

Brussels, 10th September 2014

Belfius again confirms its strong position on the Belgian market following solid commercial and financial results in first half year

- **Net income after tax: 277 million euro: an increase of 8% compared with 1H 2013**
- **Outstanding solvency of 12.9%¹**
- **Lending up to 4.5 billion euro**
- **Significant success of the bank-insurance model, with a rise of 46% in Life Gross Written Premiums**
- **Aim to become the most customer-centric bank-insurer confirmed and clearly on track**

Solid commercial and financial results

Net income from commercial business for the first half of 2014 rose by 31% to 291 million euro, of which 247 million euro was net underlying income.

In the first half of the year, the Legacy side of the business, which includes a bond portfolio and the bank's exposure to Dexia, had a negative impact of 14 million euro.

This resulted in a consolidated net profit of 277 million euro for Belfius in 1H 2014, which was an increase of 8% compared with 1H 2013.

The main reasons for this increase were:

- **Net interest income rose by 8%, to 1,033 million euro, compared with the same period in 2013. Two of the reasons for this were increased savings volumes and improved funding costs .**

¹ Basel III CET 1 ratio fully loaded

- Net fee and commission income increased to 215 million euro (+16% compared with 1H 2013). This was explained by changing customer preferences for off-balance sheet products such as Branch 44.
- Costs continued to be kept strictly under control (reduced by 3%) through a disciplined implementation of the cost-cutting plan introduced in 2013. Evidence of this can be seen from the favourable movement in the Cost-Income ratio, which fell from 71% 1H 2013 to 66% 1H 2014. This cost discipline remains necessary given today's low interest rate environment.
- Cost of risk remained low.

Belfius Bank performed strongly, with an underlying net income up from 61 million euro in the first half of last year to 167 million euro this year. This represents a clear structural improvement in the net underlying result.

Belfius Insurance also performed well, with a net income that remained stable at 133 million euro of which 80 million euro underlying, despite a net loss of 20 million euro (after reinsurance) as a result of the hailstorms that occurred on Whit weekend. Its underlying Economic Combined Ratio² (without impact hailstorms) was 97.7%.

Belfius recorded strong performances in every segment:

- **Commercially speaking, Belfius combined its highly successful mobile banking model with personal advice**

For its individual retail and SME customers, Belfius implemented a winning combination of technological and human interaction – an initiative rewarded with good commercial success.

An example of this is the launch of Belfius Pulse Start: 33,000 packs during 1H2014 (of which 8,000 new customers).

In total, Belfius welcomed no fewer than 48,000 new current account holders in the first half year.

Hence 1 out of 6 new customers steps in via Belfius Pulse Start.

The innovative free Belfius app has over 257 000 active users end of June, a number growing day by day. They awarded this app a satisfaction score of 98%, making the Belfius Direct Mobile app the best currently available on the market. So much so, Belfius currently has a 24.7% market share in mobile banking in Belgium.

² Economic Combined Ratio: the “economic” Combined Ratio is the total Combined Ratio (i.e. the claims ratio + commission fees + costs + reinsurance) adjusted with non-recurrent elements and without overprovisioning.

With a 900 million euro increase in mandates under management, Belfius reinforced its position as the third-largest private bank in Belgium, with 54,000 investors able at all times to count on the expertise of their over 200 local certified Private Bankers for their investments.

The Branch 44 insurance campaign in 1H 2014 was also very successful, generating 500 million euro in investments.

Belfius also supported young entrepreneurs by signing a major agreement with the European Investment Fund (EIF), releasing a total envelope of 360 million euro spread over 3 years for start-up businesses.

Belfius also significantly contributed to supporting Belgian economic tissue. In retail, Belfius was able to support its individual customers in their real estate realisations by granting over 1.2 billion euro in mortgages. This led to an increase of market share compared to end of 2013.

Belfius assisted 11,000 customers in 1H 2014 to develop their business thanks to 1.8 billion euro of investment loans.

- **Significant success of the bank-insurance model**

In 1H 2014, Belfius Insurance recorded a striking increase in its life insurance gross written premium, which rose by 46% to 1,038 million euro. The banking channel was mainly responsible for making this rise possible.

The further pursuit of the convergence between banking and insurance at Belfius through the extension of its product range in both Life and Non-Life is already delivering results. An example of this is the successful Branch 44 campaign already mentioned, plus an increase in all cross-sell ratios in credit linked mortality insurance and property insurance.

We intend to continue the momentum of this success with the launch of a new Branch 44 campaign, which highlights the commitment made by Belfius to the Belgian economy.

In Non-Life, gross written premiums rose by 4% to 315 million euro.

Belfius Insurance also continued its multi-channel strategy, with more commercial success at Corona, its direct insurance subsidiary, where gross written premium rose by 9% as a result of the successful “Ça c'est fort !” campaign.

- **Established leadership among local authorities, which Belfius also makes available to the business world**

As ever, Belfius remains the only financial institution capable of responding to all of the applications for loans made by the local public sector by providing a binding offer. To demonstrate this, over 1.2 billion euro of projects were financed, an increase of 7%. In addition, Belfius also participated in the placement of 83% of all issues made by (semi-)public authorities.

Its role as a public sector specialist was reinforced further by the underwriting of a 400 million euro financing facility with the European Investment Bank. This was carried out in the context of the Smart Cities project in which Belfius is in the process of establishing itself as the “go-to” partner operating between our local government and Europe. This partnership will enable the immense challenges of urbanisation to be tackled more appropriately.

In addition, Belfius also introduced the Belfius Easy Card: an innovative solution allowing people without a bank account to yet participate in the electronic payment system.

30% of all loans granted by Belfius to Belgian companies are directly linked to its “Business 2 Government” strategy, focusing on synergies between the private and public sector.

Finally, Belfius launched a number of innovative solutions for all of its Public & Wholesale customers, such as Belfius Web Mobile and Belfius e-fleet.

In general, there was a 6% rise in lending across all segments at Belfius Bank & Insurance during the first half of the year: this means that loans totalling 4.5 billion euro were provided by Belfius to the Belgian economy.

Excellent solvency due in part to continued non-core de-risking efforts

Belfius’ total balance sheet has been reduced by 22% since September 2011, to 192 billion euro without adversely affecting the development of commercial activities. A range of factors have contributed to this outstanding result:

- The Legacy portfolio has been significantly reduced through a combination of tactical de-risking and the natural amortization of the portfolio. This way, the Legacy bond portfolio had been brought down to 10.7 billion at 30th June 2014 (compared with 18.3 billion euro at the end of 2011), while the off-balance sheet credit guarantee portfolio was down to 6.8 billion euro (compared with 11.6 billion euro at the end of 2011). The residual portfolio remains of good average credit quality. De-risking has also been continued into the second half of the year, with an additional 600 million euro shed from the bond portfolio in July and August.
- Exposure to Dexia has fallen by 76% since October 2011 and currently amounts to 13.5 billion euro, as it did at the end of last year, an amount that matures at the beginning of 2015. This is guaranteed by the French, Luxembourg & Belgian governments.

The outstanding de-risking carried out by Belfius combined with the reported profit resulted in a strong solvency position:

- Basel III CET 1 ratio (phased in) stands at 14.6% as of June 30th 2014 (compared with 13.8% at the end of 2013) & Basel III CET 1 ratio (fully loaded) stands at 12.9% as of June 30th 2014 (compared with 11.5% at the end of 2013).
- The Solvency II ratio of Belfius Insurance was 239% (compared with 223% at the end of 2013).

These ratios mean that Belfius has a good capital buffer compared with the respective stress test limits of 8% and 5.5% required by the ECB. Belfius is therefore serene in the ECB's Asset Quality Review.

Belfius complies with the Liquidity Coverage Ratio. This new international liquidity standard comes into effect in 2015 in Belgium. Belfius has been in line with actual national standards for longer. At the end of June 2014, Belfius had a buffer of 37 billion euro in liquid assets; this is sufficient to cover 5 times the institutional funding resources which are maturing in less than a year.

As a result of its solid results and extensive de-risking, Belfius achieved a substantial increase in its total shareholder's equity. This doubled from 3.3 billion euro in 2011 to 6.6 billion euro at the end of 2013, rising further to 7.4 billion euro at the end of June 2014.

Belfius reconfirms its ambition

Based on its strong commercial and financial results, as well as its excellent solvency, Belfius is able to look to the future with even greater confidence. In that sense, the main lines of its previously defined business policy are still relevant.

Belfius aims:

- to be a healthy, sustainable bank-insurer with an exceptional social commitment;**
- to be the most customer-centric bank-insurer;**
- to ensure a consistently high level of financial and risk management expertise.**

This ambition is supported by 4 core values: proud on results, innovating for the future, passion for clients and collaborating with respect.

Over the past six months, Belfius has taken clear-cut action on achieving its ambition.

With regard to its commitment to society, Belfius has decided to allocate its sponsorship policy to fulfilling its role within society to the maximum. Its commitment to the Special Olympics 2014 speaks volumes in this regard. Belfius will be the company providing the largest number of volunteers to organise the Games, with more than 750 employees on hand during the events. It will also provide structural support for many of the other components involved in organising the Special Olympics.

With regard to achieving its aim of having 95% of satisfied customers, Belfius has implemented an ambitious research project in conjunction with the well-respected research agency, GFK. In July 2014, we began the task of actively and accurately measuring customer satisfaction levels. Every year, more than 400 000 customers will be polled. This ambition will not only result in increased customer loyalty and equipment levels, but will also lead to a change in culture that will lay the foundations for enhanced brand positioning.

As part of the same logic, Belfius also intends to keep working on improving its operational efficiency. All Belfius departments and budgets will be further fine-tuned based on their actual contribution to customer satisfaction. In this way, an additional 60 million euro in non-staffing costs has been identified that can be eliminated in the years ahead – without having any impact on customer satisfaction. For example, significant savings will be achieved on buildings and the related maintenance and heating costs by accommodating as much of the head office staff in Brussels as possible in the Rogier Tower by the beginning of 2015.

All of this work will enable Belfius to position itself as the most customer-friendly financial institution in Belgium: our aim is now and will remain to achieve 95% of satisfied customers by 2016.

Conclusion

Belfius has set itself three “ambitions” for its future. These are: (1) to be a healthy, sustainable bank-insurer with an exceptional social commitment; (2) to be the most customer-centric bank-insurer; and (3) to ensure a consistently high level of financial and risk management expertise.

As a result of its strong commercial and financial results generating a good level of solvency, Belfius is able to reaffirm its strategy for the end of 2016.

Mr Jos Clijsters, Chairman of the Board of Directors: *“We have taken another clear step forward in ensuring a sustainable future for Belfius. We are well on the way to meeting all of the requirements imposed by Europe – so much so that by the end of this year, we will be able to complete that particular chapter in our history. I am particularly pleased about the vibrant recovery in our commercial business, as well as by the confidence that our customers place in us.”*

Mr Marc Raisière, CEO: *“We can now feel serene and confident about the future. We must set ourselves the goal of being a healthy, sustainable bank-insurer, with the highest level of social commitment. Our aim is still to achieve 95% of satisfied customers by 2016. Thanks to our customers, Belfius has been able to develop into a strong, attractive financial player .”*

Media contact

press@belfius.be
+ 32 2 222 02 50

Ulrike Pommée
Ulrike.pommee@belfius.be
+ 32 2 222 02 57
+ 32 495 183 517

Belfius Bank NV, 44 Pachecolaan, 1000 Brussels – www.belfius.com