customer behavioral change

 # bank branches



- *In the branches, clients are more and more directed to highly valued personal advice*
- *With more than 0.8 m active mobile users, Belfius demonstrates its leading edge in the mobile and digital offer*

 # active mobile users



Belfius at a glance

Appendix 3 : Public & Corporate - description

12k

Public and Social clients

preferred banking partner of 12,000 public & social clients such as municipalities, provinces, regions and communities, police areas, healthcare sector, schools, universities, housing sector

6k

Corporate clients

with 6,000 clients, challenger in the segment of Belgian corporates where Belfius especially represents the link between public authorities and the corporate environment (Business to Government or “B2G”)

Crucial role in economic activity in Belgium

Maintain Leadership

- **Loans, as start for cross-sell and Debt Management income**
- **Keep leading edge in Debt Capital Markets**
- **Smart Belgium as unique positioning**

Pursue Growth Ambition

- **Increase market share (13% in 2018)**
- **Control credit risk with an average rating on production > = BB+**
- **Increase cross-sell**
- **Smart Belgium as unique positioning**

Appendices

Section II – Additional financials

- Appendix 4 : Consolidated balance sheet – Assets
- Appendix 5 : Consolidated balance sheet – Liabilities
- Appendix 6 : Consolidated balance sheet – Accounting equity
- Appendix 7 : Focus on AFS reserve
- Appendix 8 : Focus on regulatory capital
- Appendix 9 : Focus on regulatory risks exposures
- Appendix 10 : Focus on capital ratios

Additional financials

Appendix 4 : Consolidated balance sheet - assets

(EUR m)	31/12/2015	31/12/2016	Evolution
Loans and advances	**112,083**	**116,816**	**4,733**
To banks and central banks	*24,894*	*27,114*	*2,219*
To customers	*87,189*	*89,702*	*2,513*
Portfolios	**27,974**	**27,199**	**-775**
Financial investments (HTM)	*5,017*	*5,393*	*376*
Financial investments (AFS)	*19,734*	*18,820*	*-914*
Financial assets at FV through P&L	*3,223*	*2,986*	*-237*
Derivatives	**25,944**	**25,307**	**-636**
Other	**10,962**	**7,399**	**-3,563**
Total assets	**176,962**	**176,721**	**-241**

- **The total assets remained stable at EUR 177 bn based on a combination of**
  - an increase of loans and advances to banks and central banks (EUR 2.2 bn), mainly as a result of an increase of the monetary reserves at the ECB
  - an increase of loans to customers (EUR 2.5 bn) due to higher commercial activities
  - a limited decrease of the portfolio (EUR -0.8 bn)
  - a limited decrease (EUR -0.6 bn) of the fair value of the derivatives resulting from lower interest rates compared to year-end 2015
  - a decrease in other (EUR -3.6 bn), explained by the sale of the insurance subsidiary “International Wealth Insurer”

Additional financials

Appendix 5 : Consolidated balance sheet - liabilities

(EUR m)	31/12/2015	31/12/2016	Evolution
Total deposits	**79,700**	**86,753**	**7,053**
Banks and central banks	*11,538*	*12,582*	*1,044*
Customers	*68,163*	*74,171*	*6,008*
Total debt securities	**35,607**	**32,904**	**-2,703**
Debt securities	*27,778*	*23,981*	*-3,796*
Debt securities at FV through P&L	*6,916*	*7,524*	*608*
Subordinated debts	*913*	*1,399*	*486*
Derivatives	**30,060**	**29,573**	**-488**
Provisions	**17,094**	**16,403**	**-692**
Other	**5,841**	**2,077**	**-3,764**
Total liabilities	**168,302**	**167,709**	**-593**

- **The light decrease of total liabilities with EUR 0.6 bn *(or -0.4 %)* is a combination of**
  - higher deposits from banks and central banks (EUR 1.0 bn), mainly following the participation at TLTRO II for EUR 3 bn, partially offset by the full repayment of TLTRO I for EUR 1.65 bn
  - a strong increase of customer deposits (EUR 6.0 bn), mainly sight & savings deposits
  - a strong decrease of total debt securities (EUR -2.7bn), following maturity of LT debt securities partially offset by the issue of covered bonds (EUR 1.1 bn) and a new Tier 2 bond (EUR 0.5 bn)
  - a decrease (EUR -0.5 bn) of the fair value of derivatives following lower interest rates compared to year-end 2015

Additional financials

Appendix 6 : Consolidated balance sheet - accounting equity

(EUR m)	31/12/2015	31/12/2016	Evolution
Core shareholders' equity	**8,309**	**8,694**	**385**
Subscribed capital + additional paid in capital	*3,667*	*3,667*	*0*
Reserves + retained earnings	*4,135*	*4,491*	*356*
Net income for the period	*506*	*535*	*29*
Gains and losses not recognised in the statement of income	**350**	**318**	**-32**
Reserve AFS (Available for Sale)	*213*	*231*	*18*
Reserve CFH (Cash flowhedge) + other	*-12*	*-34*	*-22*
Remeasurement of Defined Benefit plan	*120*	*87*	*-33*
Discretionary participation features	*29*	*33*	*4*
Total shareholders' equity	**8,659**	**9,012**	**353**
Non-controlling interests	**1**	**0**	**-1**
Total equity	**8,660**	**9,012**	**352**

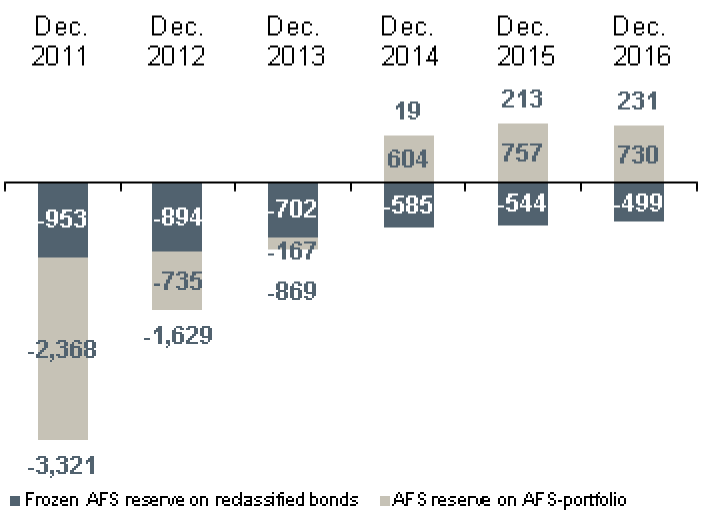
- **The total equity increased to EUR 9 bn**
  - the core shareholders' equity rose with EUR 385 m due to the net income of the period (EUR 535 m), partially offset by EUR 75 m dividend paid relative to the accounting year 2015 and EUR 75 m interim dividend paid of over the year 2016
  - the gains and losses not recognised in the statement of income decreased with EUR 32 m, mainly stemming from the negative impact of lower interest rates on pension plan re-measurements, and more conservative shadow loss accounting at Belfius Insurance

Additional financials

Appendix 7 : Focus on AFS reserve*

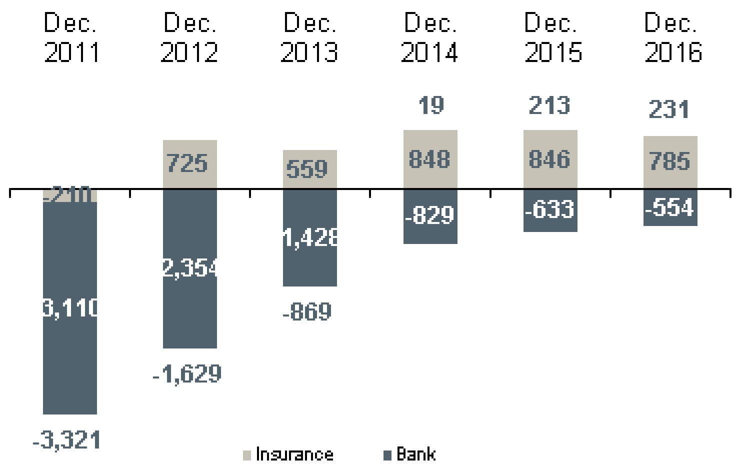
Breakdown Frozen AFS / AFS

(EUR m)



Breakdown Bank / Insurance

(EUR m)



- **The total AFS reserve stood at EUR +231 m as at December 2016, quasi stable compared to year-end 2015**
  - the increase of the AFS reserve for the banking group (+ EUR 79 m compared to Dec. 2015) can be explained by improved credit spreads and further de-risking
  - the AFS reserve for the insurer group decreased by EUR 61 m compared to Dec. 2015. The increase of the fair value of bonds was entirely offset by a increase of negative adjustment of shadow accounting at Belfius Insurance due to the interest rate evolution combined with some methodological refinements

(*) After tax

Additional financials

Appendix 8 : Focus on regulatory capital

	Phased In		Fully Loaded	
	Dec. 2015	Dec. 2016	Dec. 2015	Dec. 2016
Core shareholders' equity	**8,309**	**8,694**	**8,309**	**8,694**
Elimination of Belfius Insurance (*)	*38*	*0*	*38*	*0*
Core regulatory equity	**8,347**	**8,694**	**8,347**	**8,694**
Elimination of foreseeable dividend	-75	-140	-75	-140
Gains and losses not recognised in the statement of income	-43	-215	-411	-460
Remeasurement Defined Benefit Plan	119	86	119	86
AFS reserve	-623	-546	-623	-546
Transitory measures & filter on govies	461	246	93	0
Items to deduct	-750	-573	-880	-578
Deferred tax assets	-218	-13	-218	-13
Transitory measures	131	5	0	0
Other	-662	-565	-662	-565
Common equity Tier 1 - CET 1	**7,479**	**7,767**	**6,980**	**7,516**
Tier 2 - Capital instruments	679	1,135	475	928
Other	170	174	170	174
Total regulatory capital	**8,328**	**9,076**	**7,625**	**8,618**

(*) *For the determination of the Common Equity Tier 1 capital the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"*

Additional financials
Appendix 9 : Focus on regulatory risk exposures

(EUR bn)	Phased In Dec. 2015	Phased In Dec. 2016	Fully Loaded Dec. 2015	Fully Loaded Dec. 2016
Market risk	1.8	1.1	1.8	1.1
Operational risk	2.8	2.9	2.8	2.9
Credit risk	36.3	36.0	36.3	36.0
Danish compromise (*)	6.1	6.7	6.1	6.7
Total Regulatory Risks Exposures	**47.0**	**46.7**	**47.0**	**46.7**

(*) For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"

.

Additional financials

Appendix 10 : Focus on capital ratios

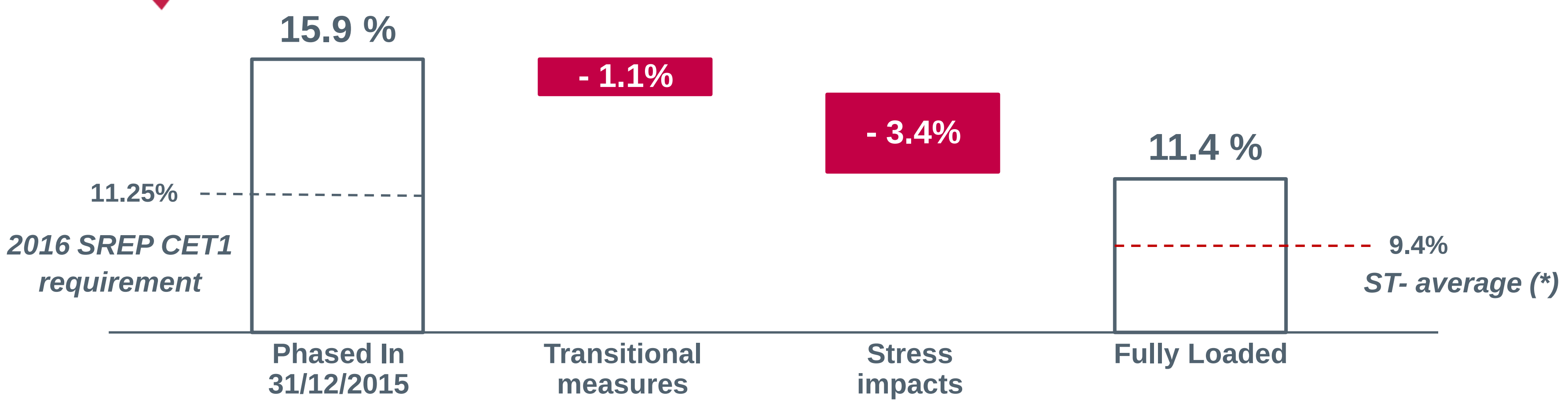
	Phased In		Fully Loaded	
	Dec. 2015	Dec. 2016	Dec. 2015	Dec. 2016
Common equity Tier 1 - CET 1 (EUR m)	**7,479**	**7,767**	**6,980**	**7,516**
Total regulatory capital (EUR m)	**8,328**	**9,076**	**7,625**	**8,618**
Total Regulatory Risks Exposures (EUR bn)	**47.0**	**46.7**	**47.0**	**46.7**
CET 1 ratio	**15.9%**	**16.6%**	**14.9%**	**16.1%**
Total capital ratio	**17.7%**	**19.4%**	**16.2%**	**18.4%**

Appendices

Section III – 2016 EU-wide Stress Test

2016 EU-wide Stress Test

Appendix 11 : Stress test impact on CET 1 capital ratio

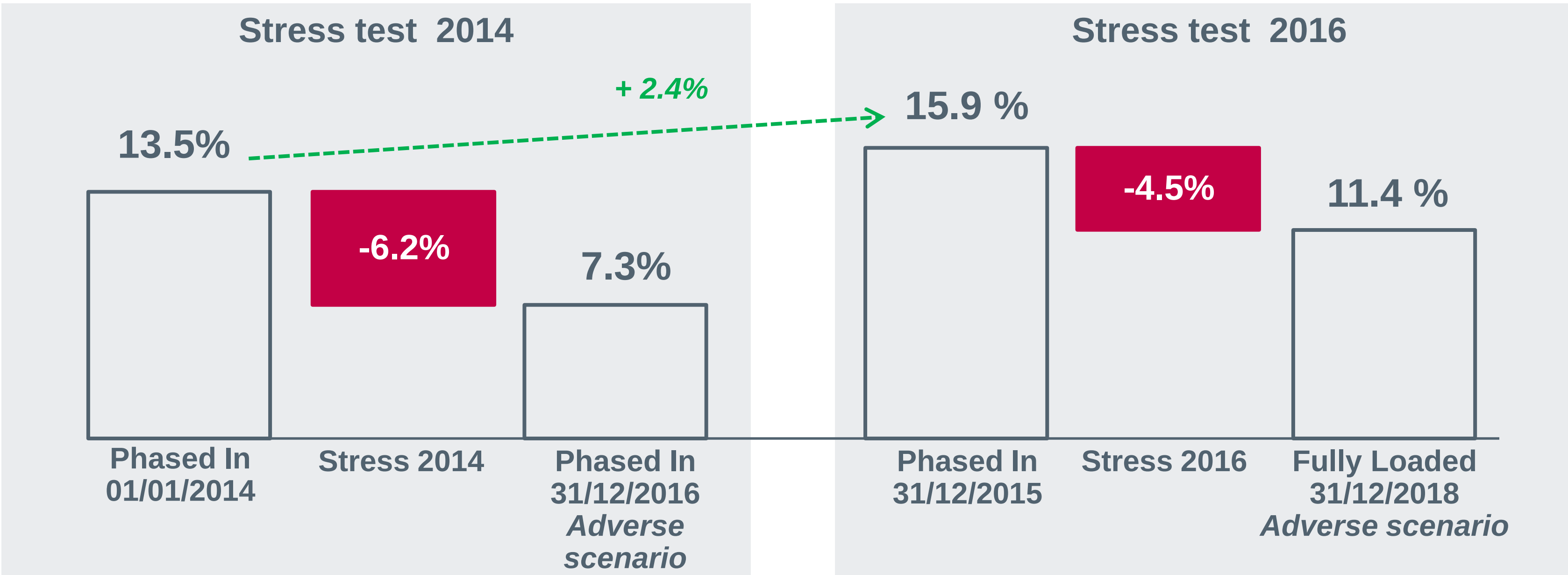


- **Belfius shows a strong solidity and resilience:**
  - Starting from a solid Phased In **CET 1 capital ratio** of **15.9 % end of 2015,** the severe stress test results in a Fully Loaded **CET 1 capital ratio** of **11.4 % end of 2018**.
  - **The total impact of - 4.5% over three years can be split into**:
    - On the one hand, the disappearance of the transitional measures which are no longer applicable in 2018. As a consequence, all other things being equal, the CET1 capital ratio mechanically decreases by 1.1%.
    - Besides transitional measures, the impacts of the severe stress scenario that amount to 3.4%.

(*) Average of all 51 selected institutions on which the stress test results were published by EBA

2016 EU-wide Stress Test

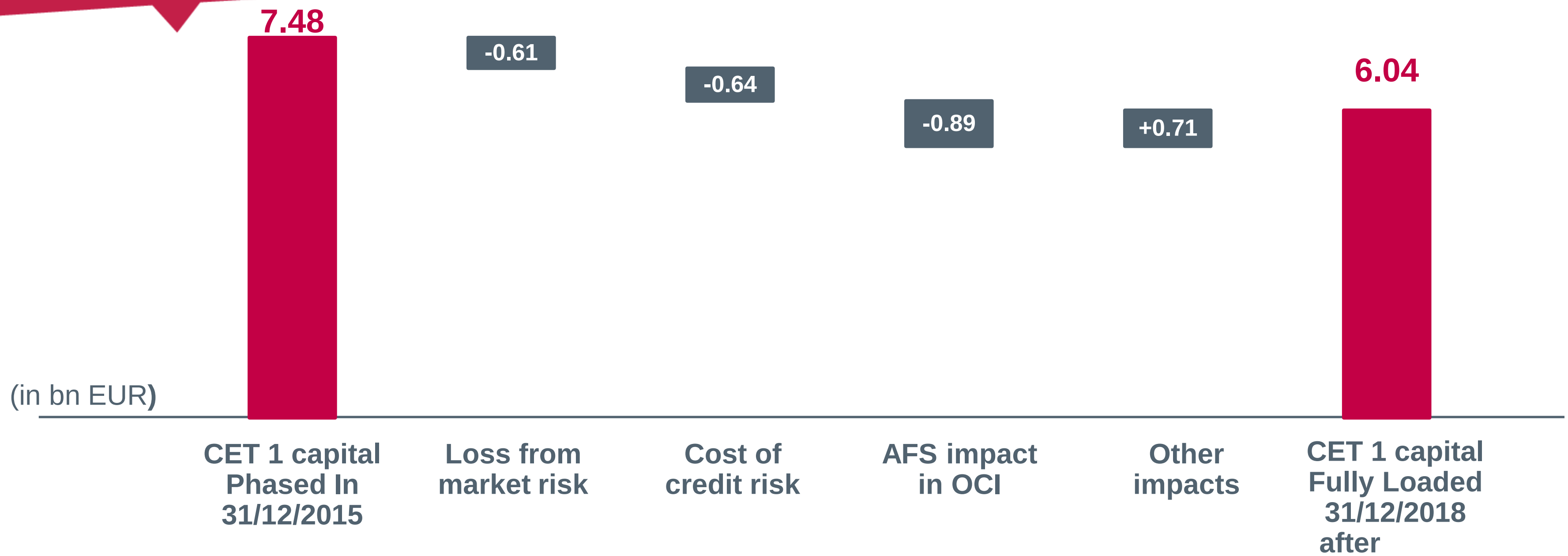
Appendix 12 : Comparison ST 2016 vs ST 2014



- The improvement of our CET 1 capital ratio from 13.5% as of 1/1/2014 to 15.9% end 2015 confirms the appropriateness of our strategy over the past years, the long-term vision of our shareholder, our starting solidity and resilience capacity, all of which are crucial in the current challenging macro-economic environment.
- Looking at the impacts, compared to 2014, the impact on CET1 ratio in the 2016 stress test is below the one in the 2014 stress test. As the 2016 stress test methodology is, as also stated by the ECB, more conservative than the 2014 stress test across all risk types, this again underlines Belfius' positive solvency evolution over the past years.

2016 EU-wide Stress Test

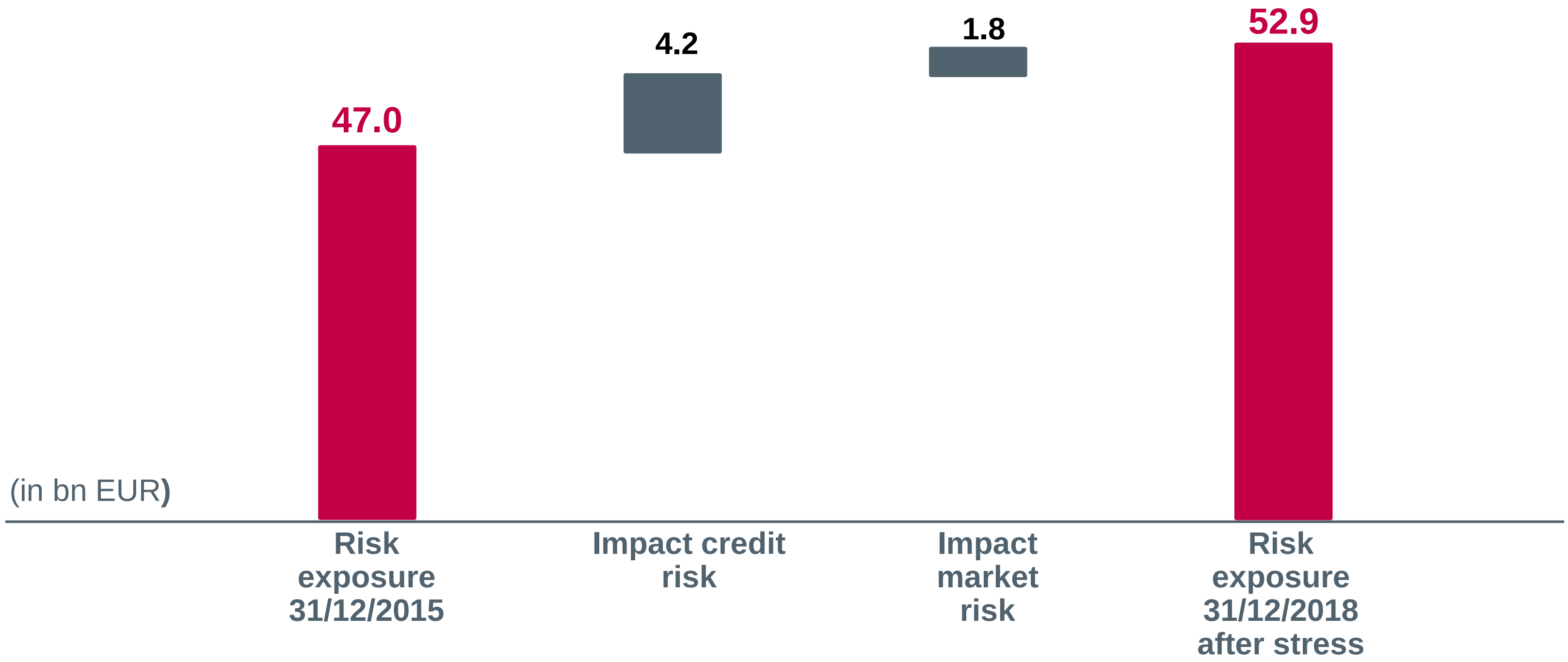
Appendix 13 : Evolution of the CET 1 capital



- **Evolution of the CET 1 capital under the severe stress scenario is explained by:**
  - **- 0.61 bn EUR P&L-impact from market risks mainly due to**
    - lower trading income
    - more credit value adjustments (CVA) losses
    - default of most vulnerable of the largest counterparts
  - **- 0.64 bn EUR P&L-impact from cost of credit risk due to**
    - higher impairments on loans and bonds
  - **- 0.89 bn EUR AFS impact mainly due to**
    - phasing-in of (negative) AFS reserve deduction
    - spread widening impact on AFS-reserve
  - **+ 0.71 bn EUR other impacts**
    - of which +0.73 bn EUR P&L impacts

2016 EU-wide Stress Test

Appendix 14 : Evolution of the risk exposure



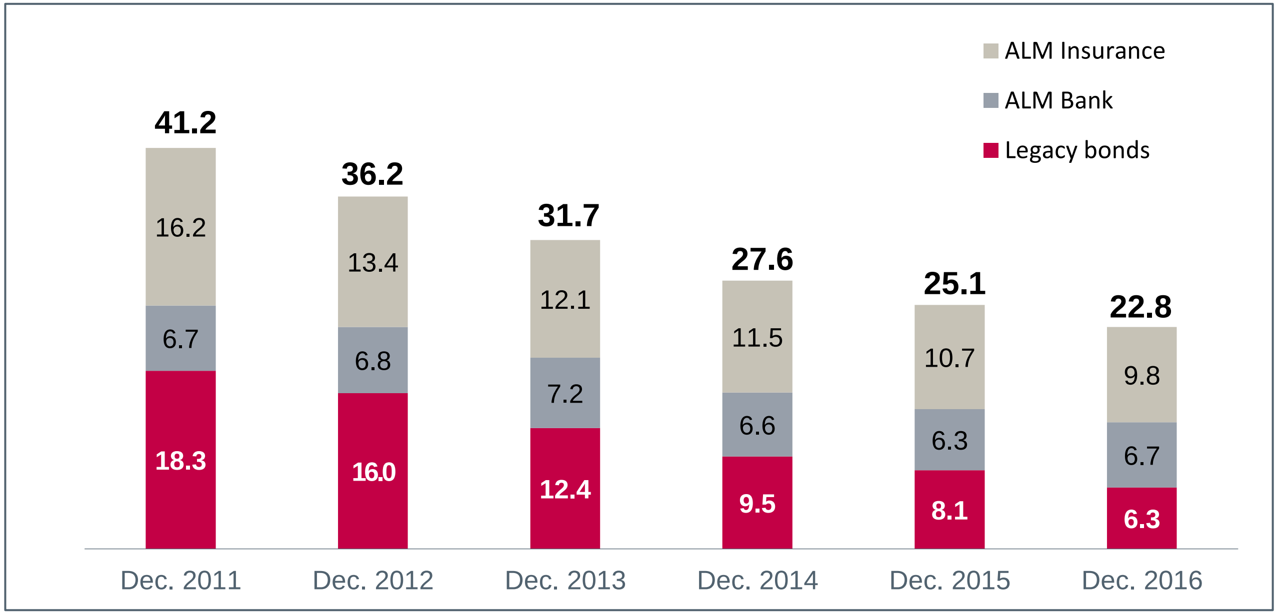
- **Evolution of the risk exposure under the severe stress scenario is explained by**
  - 4.2 bn EUR impact credit risk
  - 1.8 bn EUR impact market risk

Appendices

Section IV – Additional information on risk profile

Additional information on risk profile

Appendix 15 : Investment portfolio - Total (1/2)



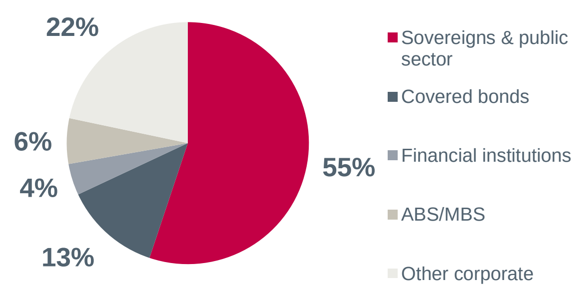
- Total fixed income investment portfolio consists of three parts: the Legacy bond portfolio, the ALM Bank portfolio and the ALM Insurance portfolio
- **Investment portfolio** stood at EUR 22.8 bn as at 31 December 2016, down 9% or EUR 2.3 bn compared to 31 December 2015. Since 2011, the total investment portfolio has been reduced by EUR 18.4 bn (or -45%) mainly due to the executed tactical de-risking within the legacy bond portfolio and the natural amortization of the portfolios.

Additional information on risk profile

Appendix 15 : Investment portfolio - Total (2/2)

Breakdown by type of counterpart

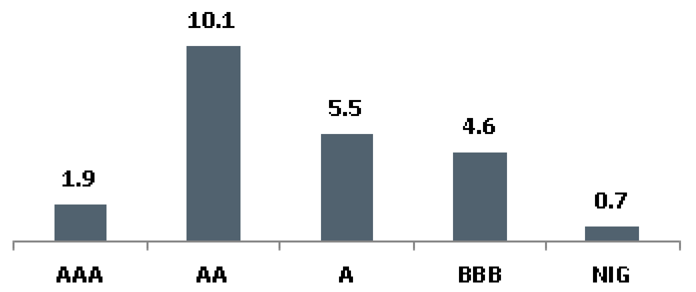
EUR 22.8 bn



Breakdown by rating

(EUR bn)

Average rating: A-



NIG – Non Investment Grade

The **total investment portfolio** is well diversified

The investment portfolio remains of good quality:

- 97 % of the portfolio is Investment Grade
- The average rating stood at A-

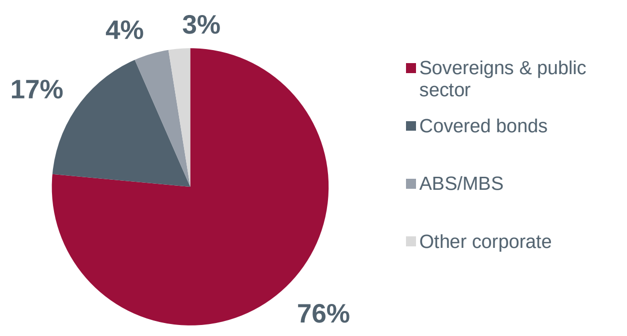
Expected average life: 11.3 years

Additional information on risk profile

Appendix 16 : Investment portfolio - ALM Bank

Breakdown by type of counterpart

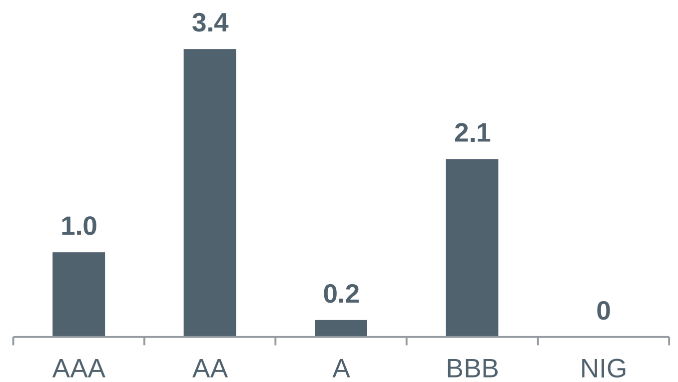
EUR 6.7 bn



Breakdown by rating

(EUR bn)

Average rating: A



NIG – Non Investment Grade

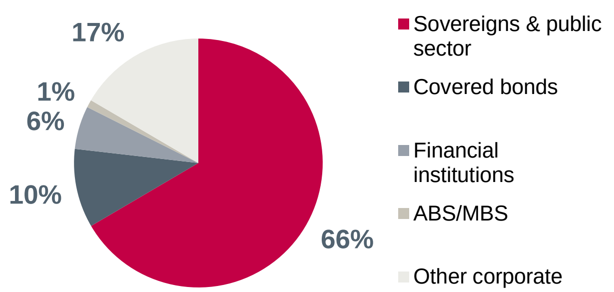
- **ALM Bank portfolio** stood at EUR 6.7 bn as at 31 December 2016, compared to EUR 6.3 bn as at 31 December 2015
- The ALM bank portfolio is of good quality
  - 99.4% of the portfolio is Investment Grade
  - The average rating stood at A
- Expected average life: 11.1 years

Additional information on risk profile

Appendix 17 : Investment portfolio - ALM Insurance

Breakdown by type of counterpart

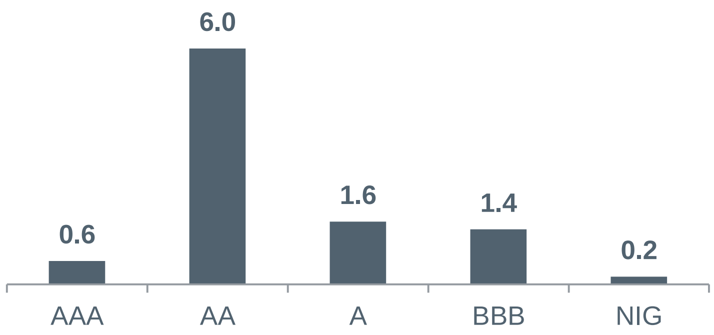
EUR 9.8 bn



Breakdown by rating

(EUR bn)

Average rating: A-



NIG – Non Investment Grade

- **ALM Insurance fixed income portfolio** stood at EUR 9.8 bn as at 31 December 2016, a decrease of 0.9 bn compared to 31 December 2015
- The ALM Insurance portfolio remains of good quality
  - 98% of the portfolio is investment grade
  - The average rating stood at A-
- Expected average life: 8.6 years

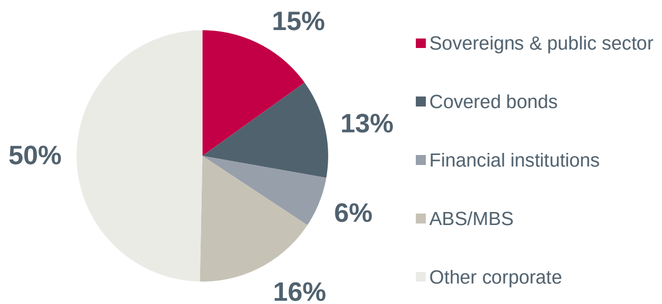
* *IWI - International Wealth Insurer, 100% subsidiary sold by Belfius Insurance in August 2016*

Additional information on risk profile

Appendix 18 : Investment portfolio - Legacy bond portfolio

Breakdown by type of counterpart

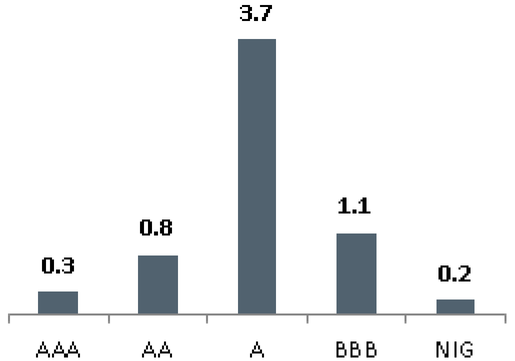
EUR 6.3 bn



Breakdown by rating *

(EUR bn)

Average rating: A-



* Excluding Riverview position - NIG: Non Investment Grade

- **Legacy bond portfolio** stood at EUR 6.3 bn as at 31 December 2016, a reduction of EUR 1.7 bn compared to 31 December 2015, mainly due to the tactical de-risking (EUR 0.6 bn) & natural amortization of the portfolio
- The Legacy bond portfolio remains of good quality:
  - 94% of the portfolio is Investment Grade
  - The average rating stood at A-
- Expected average life: 15.6 years

Additional information on risk profile

Appendix 19 : Focus on Riverview (1/2)

- The “**Riverview bonds**” are conditionally US Department of Housing (HUD) guaranteed reverse mortgage loans taken out by US retirees to fund their retirement; these loans are eventually repaid upon the death of the borrower.
- Belfius owns USD 200m of Riverview 2007-2, USD 97m of Riverview 2007-3 and USD 31m of Riverview 2007-4
- Due to **deficient servicing** there are some accumulated losses in tranches 2007-2 and 2007-3 amongst others due to absence of HUD intervention
- If the servicing of the Riverview bonds would be correctly executed, the final risk for investors in non equity (senior) tranches would be rather limited.
- However, the **complexity of the servicing/governance resulted in deficiencies that are reflected in the rating of the bonds and their market price**

Additional information on risk profile

Appendix 19 : Focus on Riverview (2/2)

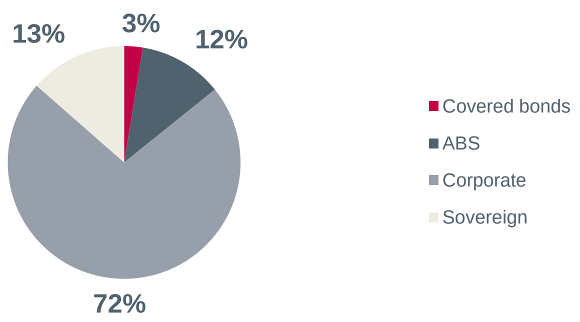
- Based upon these observations, **Belfius started in 2013-2014** to work hard to improve the servicing, mainly **by putting as much legal pressure as possible on the servicer** (Financial Freedom) and the **trustee** (Wells Fargo)
- The result of these efforts was an **improved servicing** and therefore **improved credit characteristics**, **also reflected in a very recent improvement of the conditions** under which certain Riverview bonds could be sold
- In addition, underlying indicators of **US housing market have strongly improved** since 2011
- As some real losses are still possible at this point in time, Belfius remains prudent and continues to classify those Riverview bonds as **Non Investment Grade**
- **Belfius' management will continue its efforts on this exposure** to further improve its risk profile, by continuing pressure on servicing & by selling/restructuring at adequate time
- As such, in order to already de-risk the financial accounts of Belfius at the end of our active tactical de-risking program, a prudent impairment has been booked in 2H 2016, bringing the net book value well below 2016 market price indications

Additional information on risk profile

Appendix 20 : Legacy credit guarantees

Breakdown by type of counterpart

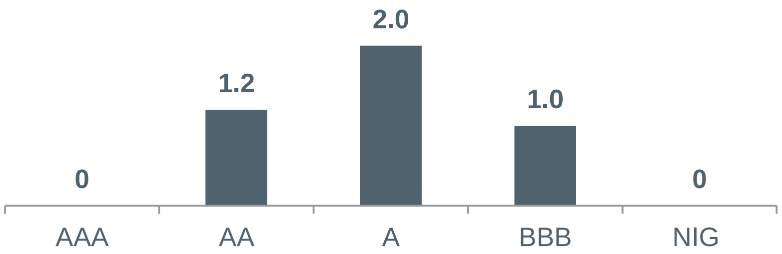
EUR 4.2 bn



Breakdown by rating

(EUR bn)

Average rating: A-



NIG – Non Investment Grade

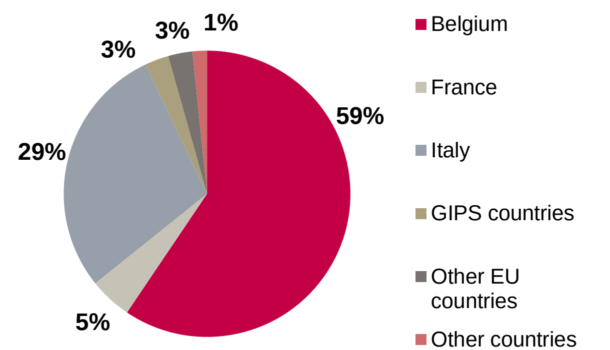
- **Legacy credit guarantees portfolio** stood at EUR 4.2 bn as at 31 December 2016, down EUR 1.2 bn compared to 31 December 2015, mainly due to amortizations
- Legacy credit guarantees portfolio is of good quality
  - 100% of the portfolio is Investment Grade
  - The average rating stood at A -
- Expected average life: 8.2 years

Additional information on risk profile

Appendix 21 : Outstanding exposure on government bonds

(EUR m)	31/12/2015	31/12/2016
Belgium	8,132	7,953
France	662	644
Italy	3,986	3,838
GIPS countries	390	361
Other EU countries	447	367
Other countries	287	218
Total	**13,904**	**13,381**

Breakdown as at 31 December 2016



- Total **government bond portfolio** stood at EUR 13.4 bn*, down EUR 0.5 bn compared to December 2015
- More than half of the portfolio (59%) remains invested in Belgian government bonds
- The relative proportion of the Italian government bonds decreased from 37% in 2014 to 29% end December 2016, due to the sale of EUR 1.3 bn during 2015

Note: Figures are based on Full Exposures at Default - FEAD

Appendices

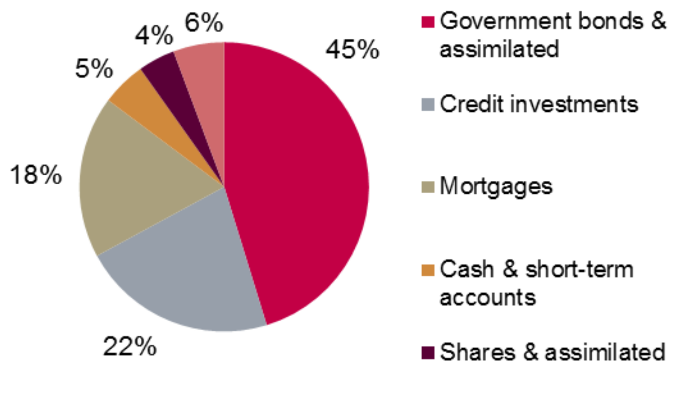
Section V – Additional information on insurance

- Appendix 22 : Focus on insurance results
- Appendix 23 : Belfius Insurance - Consolidated balance sheet
- Appendix 24 : Belfius Insurance - Consolidated statement of income

Additional information on risk profile

Appendix 22: Focus on insurance results

Diversified asset allocation (*)



** As at 31 Dec. 2016*

Key ratios

Cost/outstanding ratio Life : 0.39%

Cost/premium ratio Non-Life : 20.4%

Underlying combined ratio : 98.5%

Customer satisfaction : 95%

- Prudent investment strategy of the asset portfolio
  - Well-diversified asset allocation
  - Underlying financial return on average life outstanding ~ 3.9%
- Most efficient insurer on the Belgian market enjoying high customer satisfaction

Additional information on insurance

Appendix 23 : Belfius Insurance – Consolidated balance sheet

(EUR m)	31/12/2015	31/12/2016	Evolution
Total assets	**26,967**	**22,986**	**-3,980**
of which			
Loans and advances due from banks	1,097	738	-359
Financial investments	13,441	13,565	124
Financial assets measured at fair value through profit and loss	1,991	2,190	199
Mortgage and other loans	5,908	5,382	-526
Investment property	411	407	-4
Other assets specific to insurance companies	503	438	-66
Total liabilities	**24,790**	**20,840**	**-3,950**
of which			
Due to banks	1,424	1,150	-274
Technical provisions for insurance companies	16,695	15,997	-698
Financial liabilities measured at fair value through profit and loss	1,991	2,190	199
Other liabilities specific to insurance companies	394	327	-67
Total equity	**2,177**	**2,147**	**-30**
of which			
Core shareholders' equity	1,278	1,328	50
Gains and losses not recognized in the statement of income	869	786	-83
Non-controlling interests	1	0	-1
Discretionary Participation Feature	29	33	4

Additional information on insurance

Appendix 24 : Belfius Insurance – Consolidated statement of income

(EUR m)	2015	2016
Income	**492**	**438**
Net technical income	*-286*	*-276*
Financial income	*776*	*703*
Other income	*2*	*10*
Expenses	**-220**	**-212**
Gross operating income	**272**	**226**
Cost of risk	*6*	*2*
Pre-tax income	**278**	**228**
Tax expenses	*-60*	*-58*
Net income after taxes	**218**	**170**
Non-controlling interests	*0*	*0*
Net income group share	***218***	***170***

The net contribution of Belfius Insurance in the consolidated Belfius P&L amounts to EUR 201 million, after adjustment of an intragroup transaction. In fact, the difference between the net contribution of EUR 201 million and Belfius Insurance's own statutory consolidated P&L of EUR 170 million stems from the impact of an intragroup transaction between Belfius Bank and Belfius Insurance. More in particular, Belfius Insurance has bought back, before maturity, its Tier 2 subordinated debt issued end 2011 which was subscribed by Belfius Bank, and this at a fair market price above book value, as yields for subordinated debt came down since then. At the same time, Belfius Insurance reissued (and Belfius Bank subscribed) new Tier 2 subordinated debts and in that way extended the maturity profile of its outstanding subordinated debt and increased somewhat its total outstanding Tier 2, as such improving its total capital mix.

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