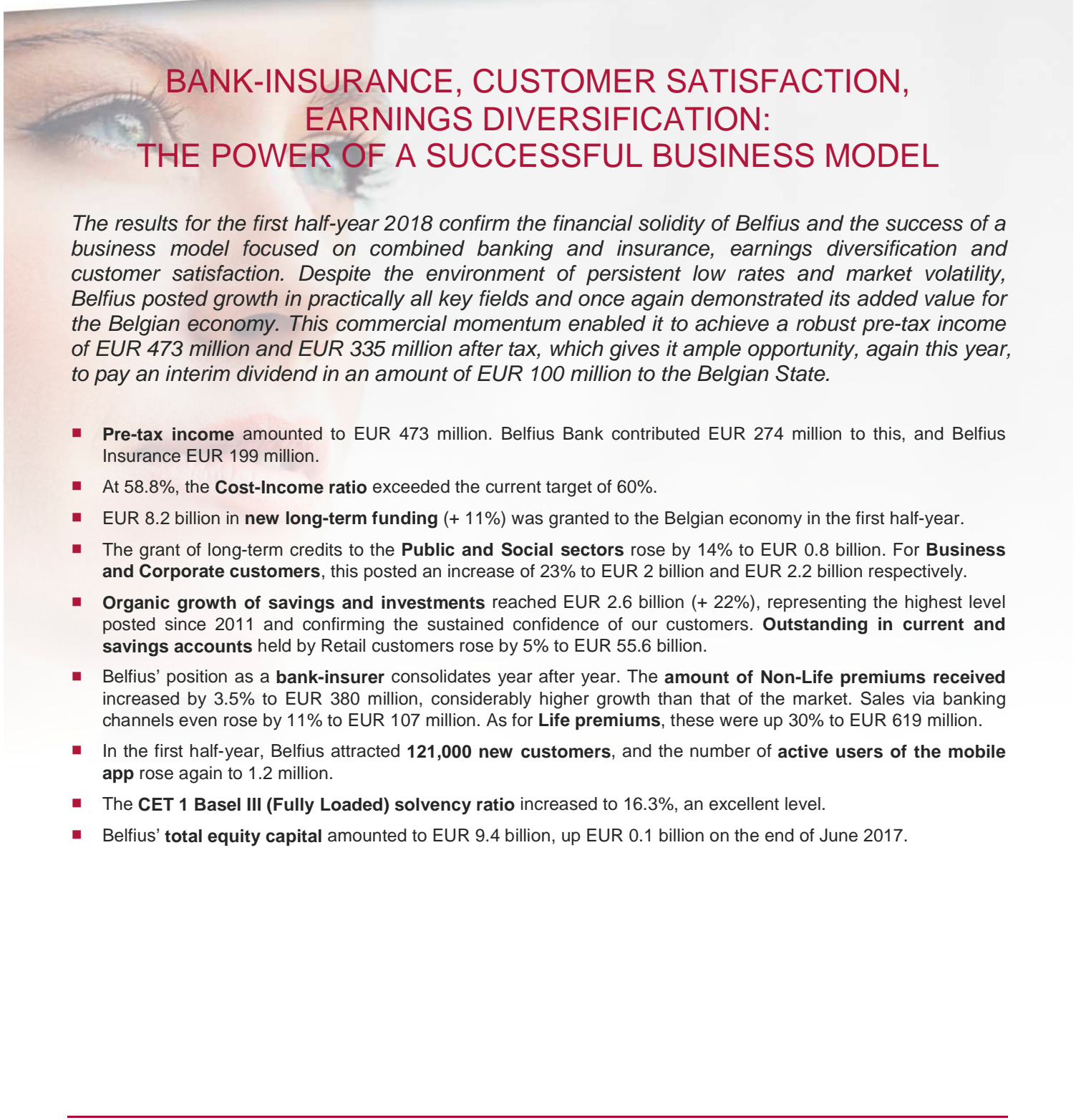


Brussels, 10 August 2018



### BANK-INSURANCE, CUSTOMER SATISFACTION, EARNINGS DIVERSIFICATION: THE POWER OF A SUCCESSFUL BUSINESS MODEL

*The results for the first half-year 2018 confirm the financial solidity of Belfius and the success of a business model focused on combined banking and insurance, earnings diversification and customer satisfaction. Despite the environment of persistent low rates and market volatility, Belfius posted growth in practically all key fields and once again demonstrated its added value for the Belgian economy. This commercial momentum enabled it to achieve a robust pre-tax income of EUR 473 million and EUR 335 million after tax, which gives it ample opportunity, again this year, to pay an interim dividend in an amount of EUR 100 million to the Belgian State.*

- **Pre-tax income** amounted to EUR 473 million. Belfius Bank contributed EUR 274 million to this, and Belfius Insurance EUR 199 million.
- At 58.8%, the **Cost-Income ratio** exceeded the current target of 60%.
- EUR 8.2 billion in **new long-term funding** (+ 11%) was granted to the Belgian economy in the first half-year.
- The grant of long-term credits to the **Public and Social sectors** rose by 14% to EUR 0.8 billion. For **Business and Corporate customers**, this posted an increase of 23% to EUR 2 billion and EUR 2.2 billion respectively.
- **Organic growth of savings and investments** reached EUR 2.6 billion (+ 22%), representing the highest level posted since 2011 and confirming the sustained confidence of our customers. **Outstanding in current and savings accounts** held by Retail customers rose by 5% to EUR 55.6 billion.
- Belfius' position as a **bank-insurer** consolidates year after year. The **amount of Non-Life premiums received** increased by 3.5% to EUR 380 million, considerably higher growth than that of the market. Sales via banking channels even rose by 11% to EUR 107 million. As for **Life premiums**, these were up 30% to EUR 619 million.
- In the first half-year, Belfius attracted **121,000 new customers**, and the number of **active users of the mobile app** rose again to 1.2 million.
- The **CET 1 Basel III (Fully Loaded) solvency ratio** increased to 16.3%, an excellent level.
- Belfius' **total equity capital** amounted to EUR 9.4 billion, up EUR 0.1 billion on the end of June 2017.

## SOUND HALF-YEARLY RESULTS THROUGH SUSTAINED COMMERCIAL MOMENTUM

**Belfius' consolidated income** was EUR 473 million **before tax**, and EUR 335 million **after tax**.

At EUR 1.173 billion, **total earnings** posted a rise of 3.3% compared to the first half-year 2017, confirming Belfius' strong and sustainable commercial momentum. Both net interest income (EUR 731 million) and net commission income (EUR 265 million) of the bank remained somewhat stable despite the persisting weakness of interest rates and the risk aversion shown by customers to investments on a volatile market. On the other hand, Belfius' insurance activities, both Life and Non-Life, made a stronger contribution to income. This amounted to EUR 182 million (+ 21%) and EUR 106 million (+ 9 %) respectively.

Other income reached EUR -111 million. This was essentially influenced by banking levies in an amount of EUR -205 million, to be booked in the first half-year for the year as a whole.

Despite investments in digitalisation and in recruitment to support commercial growth, Belfius succeeded in limiting costs to EUR 690 million. Settling at 58.8%, the **Cost-Income ratio** exceeded the current 60% target.

The cost of risk was EUR -10 million. This historically low level is the result of strict risk management, the good credit quality of production and portfolios, and favourable market circumstances, which, at the beginning of 2018, enabled Belfius to sell a part of its Italian government bond portfolio.

## RETAIL CUSTOMERS: SOUND GROWTH OF LOANS AND INVESTMENTS

### ■ Sales of mortgage loans have doubled in five years

In the first half-year, EUR 3.2 billion in **new long-term funding** was granted to Retail customers.

In addition to consumer loans, the production of which is up considerably, in the **Retail segment** this funding consists essentially of mortgage loans. Belfius succeeded in maintaining the excellent level achieved over the last three years, with production of EUR 2.7 billion in mortgage loans over the first half-year. In five years, Belfius has granted mortgage loans of more than EUR 23 billion, thereby doubling production since the end of June 2013.

### ■ Savings and investments: organic growth at the highest level since 2011

**Organic growth**, i.e. growth after removing market effects, increased in the first half-year by EUR 2.6 billion (+ 22%) for investments by Retail customers (including the Business segment), which represents the highest level since 2011. Both the **total outstanding amount on savings accounts and current accounts**, which was EUR 55.6 billion (+ 5%), and recurrent investments via investment plans (+ 24%) were up. Customers showed growing interest in accessible investment solutions, as well as specific products offering capital protection such as structured bonds, in which Belfius is the uncontested leader.

Furthermore, Belfius strengthened its position as a first-class **private bank**, particularly with the introduction of a specific approach for Wealth Management customers. Compared to the first half-year 2017, outstanding in savings and investments in these segments rose by 5%, more rapidly than total outstanding, to settle at EUR 37.7 billion.

### ■ 1.2 million app users. Growth of sales via direct channels.

Belfius continues to set the pace for mobile banking in Belgium, and is constantly refining the functionalities of its apps, for instance providing omnichannel digital investment advice. At the end of June 2018, **Belfius apps** for smartphones and tablets had **1.2 million users** (+ 22%) and were consulted on average a little more than once per day per customer. Sales via direct channels experienced strong growth. Henceforth, such channels cover approximately one half of pension-savings contracts, and one third of transactions to invest in funds, new credit cards and savings accounts.



## BUSINESS AND CORPORATE: FURTHER STRONG GROWTH IN LOANS

In the first half-year, out of a total of EUR 8.2 billion, Belfius granted EUR 4.2 billion (+ 23%) of **new long-term funding** in the Belgian economy to the business segment (SME, self-employed and liberal professions) and to Corporate customers.

In line with Belfius strategy for growth in the **Corporate segment**, production of long-term loans for those customers rose by 22% to EUR 2.2 billion. Belfius also confirmed its significant position in the **issue of bonds and treasury certificates** for Corporate customers. The bank took part in 44% of available mandates and, on the market, issued EUR 1.1 billion in short-term issues (average outstanding on Commercial Papers) and long-term issues (Medium Term Notes and bonds).

By virtue of the **strategic partnership** concluded with **Kepler Cheuvreux**, Belfius is developing to become a leader in the field of **Equity Capital Markets (ECM)** in Belgium. Together, the two companies guarantee a high-quality offer with regard to assisting within the framework of capital transactions, research into shares and institutional investing. Over the first half-year, Belfius played a leading role in five ECM transactions.

Another field in which Belfius is confirming its increasingly strong position as a driver of the Belgian economy is the granting of loans to **SME, self-employed and liberal professions**. In the first half-year 2018, production of long-term loans reached EUR 2 billion (+ 22%), and Belfius' static market share passed the mark of 14% for the first time. Since the end of June 2013, Belfius has doubled production of investment loans intended for Business customers. Belfius also assisted 6,460 new start-ups which, through a partnership with the European Investment Fund (EIF), can benefit from favourable loan conditions.

## CONFIRMED LEADERSHIP IN THE PUBLIC AND SOCIAL SECTOR

Despite low demand in the **Public and Social sector** for long-term funding, Belfius is confirming its uncontested position as market leader in this sector. In the first half-year the bank granted EUR 0.8 billion in new long-term loans and dealt with 73% of funding files in the local authorities market. The in-depth expertise of Belfius in projects falling within the framework of "Smart Belgium" stimulates the granting of loans, both to the Corporate and to the Public sector.

Belfius also confirms its position as leader in **Debt Capital Markets (DCM) issues** for (semi-)public customers, taking part in 85% of available mandates on the Belgian market. In the first half-year, the bank issued EUR 3.2 billion of innovative funding means in the form of short-term issues (average outstanding in Commercial Papers) and long-term issues (Medium Term Notes and bonds).

## SOLID RESULTS IN LIFE AND NON-LIFE CONFIRM THE SUCCESS OF THE BANK-INSURANCE MODEL

The growth of **Non-Life premiums received** by Belfius Bank (+ 11%), Les AP Assurances (+ 3%) and Corona Direct (+ 9%) broadly exceeds the market average. At a group level, Non-Life premiums received rose by 3.5% compared with the first half-year 2017 and amount to EUR 380 million. Cross-selling ratios are excellent, both for fire and family insurances (85%) and for credit balance insurances (139%). And despite the severe damage caused by weather events at the beginning of the year, the **combined operational ratio** for retail damage insurance improved to 91.5%.

As for **Life** insurances, premiums collected also rose sharply compared with the first half of last year (+ 30%). By virtue, inter alia, of the successful launch of innovative Branch 23 products with capital protection, premiums for investment insurances rose by 67%. The evolution of **Life reserves** reflects the gradual strategic reduction of Branch 21 in favour of Branch 23. Branch 23 reserves are up sharply by 17% to EUR 2.8 billion, and total Life reserves are for the first time up slightly at EUR 15.5 billion.



## A SOUND AND SUSTAINED POSITION IN TERMS OF LIQUIDITY AND SOLVENCY

Belfius' sound position in terms of **liquidity and solvency** results from a successful diversification strategy at a funding level, effective cost and risk management and sustainable commercial performances.

**The CET 1 Basel III (Fully Loaded) ratio** was 16.3%, an excellent level. The Solvency II ratio of Belfius Insurance was 210%. It thus remains one of the highest in Europe. Risk-weighted assets increased by 7% to EUR 51.2 billion.

With an **LCR ratio of 132%**, Belfius broadly meets the liquidity requirements imposed by the ECB and the NBB. The NSFR ratio is 116%.

Compared to the end of June 2017, Belfius' **total equity capital** increased again by EUR 0.1 billion to EUR 9.4 billion.



# CONCLUSION

Despite the environment of persisting low rates and market volatility, Belfius achieved solid half-yearly results. They are the fruit of constant commercial momentum and the success of a profitable bank-insurance strategy focused on the long term. In addition to the increasing success of the bank-insurance model which allows for earnings diversification, other initiatives and investments increasingly generate additional receipts. The commercial realisation of Smart Belgium generates growth, particularly in the Corporate segment. The collaboration with Kepler Cheuvreux has increased the number of ECM mandates. Thanks to investments in digitalisation, one investment fund in three is at present purchased via direct channels. Furthermore, The Studio – the Belfius digital knowledge centre which develops technological solutions for the use of Belfius but also of institutional customers – has successfully marketed a series of innovative products. Belfius seeks constantly to refine its long-term strategy and to match its bank-insurance model to the rapid evolution of customers' requirements and environmental factors. Against that background, concern for an exceptional customer experience and even greater revenue diversification is a priority.

**Marc Raisière, CEO:** *“Personally, I am extremely proud of the results we have achieved over recent years and during this first half-year. That success was only possible with the confidence of our customers as well as the commitment of our staff members and our agents, and I would like to thank them most sincerely. The commercial performances we have posted in the first half-year in practically every key field are evidence of this. They encourage us to go even further and to align our strategy even more closely to what customers expect and wish of a bank-insurer looking to the future.”*

**Jos Clijsters, Chairman of the Board of Directors:** *“Once more this year our half-yearly results offer us the opportunity to pay an interim dividend of EUR 100 million to our shareholder and confirm our conviction that Belfius is ready for a possible IPO. Nevertheless, the difficult rate and market context make it necessary to diversify our earnings further and to continue in the efforts we have been making over last years to control costs and to achieve operational excellence. It is only in this way that we can further strengthen our sustainable role in favour of Belgian society and economy.”*

**Press contacts Belfius:** Ulrike Pommée - [Ulrike.pommee@belfius.be](mailto:Ulrike.pommee@belfius.be) / [press@belfius.be](mailto:press@belfius.be) - 02 222 02 57 [www.belfius.com](http://www.belfius.com)



## KEY FIGURES

<b>CONSOLIDATED STATEMENT OF INCOME</b> <i>(in millions of EUR)</i>	1H 2017 (IAS 39)	1H 2018 (IFRS 9)
<b>INCOME</b>	<b>1,136</b>	<b>1,173</b>
<b>EXPENSES</b>	<b>(662)</b>	<b>(690)</b>
<b>GROSS INCOME</b>	<b>474</b>	<b>483</b>
Impairments on financial instruments and provisions for credit commitments	(24)	(9)
Impairments on tangible and intangible assets	(5)	(1)
<b>NET INCOME BEFORE TAX</b>	<b>445</b>	<b>473</b>
Tax (expense) income	(84)	(138)
<b>NET INCOME AFTER TAX</b>	<b>361</b>	<b>335</b>
Attributable to non-controlling interests	0	0
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>361</b>	<b>335</b>
<i>of which Banking group</i>	<i>235</i>	<i>185</i>
<i>Insurance group<sup>(1)</sup></i>	<i>126</i>	<i>149</i>

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

<b>CONSOLIDATED BALANCE SHEET</b> <i>(in millions of EUR)</i>	01/01/18 <sup>(1)</sup> (IFRS 9)	30/06/18 (IFRS 9)
<b>TOTAL ASSETS</b>	<b>167,217</b>	<b>166,951</b>
<i>of which Cash and balances with central banks</i>	<i>10,237</i>	<i>11,168</i>
<i>Loans and advances due from credit institutions</i>	<i>13,802</i>	<i>13,174</i>
<i>Loans and advances</i>	<i>85,406</i>	<i>87,558</i>
<i>Debt securities &amp; equity instruments</i>	<i>30,776</i>	<i>28,880</i>
<i>Unit linked products insurance activities</i>	<i>2,598</i>	<i>2,824</i>
<i>Derivatives</i>	<i>16,415</i>	<i>14,995</i>
<b>TOTAL LIABILITIES</b>	<b>157,772</b>	<b>157,063</b>
<i>of which Cash and balances from central banks</i>	<i>3,979</i>	<i>3,971</i>
<i>Credit institutions borrowings and deposits</i>	<i>7,131</i>	<i>7,252</i>
<i>Borrowings and deposits</i>	<i>76,328</i>	<i>78,125</i>
<i>Debt securities issued and other financial liabilities</i>	<i>28,269</i>	<i>27,040</i>
<i>Unit linked products insurance activities</i>	<i>2,598</i>	<i>2,824</i>
<i>Derivatives</i>	<i>21 196</i>	<i>19 834</i>
<b>TOTAL EQUITY</b>	<b>9,444</b>	<b>9,888</b>
<i>of which Shareholders' core equity</i>	<i>8,788</i>	<i>8,832</i>
<i>Gains and losses not recognised in the statement of income</i>	<i>657</i>	<i>544</i>
<i>Additional Tier-1 instruments included in equity</i>	<i>0</i>	<i>497</i>
<i>Non-controlling interests</i>	<i>0</i>	<i>15</i>

(1) IFRS 9 - opening balance sheet



<b>RATIOS<sup>(1)</sup></b>	<b>31/12/17 (IAS 39)</b>	<b>01/01/18 (IFRS 9)</b>	<b>30/06/18 (IFRS 9)</b>
Return on equity (ROE)	7.0%	7.1%	7.8%
Cost- income ratio (C/I ratio)	58.1%	N/A	58.8%
Asset quality ratio	1.99%	2.15%	2.20%
Coverage ratio	63.3%	63.3%	61.4%
Liquidity Coverage Ratio (LCR) <sup>(2)</sup>	132%	N/A	133%
Net Stable Funding Ratio (NSFR)	116%	N/A	116%

(1) Unaudited.

(2) 12 month average

<b>SOLVENCY RATIOS<sup>(1)</sup></b>	<b>31/12/17 (IAS 39)</b>	<b>01/01/18 (IFRS 9)</b>	<b>30/06/18 (IFRS 9)</b>
CET 1- ratio Fully Loaded <sup>(2)</sup>	15.9%	16.2%	16.3%
Tier 1- ratio Fully Loaded <sup>(2)(3)</sup>	15.9%	16.2%	17.3%
Total capital ratio Fully Loaded <sup>(2)(3)</sup>	18.1%	18.3%	20.0%
Leverage ratio Fully Loaded	5.5%	N/A	5.9%
Solvency II – ratio (before dividend)	230%	N/A	216%
Solvency II – ratio (after dividend)	219%	N/A	210%

(1) Unaudited

(2) For the determination of the Capital ratios under CRR/CRD IV, the regulatory authority asks Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation. This is commonly known as "Danish compromise".

(3) The increase is mainly due to the issuance of an Additional Tier 1 instrument.

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