

Brussels, 22 february 2019

## THE STRENGTHS OF BELFIUS? DIVERSIFYING AND INVESTING IN A FUTURE WE BUILD TOGETHER

€649 MILLION  
AFTER TAX INCOME  
UP 7%

Belfius has opted deliberately for a strategy in which consistent progress in results takes precedence over short-term profit. This strategy goes hand in hand with more intensive investments for the benefit of customers and Belfius staff, of digital innovation and of Belgian society as a whole. Over the year, Belfius strengthened its market position in all customer segments, while continuing its growth as a bank and insurance company. A record 17.5 billion euros in long-term loans was granted to the Belgian economy. Organic growth in savings and investments has never been so high. And despite a difficult financial environment, Belfius was successful in combining investments in the future with a diversification in its activities and revenue, while maintaining a solid level of solvency and net profit up by 7% to 649 million euros, 363 million euros of which will be distributed in the form of dividends.

95.97%  
CUSTOMER SATISFACTION  
again exceeded the target of  
95% satisfied customers

228,400  
NEW CUSTOMERS

1,250,000 ACTIVE USERS  
OF THE MOBILE APP

€17.5 BILLION OF  
NEW-LONG TERM LOANS  
granted to the Belgian economy

- **Income after tax** was 649 million euros (+7%). Belfius Bank contributed 444.5 million euros and Belfius Insurance 204.5 million euros.
- **The Cost-Income ratio** was 60.4%, up slightly compared with 2017.
- With a **Basel III CET 1 (Fully Loaded) solvency ratio** of 16%, Belfius remains one of the best capitalised bank-insurers in Europe.
- A record amount of 17.5 billion euros of **new long-term loans** (+14%), was granted to the Belgian economy.
- Long-term loans granted to **Retail customers** rose by 9% to 6.8 billion euros. For **Business** and **Corporate customers**, 4 billion euros (+21%) and 4.8 billion euros (+26%) of new long-term loans were granted respectively.
- **Organic growth in savings and investments** was 3.5 billion euros (+46%), which was the highest level ever reached. This confirms the ongoing trust placed in Belfius by customers. **Outstanding amount on current accounts and savings accounts** held by Retail customers (Business segment included) rose from 8% to 57.1 billion euros.
- Belfius's position as a bank-insurer is becoming stronger year after year. **Non-Life premiums collected** rose by 5% to 704 million euros, a rise that was significantly higher than the market overall. Sales via banking channels even rose by 12% to 213 million euros. **Life premiums** increased by 15% to 1.2 billion euros.
- In 2018, Belfius attracted **228,400 new customers**. The number of **active users of the mobile app** continued to rise, reaching 1.25 million (+17%).
- **Customer satisfaction** continued to rise, reaching 95.97%, once more exceeding the target of 95% satisfied customers.

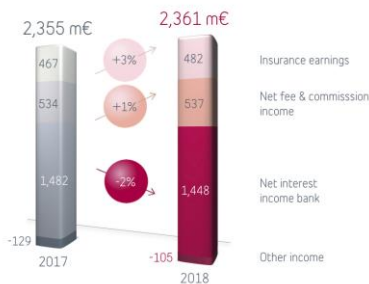
# STRONG ANNUAL RESULTS GENERATED BY SUSTAINABLE COMMERCIAL GROWTH

The net consolidated result for Belfius, before and after tax, was 867 and 649 million euros respectively.

**Total earnings** were 2,361 million euros, up slightly compared with 2017. Due to persistent low interest rates, net interest income of the bank fell by 2%, to 1,448 million euros. Despite customer risk aversion for investments in a very volatile market, net fee and commission income of the bank was stable at 537 million euros (+1%). Belfius's Life and Non-Life insurance activities contributed 283 million euros (+6%) and 199 million euros (-1%) respectively to earnings.

Taking the negative effect of banking levies into account, **other income** was -105 million euros, representing an improvement of 18% compared with 2017.

## Increasing diversification of earnings



Belfius invested 141 million euros in innovative digital solutions, in providing services going beyond mere bank-insurance for its customers, as well as in the recruitment of over 300 new commercial and specialist talents. These investments partly explain the increase in costs to 1,426 million euros (+4%). Combined with income that was practically stable compared with 2017, this resulted in a **Cost-Income ratio** up slightly, at 60.4%.

**The cost of risk** for operating banking activities was -80 million euros. This low level was the result of strict risk management, as well as the good quality of loans and portfolios. The total cost of risk was -68 million euros.

# FURTHER RISE IN CUSTOMER SATISFACTION AND THE NUMBER OF NEW CUSTOMERS

**Customer satisfaction** is a strategic priority for Belfius. It is also the foundation for the company's strong results and the growing feeling of confidence and trust that Belfius inspires in its customers, year after year. This strategy also reflects an in-depth change of internal culture. Each cost and investment is in fact examined in view of its true added value for the customer.

In 2018, Belfius achieved an **overall satisfaction score of 95.97%**, once again exceeding its strategic target of 95% satisfied customers. This score was 94.7% among Retail customers and 98.45% among Public, Social and Corporate customers. Last year, Belfius succeeded in attracting **228,400 new customers**.

# RETAIL CUSTOMERS: STRONG GROWTH IN LOANS AND RECORD ORGANIC GROWTH IN SAVINGS AND INVESTMENTS

17.5 BN euros new long-term loans in Belgian economy



- **Production of mortgage loans and consumer loans rose by 6% and 26% respectively**

In 2018, 6.8 billion euros (+9%) in **new long-term loans** was granted to Retail customers. The risk involved was carefully considered.

Even while recent years have been exceptional in terms of **mortgage loans**, Belfius again managed to increase its production in this area by 6% to 5.9 billion euros. The production of consumer loans – and particularly car loans – rose by 26% to 0.9 billion euros.



### • Savings & investments: record organic growth

**Organic growth**, i.e. growth after removing market effects, rose in 2018 by 3.5 billion euros (+46%) for investments by Retail customers (including the Business segment), which was the highest level ever recorded. This increase perfectly illustrates the ever-growing confidence in Belfius. **The total volume of savings accounts and current accounts** rose by 8% to 57.1 billion euros. Against a background of risk aversion on the part of customers for investments in a very volatile market, **outstanding investments in funds** fell by almost 10% to 23.3 billion euros. Nonetheless, Belfius succeeded in offering effective and accessible alternatives to savings accounts, such as recurrent investments through investment plans, which increased by 18%. Sales of accessible investments with capital protection continued to grow. Belfius' market share in structured products (bonds and Branch 23) rose sharply.

In 2018, as a leading **Private Bank**, Belfius attracted 4,000 new Private customers and implemented, increasingly successfully, a specific approach for Wealth Management that combines exclusive and individual service with an integrated digital offering. Outstanding savings and investments for Private customers were 36.7 billion euros, which was up slightly, despite the negative effect from significant market volatility.

### • The number of active users of the mobile app rose by 17%

Belfius continues to set the pace in mobile banking in Belgium and is constantly expanding the functionalities of its apps. In recent months, it launched Belfius Track (a digital investment solution aimed in particular at Millennials) and the "app-normal" car insurance, which gives customers competitive insurance rates for cars in two minutes, based simply on their registration number. In December, Belfius Pop-Up was launched. This functionality aims to offer a growing number of practical non-banking products and services as part of the banking app.

By the end of 2018, **Belfius apps** for smartphones and tablets had **1.25 million active users** (+17%) and on average were consulted 33 times a month per customer. Sales via direct channels also continued their uninterrupted growth. These channels now cover 51% of pension savings policies, for example, and one-third of new credit cards. Finally, during the final months of the year, the launch of the "app-normal" car insurance offering boosted both direct sales and sales in branches, underlining the commercial added value of an innovative digital and omnichannel approach.

## STRONG RESULTS IN LIFE AND NON-LIFE

Belfius successfully activated a number of levers to boost the growth of its insurance business to the maximum. These included a stronger strategic and structural alignment between Belfius Bank and Belfius Insurance, digitalisation and the proven expertise of DVV/LAP, as well as the continued development of the bank-insurance model.

The growth in **receipts of Non-Life premiums** at Belfius Bank (+12%), DVV/LAP (+3%) and Corona Direct (+10%) far exceeded the market average. On a group level, receipts were up 5% compared with 2017 to 704 million euros. **Cross-selling ratios** were excellent, both for property insurance (86%) as well as for credit linked life insurance (140%). Despite the major damage caused by bad weather and floods that struck Belgium in 2018, the combined operating ratio for retail damage insurance rose to 94.9%.

For **Life** insurance, premium receipts rose strongly by 15% to 1.2 billion euros compared with the previous year. As a result, among other things, of the successful launch of innovative products with capital protection, premium receipts in Branch 23 insurance investments increased by 65%. The evolution in **Life reserves** reflected the gradual strategic reduction of Branch 21 in favour of Branch 23. Reserves in Branch 23 rose sharply, by 8% to 2.8 billion euros, while total Life reserves fell slightly to 15.1 billion euros.

## BUSINESS AND CORPORATE: HIGHER MARKET SHARE IN LOANS

In 2018, out of a total of 17.5 billion euros, Belfius granted 8.8 billion euros (+24%) in **new long-term loans** in the Belgian economy for the Business segment (SMEs, self-employed and professionals) and for Corporate customers.

### • Production of long-term loans increased by 26% for Corporate customers

In line with Belfius's growth aims in the **Corporate segment**, the production of **long-term loans** for these customers rose by 26% to 4.8 billion euros. In just three years, market share in terms of outstanding loans has risen from 9% to 14.5% (estimated figure). In 2018, Belfius also confirmed its significant position regarding the **issue of bonds and treasury certificates** to Corporate customers. The bank took part in 52% of available mandates and issued 1.3 billion euros of short-term (average outstanding on commercial paper) and new long-term (Medium Term Notes and bonds) issues on to the market.





Through the **strategic partnership** entered into with **Kepler Cheuvreux**, Belfius is becoming an authority in the area of **Equity Capital Markets (ECM)** in Belgium. Together, the two companies provide a high-quality offering when it comes to guidance for capital transactions, equity research shares and capacity for institutional investments. Last year, Belfius played a prominent role in 8 ECM transactions.

- **Increase of 21% in the production of long-term loans for Business customers**

Another area in which Belfius is confirming its growing role as a driving force for the Belgian economy is the granting of loans to **SMEs, the self-employed and professionals**. In 2018, the production of **long-term loans** reached 4 billion euros (+21%), while Belfius's static market share was 14.5%. Belfius also provided guidance for 14,046 new start-ups (+13%) which, thanks to a partnership with the European Investment Fund (EIF), benefit from favourable credit terms.

## BELFIUS REMAINS THE LEADING PARTNER FOR THE PUBLIC & SOCIAL SECTOR

- **1.9 billion euros in new long-term loans**

Despite the persistent weakness in demand from the **Public & Social sector** for long-term loans, Belfius underlined its undisputed position as market leader in this sector. In 2018, the bank granted 1.9 billion euros in new long-term loans and was attributed 69% of funding applications on the local authorities market.

The cutting-edge expertise provided by Belfius in projects that are part of "Smart Belgium", encouraged the granting of loans to both the Corporate and Public sectors. To finance these projects, participants have been able to benefit from low-rate loans as part of the cooperative agreement entered into between Belfius and the European Investment Bank (EIB) since 2014. Through this partnership, 121 projects have been put in motion since then, representing over one billion euros. At the end of last year, a new agreement was signed, allocating a total of 400 million euros to projects that contribute for instance to the development of smart cities, the circular economy and the fight against climate change.

- **3.7 billion euros of DCM issues**

Belfius also confirmed its leading position in **Debt Capital Markets (DCM) issues** for (semi-)public customers by taking part on 86% of the mandates available on the Belgian market. In 2018, the bank issued 3.7 billion euros of innovative finance means in the form of short-term (average outstanding on commercial paper) and long-term (Medium Term Notes and bonds) issues.

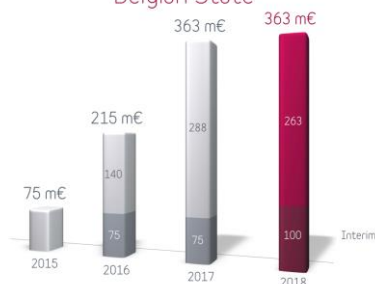
- **Market leader in treasury management**

Belfius manages **virtually all of the treasuries of local authorities** through its wide range of attractive and innovative methods of payment and its effective monitoring of accounts. The bank supports the modernisation of the public sector through increased investments in service platforms and innovative, digital services and communication, as well as in the area of cybersecurity. In 2018, the Federation Wallonia-Brussels also confirmed Belfius in its role as "cashier" for a period of 5 years.

## THE EBA'S STRESS TEST CONFIRMS THE STRENGTH OF OUR LIQUIDITY AND SOLVENCY POSITIONS

The European Banking Authority's (EBA) stress test, conducted on an EU-wide scale in November 2018, reaffirmed the solid base and strength of Belfius. After applying a shock scenario of serious economic and financial difficulties, Belfius still had a solid CET 1 ratio of 13.2%. This is a percentage that was well above the European average for the 48 participating banks.

Dividend of 363 million euros for the Belgian State



At the end of 2018, the **Basel III CET 1 (Fully Loaded) ratio** was 16%, which is an excellent level. The Solvency II ratio for Belfius Insurance was 203%, keeping it one of the highest in Europe. Due in particular to the strong growth in operational activity, Risk-weighted assets rose by 2% to 52.1 billion euros.

With an **LCR ratio** of 135%, Belfius broadly meets the liquidity requirements imposed by the ECB and the NBB, while the **NSFR ratio** was 116%. At the end of 2018, **total equity** of the group was 9.4 billion euros. The strong solidity of Belfius leaves room for a dividend of 363 million euros to be released for the 2018 financial year.



# CONCLUSION

Despite a challenging interest rates and market environment, Belfius was able again last year to reinforce the added value it brings to the Belgian economy. It also extended its position in the marketplace as a bank-insurer across all customer segments. Not only with Retail customers and public authorities, as was already the case previously, but also with Business and Corporate clients, as well as Private and Wealth customers. This diversification of its business activities and revenue streams is all part of the long-term strategy advocated by Belfius and its aim to ensure the progressive and consistent development of income, rather than just focus on generating short-term profits. This goes hand in hand with greater investment being made to consolidate the company's strength for the benefit of customers staff and Belgian society as a whole.

**MARC RAISIÈRE**  
CEO

*"I am, of course, proud of the excellent commercial results that we achieved together in 2018. But what delights me the most is our satisfaction rating at over 95% for our customers and for our staff. Because these fundamentals offer us cast-iron prospects for the future. I would also like to extend my heartfelt thanks to our customers and staff at head office and in the networks, as well as our independent agents and their staff for their trust and confidence in us."*

Taken across all customer segments, a record 17.5 billion euros was granted in long-term loans. This underlines the success enjoyed by Belfius as a driving force behind the **Belgian economy**. Acting as a pioneer in "mobile", Belfius continues to intensify its investments in innovative digital solutions that are easy to use and in a level of service that goes beyond the context of bank-insurance, opening up new prospects for its **customers**. And our customers appreciate it, too – as can be seen from the highest customer satisfaction score ever achieved; as can be seen from the 228,400 new customers who opted for Belfius last year; and as can be seen from our strongest organic growth yet in terms of savings and investments, which clearly underlines their growing confidence in Belfius.

**JOS CLIJSTERS**  
CHAIRMAN OF THE BOARD OF DIRECTORS

*"On the one hand, our results underline the efforts that the current difficult environment requires us to make if we intend to continue advancing as a financial institution and as we prepare for the challenges of tomorrow. On the other hand, they show once again that Belfius is getting there. By maintaining our excellent risk and financial profile, the strong results for 2018 now enable us to pay our shareholder a dividend of 363 million euros for the 2018 financial year. An interim dividend of 100 million euros on this amount was already paid in September of last year."*

Because it is their talent that makes the difference for customers, Belfius also invests in its **staff** by ensuring their ongoing development and long-term employability. It offers employees a stimulating work environment and a proactive policy on wellbeing. It also underlines to branch staff the unique added value that human contact brings in their work as relationship managers and local advisers – despite the growth of digital. Belfius gives preference to (net) hiring rather than departures by way of a social plan. Our staff appreciate us for all that – which translates into respective commitment and satisfaction scores of 88% and 95% for our staff.

In 2018, Belfius succeeded in controlling the effect that these investments have on costs and the impact that a difficult financial environment is having on revenue from interest and fee and commission income. It also managed to maintain its excellent strength and increase its net income, almost 60% of which, like last year's dividend, will be paid to Belgian public authorities which, in turn, benefits all Belgian citizens.

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## KEY FIGURES

<b>CONSOLIDATED STATEMENT OF INCOME</b> <i>(in millions of EUR)</i>	2017 (IAS 39)	2018 (IFRS 9)
<b>INCOME</b>	2,355	2,361
<b>EXPENSES</b>	(1,369)	(1,426)
<b>GROSS INCOME</b>	986	935
Impairments on financial instruments and provisions for credit commitments	(33)	(66)
Impairments on tangible and intangible assets	9	(2)
<b>NET INCOME BEFORE TAX</b>	963	867
Tax expense (income)	(357)	(217)
<b>NET INCOME AFTER TAX</b>	606	650
Non-controlling interests	0	1
<b>NET INCOME GROUPE SHARE</b>	606	649
<i>of which</i> Bank	435	445
Insurance <sup>(1)</sup>	171	205

(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> (IAS 39)	31/12/18 (IFRS 9)
<b>TOTAL ASSETS</b>	167,217	164,165
<i>which</i> Cash and balances with central banks	10,237	8,314
Loans and advances due from credit institutions	13,802	13,107
Loans and advances	85,406	91,123
Debt securities & equity instruments	30,776	28,569
Unit linked products insurance activities	2,598	2,838
Derivatives	16,415	12,768
<b>TOTAL LIABILITIES</b>	157,772	154,206
<i>of which</i> Cash and balances from central banks	3,979	3,962
Credit institutions borrowings and deposits	7,131	5,867
Borrowings and deposits	76,328	79,661
Debt securities issued and other financial liabilities	28,269	26,687
Unit linked products insurance activities	2,598	2,838
Derivatives	21,196	17,740
<b>TOTAL SHAREHOLDERS' EQUITY</b>	9,444	9,446
<i>of which</i> Shareholders' core equity	8,788	9,055
Gains and losses not recognised in the statement of income	657	392
<b>TOTAL EQUITY</b>	9,444	9,960
<i>of which</i> Total shareholders' equity	9,444	9,446
Additional Tier-1 instruments included in equity 1	0	497
Non-controlling interests	0	16

(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>31/12/18 (IFRS 9)</b>
Return on equity (ROE)	7.0%	7.1%	7.5%
Return on assets (ROA)	0.35%	0.35%	0.39%
Cost- income ratio (C/I ratio)	58.1%	n.a.	60.4%
Asset quality ratio	1.99%	2.15%	2.05%
Coverage ratio	63.3%	63.3%	61.6%
Liquidity Coverage Ratio (LCR) <sup>(2)</sup>	132%	n.a.	135%
Net Stable Funding Ratio (NSFR)	116%	n.a.	116%

(1) Unaudited.

(2) 12 month average (as from 2017 onwards)

<b>SOLVANCY RATIOS<sup>(1)</sup></b>	<b>31/12/17 (IAS 39)</b>	<b>01/01/18 (IFRS 9)</b>	<b>31/12/18 (IFRS 9)</b>
CET 1- ratio Fully Loaded <sup>(2)</sup>	15.9%	16.2%	16.0%
Tier 1 – ratio Fully Loaded <sup>(2)</sup>	15.9%	16.2%	17.0%
Total capital ratio Fully Loaded <sup>(2)</sup>	18.1%	18.3%	19.6%
Leverage ratio Fully Loaded	5.5%	n.a.	6.0%
Solvency II – ratio (before dividend)	230%	n.a.	219%
Solvency II - ratio (after dividend)	219%	n.a.	203%

(1) Unaudited.

(2) 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 participation. This is commonly known as "Danish compromise".

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