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## SOLID HALF-YEARLY COMMERCIAL RESULTS DRIVEN BY THE GROWING CONFIDENCE OF CUSTOMERS

*Buoyed by the growing confidence of its customers, Belfius recorded good commercial results in all of its key areas during the first six months of a year filled with challenges. Never before has so much long-term finance been granted for the benefit of the Belgian economy during a single half-yearly period, nor has such strong organic growth in savings and investments been recorded previously. Despite growing pressure on net interest income, as well as an increase in risk-weighted assets due to the rise in loans granted and continued investments to support its growth strategy, Belfius was able to maintain its robustness. The factors behind this success were the company's sales momentum, coupled with the Belfius brand's power of attraction, the commitment of its staff base, the relevance of its long-term strategy and the strong performance of its balance sheet and risk management. Belfius achieved a post-tax profit of 304 million euros, enabling it again to pay an interim dividend of 100 million euro to the Belgian State.*

- **Post-tax profits** were 304 million euro, with Belfius Bank contributing 179 million euros and Belfius Insurance 125 million euros respectively.
- With a record amount of 9.4 billion euros of **new long-term finance** (a rise of 15% compared with the first six months of 2018), Belfius again demonstrated the added value it brings to all segments of the Belgian economy.
- Long-term loans granted to the **Public and Social** sector rose by 45%, to 1.1 billion euro. **Business and Corporate customers** recorded respective increases of 12% and 13%, reaching 2.2 and 2.6 billion euro. Belfius also granted 3.1 billion euro (+13%) in mortgage loans to its **Retail customers**.
- For its part, the **organic growth in savings and investments** reached 3.3 billion euro (+28%), confirming the long-term trust and confidence given to us by our customers. Outstanding payment and savings accounts held by Retail customers rose by 10%, to 61.1 billion euro, compared with the first half of 2018.
- The position of Belfius as a **bank-insurance** company grows stronger with each passing year. The **volume of premiums collected in Non-Life** through banking channels rose by 12% to 120 million euro. **Branch 23 reserves** increased by 21% to 3.4 billion euro.
- Belfius attracted 117 000 **new customers** during the first six months of the year, while the number of **active users of the Belfius mobile app** again rose, reaching 1.3 million users (+16%).
- The **Basel III CET 1 solvency ratio** is capable of sustaining Belfius's strong lending growth, remaining at the excellent level of 15.5%.
- At the end of June, the group's **total shareholders' equity** was 9.6 billion euro, an increase of 0.2 billion euro compared with the end of 2018.

## GOOD HALF-YEARLY RESULTS IN A CHALLENGING ENVIRONMENT

The **consolidated net profit of Belfius before and after tax** was 414 and 304 million euro respectively.

**Total revenue** was 1.155 billion euro. Although down slightly compared with the first half of 2018, this figure nevertheless continues to reflect a solid, sustainable commercial dynamic at Belfius. Despite the continued weakness of interest rates and the level of customer risk aversion linked to investments in a volatile market, the bank's net income from interest (738 million euro) and net revenue from commission (268 million euro) rose slightly. The Belfius Life and Non-Life insurance businesses contributed 171 million euro and 90 million euro respectively.

**Other income** was negative, at minus 112 million euro. This figure was affected mainly by bank taxes of 205 million euro, which were recorded in the half-yearly accounts for the whole of the year.

Belfius managed to restrict **its costs** to 710 million euro, which did not prevent it from investing in the development of new or existing businesses, as well as in digitalisation and in recruitment to support its commercial growth. The **Cost-Income ratio** was 61.5%. A proportional breakdown of financial sector levies over the two halves of the year would produce a ratio of 56.1%.

**Cost of risk** was 31 million euro, remaining at an historically low level as the result of rigorous risk management and the high quality of portfolios. While this was an increase over the exceptionally low cost of risk recorded in the first half of last year, it should be noted that this level was affected positively by an exceptional reversal of a significant credit provision on the sale of Italian State bonds.

## RETAIL CUSTOMERS: EXCEPTIONAL GROWTH IN LOANS, SAVINGS & INVESTMENTS

### ■ Sales of mortgage loans rose by 13%

In the first six months, 3.5 billion euro (+11%) in **new long-term finance** was granted to Retail customers. Apart from the production of consumer loans, which remained stable, this form of finance in the Retail segment was essentially for mortgage loans. 3.1 billion euro (+13%) in mortgages was granted during the first half of the year. A level as high as this has never been reached in a single half-year period since Belfius was created.

### ■ Savings & investments: organic growth up 28%

**Organic growth** – i.e. growth achieved minus market effects – rose in the first half of the year by 3.3 billion euro for the savings and investments of Retail customers (including the Business segment). This increase of 28% reflects the trust and confidence of our existing or new customers in entrusting increasing amounts of their money to Belfius.

The same trend can be seen from the **total volume held in payment and savings accounts**. This was 61.1 billion euro, which continued to grow at the same rate as for the whole of 2018. Despite the inherent loss of purchasing power, customers continue overwhelmingly to favour savings accounts. The efforts made by Belfius to offer customers alternative investment opportunities, usually matched by capital protection, are enjoying growing success. In fact, Belfius **is the undisputed market leader** in the sale of structured bonds and Branch 23 structured insurance investments, representing 717 million euro (+53%).

Belfius is also strengthening its position as a leading **private bank**, i.a. thanks to the introduction of a specific approach for **Wealth Management** customers. Compared with the first six months of 2018, outstanding amounts of savings and investments rose by 6% to over 40 billion euro and Belfius recorded a considerable growth of customers in the Private Banking segment.

### ■ 1.3 million users of Belfius apps. Growth in sales via direct channels

Belfius continues to set the tone in terms of mobile banking in Belgium and is constantly fine-tuning the capabilities of its apps. At the end of June 2019, Belfius apps for smartphones and tablets had **1.3 million users** (+16%) and were used on average more than once a day by all customers. Sales via direct channels also grew steadily. These channels now account for approximately two-thirds of pension savings policies and 4 in every 10 new credit cards, as well as a third of new savings accounts and assistance insurance policies.



## BUSINESS AND CORPORATE: RENEWED STRONG GROWTH IN LOANS

During the first half of the year, out of a total of 9.4 billion euro, Belfius granted 4.8 billion euro (+13%) in **new long-term finance** in the Belgian economy to the Business segment (SMEs, self-employed and professionals) and to Corporate customers.

In line with Belfius's growth strategy in the **Corporate segment**, production of **long-term loans** for these customers rose by 13% to 2.6 billion euro. Belfius also confirmed its prominent position in assisting Corporate customers with the issuance of **bonds and treasury bonds**. The bank participated in 80% of the mandates available in Belgium and handled 1.5 billion euro of short-term (average outstanding commercial paper) and long-term (Medium-Term Notes and bonds) issues into the market.

Another area in which Belfius confirmed its growing role as a driving force in the Belgian economy was the granting of loans to **SMEs, the self-employed and professionals**. In the first half of 2019, production of **long-term loans** reached 2.2 billion euro (+12%), while Belfius's estimated static market share was at 14.8%. Belfius also offers a full range of banking and insurance products for start-up businesses. 7,011 new start-up customers (+9%) joined Belfius and now benefit from favourable credit terms thanks to a partnership with the European Investment Fund (EIF).

## UNDISPUTED LEADERSHIP IN THE PUBLIC & SOCIAL SECTOR

Despite the ongoing low level of demand from the **Public & Social sector** for long-term finance, Belfius has confirmed its position as market leader in this sector. In the first half of the year, the bank granted 1.1 billion euro (+45%) of new long-term loans, providing funds to 66% of funding applications in the market for local authorities.

Belfius also reinforced its position as the leading provider in **Debt Capital Markets (DCM) issues** for (semi-)public customers, with involvement in 86% of the mandates available on the Belgian market. In the first six months of the year, the bank issued 3.9 billion euro of innovative finance resources in the form of short-term (average outstanding commercial paper) and long-term (Medium Term Notes and bonds) issues.

## STRONG RESULTS IN LIFE AND NON-LIFE, CONFIRMING THE RELEVANCE OF THE BELFIUS BANCASSURANCE MODEL

**Non-Life premiums** collected reached 384 million euro on a group level. Receipts were up for Belfius Bank (+12%), DVV/LAP (+3.5%) and Corona Direct (+6%). This was despite the cessation in 2018 of the Public & Corporate Non-Life business via the brokerage channel. **Cross-selling ratios** were excellent, both for fire and family insurance (85%) and for outstanding balance cover (138%) linked to a mortgage. As a result of the 79% increase in the number of claims resulting from a natural disaster, compared with the first half of 2018, the net combined ratio (NCR) for damage insurance rose to 99.3%. However, an effective reinsurance policy will enable the impact of these claims on the NCR to be reduced on an annual basis.

**Life premiums** collected were 603 million euro in the first half of the year. Movements in Life reserves reflected the progressive strategic reduction in Branch 21 in favour of Branch 23. Branch 23 reserves recorded a significant rise of 21% to 3.4 billion euro, while total Life reserves remained stable at 15.2 billion euro.

## SOLID POSITION IN LIQUIDITY AND SOLVENCY MAINTAINED

Belfius maintained its very solid position in terms of liquidity and solvency despite the good commercial dynamics and rise in risk weighted assets generated by the increase in the number of loans granted. This strong position was the result of an effective balance sheet and risk management, as well as a successful finance diversification strategy and an ongoing sustainable commercial performance.

The **Basel III CET 1 ratio** was 15.5%, which continues to be an excellent level. Risk weighted assets grew by 5% to 54.8 billion euro, mainly on account of the sharp rise in the number of loans granted. Belfius Insurance's Solvency II ratio was 185%, which was in line with targets. With an **LCR ratio of 132%**, Belfius amply meets the liquidity requirements imposed. The **NSFR ratio** was 115%.

Compared with the end of 2018, the group's **total shareholders' equity** was up by 0.2 billion euro to 9.6 billion euro.



# CONCLUSIONS

Belfius recorded solid results in the first half of the year. Thanks to the continued confidence shown by its customers, Belfius's commercial performance was particularly good, while volumes and market share made progress in virtually all sectors and segments. The robustness that makes Belfius one of the best-capitalised banks in Europe was maintained.

Belfius is convinced of the course it has taken and will continue its growth strategy into the future. However, in view of the major investments made to achieve its growth targets, Belfius will keep an eye on its efficiency and cost controls. Having said that, against a background of continuing low interest rates, Belfius has stood up well thus far to the pressure exerted on its net interest income, while offering innovative investment alternatives in response to the loss of purchasing power suffered by customers on their savings accounts.

In terms of lending, Belfius has the capacity – despite increasingly strict capital requirements – to retain a responsible and sound dynamic for granting loans, to “making its capital work” and to continue fulfilling its role as a driving force within the Belgian economy. Finally, Belfius will also be able to capitalise further on the opportunities offered by its integrated bancassurance model through Non-Life production, which continues to rise, as well as by its position as a leader in digital, steadily reinforcing its mobile offering of banking and insurance products.

**Marc Raisière, CEO:** *“Belfius once again demonstrated its resilience in the first half-year. We have always set ambitious and realistic goals and we continue to do so in the light of the challenges that await the entire industry. We succeeded in maintaining our strengths and performed robustly across all sectors and segments. Therefore, I would particularly like to thank our customers for their continued faith in us, as well as our agents and staff for their unwavering commitment. Our financial strength and commercial dynamics are the foundation we are building our Ambition 2025 strategy on. The latter will be revealed in the last quarter of this year.”*

**Jos Clijsters, Chairman of the Board of Directors:** *“In the difficult conditions of this first half of the year, Belfius again demonstrated that it fully merits the trust of its shareholder, customers and staff. Our solid half-yearly results again enable us to pay an interim dividend of 100 million euros to our shareholder. However, these strong results must not obscure the challenges that await us. Indeed, the economic environment is likely to remain both difficult and uncertain due to issues such as ongoing low interest rates, a slowdown in the economy and ever-stricter capital requirements. Not to mention international geopolitical and trading tensions. As a result, maintaining a particularly strong position in terms of liquidity and solvency continues to be a central concern in our long-term strategy.”*

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## KEY FIGURES

### CONSOLIDATED STATEMENT OF INCOME

(In millions of EUR)

	1H 2018	1H 2019
<b>INCOME</b>	<b>1,174</b>	<b>1,155</b>
<b>EXPENSES</b>	<b>(690)</b>	<b>(710)</b>
<b>GROSS INCOME</b>	<b>483</b>	<b>445</b>
Impairments on financial instruments and provisions for credit commitments	(10)	(30)
Impairments on tangible and intangible assets	(1)	0
<b>NET INCOME BEFORE TAX</b>	<b>473</b>	<b>414</b>
Tax expense (income)	(138)	(110)
<b>NET INCOME AFTER TAX</b>	<b>335</b>	<b>305</b>
Non-controlling interests	0	0
<b>NET INCOME GROUP SHARE</b>	<b>335</b>	<b>304</b>
of which Bank	185	179
Insurance <sup>(1)</sup>	149	126

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

### CONSOLIDATED BALANCE SHEET

(In millions of EUR)

	31/12/18	30/06/19
<b>TOTAL ASSETS</b>	<b>164,165</b>	<b>171,692</b>
of which Cash and balances with central banks	8,314	9,018
Loans and advances due from credit institutions	13,107	14,529
Loans and advances	91,123	93,005
Debt securities & equity instruments	28,569	29,195
Unit linked products insurance activities	2,838	3,418
Derivatives	12,768	14,335
<b>TOTAL LIABILITIES</b>	<b>154,206</b>	<b>161,534</b>
of which Cash and balances from central banks	3,962	3,954
Credit institutions borrowings and deposits	5,867	7,139
Borrowings and deposits	79,661	83,287
Debt securities issued and other financial liabilities	26,687	26,399
Unit linked products insurance activities	2,838	3,418
Derivatives	17,740	20,203
<b>TOTAL SHAREHOLDER EQUITY</b>	<b>9,446</b>	<b>9,638</b>
of which Shareholders' core equity	9,055	9,095
Gains and losses not recognised in the statement of income	392	543
<b>TOTAL EQUITY</b>	<b>9,960</b>	<b>10,158</b>
of which Total shareholders' equity	9,446	9,638
Additional Tier-1 instruments included in equity	497	497
Non-controlling interests	16	23



<b>RATIOS<sup>(1)</sup></b>	<b>31/12/18</b>	<b>30/06/19</b>
Return on equity (ROE)	7.5%	6.8%
Return on assets (ROA)	0.39%	0.36%
Cost-income ratio (C/I ratio) <sup>(2)</sup>	60.4%	61.5%
Asset quality ratio	2.05%	1.95%
Coverage ratio	61.6%	62.1%
Liquidity Coverage Ratio (LCR) <sup>(3)</sup>	135%	132%
Net Stable Funding Ratio (NSFR)	116%	115%

(1) Unaudited.

(2) Cost-income ratio stood at 61.5% as of end June 2019. Sector levies have to be recognised in January of the year. If sector levies were spread out linearly over the year, the cost-income ratio would have been 56.1% at the end of June 2019.

(3) 12-month average.

<b>SOLVENCY RATIOS</b>	<b>31/12/18</b>	<b>30/06/19</b>
CET 1 – ratio <sup>(1)</sup>	16.0%	15.5%
Tier 1 – ratio <sup>(1)</sup>	17.0%	16.4%
Total capital ratio <sup>(1)</sup>	19.6%	19.0%
Leverage ratio	6.0%	5.8%
Solvency II – ratio (before dividend)	219%	190%
Solvency II - ratio (after dividend)	203%	185%

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

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