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Solid half-yearly results reinforce strategy on customer satisfaction, stimulate contributions to the Belgian economy and justify an interim dividend

The figures speak for themselves: the highest solvency level of the four major Belgian banks, net income from commercial activities at EUR 312 million, a Cost-Income ratio of commercial activities below 60%, solid commercial performances with 131.000 new active customers, EUR 2.1 billion of organic growth in investments, 6% increase in Non-Life premium receipts, EUR 6.6 billion in new LT funding granted to the Belgian economy.

The results for the first half-year justify payment to the Belgian State of an interim dividend of EUR 75 million. At the same time and thanks to its shareholder's long-term vision, Belfius' financial solidity and commercial momentum create the investment margin required for the group, through its own resources, to play its lasting role in the Belgian economy and society.

The **net income from commercial activities** was **EUR 312 million** in 1H – which **confirmed the sustained profitability of Belfius, despite the challenges of the current economic climate and the settlement of all banking taxes for the entire year.** In that EUR 312 million, Belfius Bank accounted for EUR 180 million and Belfius Insurance 132 million.

Income from commercial activities, at EUR 1.130 billion, was principally sustained by healthy financial management, the high sale of insurance products, net commission income maintained in a volatile market and the organic growth of investments from individuals and SME amounting to EUR 2.1 billion.

The **costs** of commercial activities stabilised at EUR 668 million, thanks to the emphasis placed on processes which give added value to the customer, while major investments are made in “digital” by both Belfius Bank and Belfius Insurance.

The **Cost-Income ratio** of commercial activities improved, compared with the end of 2015. It reached 59% and remains constantly below the target level of 60%.

In line with previous years, the fall of **Legacy** by EUR 2.1 billion had a negative impact of EUR 63 million on net income.

Net income from commercial activities minus the impact of Legacy therefore generated **consolidated net income of EUR 249 million.**

Retail Customers: excellent performances in loans, strengthening of Belfius' position in investments and Private Banking

- **Remarkable loan performances: mortgage loan production up 17%**

Of the EUR 6.6 billion in new long-term funding to the Belgian economy, **EUR 2.9 billion** was granted to Retail customers in the first half-year. This was mainly via **mortgage loans**. 2015 had already been an exceptional year in this regard, but during 1H Belfius again succeeded in increasing its production of mortgage loans – excluding refinancing – by 17% to EUR 2.2 billion. Similarly, the production of consumer loans rose by 14% to EUR 365 million compared 1H 2015.

- **Savings and investments: organic growth exceeds EUR 2 billion for the first time**

After a strong increase in 2015, **organic growth**, i.e. growth excluding market price effects, of investments by individual customers (Business segment included) continued to rise, by 5%, to reach **EUR 2.1 billion**. At the end of 1H, the **total outstanding amount of their investments** was EUR 101 billion.

Belfius was again among the best, with an increase of assets on sight and savings accounts by EUR 2.7 billion. In contrast to the market's downward trend, net commission income remained stable, whilst funds, mandates and branch 23/44 posted net growth of EUR 0.7 billion.

Belfius again strengthened its position as a first-class Private Bank. EUR 33 billion came in investments by 63,000 private customers, of which one third entrusted the management of their assets to the bank via mandates for total assets of EUR 9.1 billion (+ 5%).

- **131,000 new active customers and 1,000 new mobile app users per day**

Belfius attracted 131,000 new active customers in 1H. With 1,000 new users per day, Belfius is one of the fastest growing banks in Mobile Banking and, in that field, asserts its position as the uncontested forerunner on the Belgian market. At the end of June, Belfius apps for smartphone and tablet had **710,000 active users**, a rise of **62%** in one year.

Belfius apps already have the **broadest range of functionalities**. **As from 9 September, the bank will offer** its users the unique opportunity to **become customer, in a fully digital and “paperless” way, by means of a simple signature by a finger's touch on the smartphone screen.**

Bankinsurance model: driver of growth and income diversification

The strategy followed by Belfius with regard to insurance, which consists in particular in increasing the sale of Non-Life products through its bank channels, each year takes its sales above the market average. **Receipts of Non-Life premiums** at group level increased by 6% to EUR 347 million. Via bank channels, the increase was **9%, to EUR 86 million**, notably thanks to the 16% increase in new production. These performances are largely attributable



to the solid results from auto insurance and the constant increase of cross-selling ratios, both for fire and family insurances (82% against 79% in 1H 2015) and for mortgage protection life insurance (142% against 138%). At 99.5%, the combined ratio for damage insurance all in was among the best on the market.

In the first half-year, **branch 23** reserves increased by 5% to EUR 2.1 billion and partially offset the reduction of the reserves for branch 21, an investment insurance product losing speed as a consequence of the fall of interest rates. Total life reserves fell 3% to EUR 16 billion.

Business and Corporate: solid performances in new long-term funding

In the first half-year, **EUR 2.9 billion (+10%)**, out of a total EUR 6.6 billion of new long-term funding in the Belgian economy, was granted to the **Business segment** (SME, freelances and liberal professions) and to **Corporate customers**. Belfius thus strengthened its position on the two markets and, as a Belgian bankinsurer, gave 100% to assist Belgian entrepreneurs to transform their ideas in successes.

In two years, the production of long-term loans for Corporate customers doubled to reach EUR 1.5 billion. This exceptional increase comes from our ambition for growth in this segment, the commitment of additional means and a clear and relevant positioning as a specialist on the “Business to Government” market.

With a participation rate of 73%, a clear rise, Belfius also confirms its position as leader for **bond issues and treasury certificates** for Corporate customers. In 1H, the bank issued EUR 791 million of innovative funding in the form of short-term issues (*commercial paper*) and long-term issues (*MTN and bonds*).

For the **Business segment**, Belfius’ market share for long-term funding was approximately 13%. The production of new long-term loans in 1H posted considerable growth of 22% to **EUR 1.4 billion**.

In 1H, Belfius assisted **5,927 new start-ups (+9%)** which, thanks to collaboration with the European Investment Fund (EIF), are able to benefit from favourable credit conditions.

Public and social sector: uncontested market leader

- **Spectacular 24% increase of long-term loans**

Despite the persisting weakness of demand for long-term loans in the public and social sector, in 1H Belfius granted **EUR 0.8 billion** in new long-term funding, a **spectacular 24% increase**. With two out of every three finance applications being awarded to Belfius, the bank confirms its position as the undisputed leader in this sector.

- **EUR 4.5 billion in innovative funding**

With a participation rate of **86%**, in 1H Belfius also confirmed its position as leader in bond issues and treasury certificates for (semi-)public customers. The bank issued **EUR 4.5 billion** of innovative funding in the form of short-term issues (*commercial paper*) and long-term issues (*MTN and bonds*).



Continuing reduction of the historic Legacy by EUR 2.1 billion

Belfius manages its historic Legacy portfolio independently from its commercial activities, following a tactical de-risking programme. These constant efforts in this regard have enabled it to improve its risk profile strongly since 2011. By the end of 2016, Belfius wants to have **the general risk profile** of the historic bond and off-balance sheet credit guarantee portfolios coincide with that of the commercial activity.

At the same time as the quantitative reduction of the bond portfolio (EUR 1 billion) and the off-balance sheet credit guarantee portfolio (EUR 1.1 billion), emphasis is also placed on the qualitative improvement of these two portfolios. At A -, the average credit quality remains stable.

In 1H, Legacy activities had a negative impact of **EUR 63 million** on Belfius' net income.

Robustness of solvency and liquidity

The **robust position of Belfius in terms of solvency and liquidity** arises from a successful diversification strategy for funding and good performances, both commercial and in risk reduction. As for solvency, this was confirmed by the **recent EU-wide stress test performed** by the European Banking Authority (EBA). After being subjected to the most adverse stress scenario, its CET 1 capital ratio was still at 11.4% and remains extremely robust. Belfius thus joins the ranks of the best capitalised European banks. Its performances are even substantially better than the average (9.4%) of the 51 institutions analysed.

- The **Basel III CET 1 ratio (Phased-in)** was **15.7%** as at 30 June 2016 (against 15.1% a year earlier and 15.9% at the end of 2015). The **Basel III CET 1 ratio (Fully Loaded)** was 15.2% as at 30 June 2016 (against 14% a year earlier and 14.9% at the end of 2015). Both respond broadly to the minimum capital requirements imposed by the ECB and the NBB.
- The **Solvency II ratio** of Belfius Insurance was 206%, one of the highest in Europe.

With an **LCR ratio** of 121%, Belfius also responds broadly to the liquidity requirements imposed by the ECB and the NBB. It has a **liquidity reserve of EUR 32 billion**, which represents more than six times the institutional funding sources reaching maturity during the year.

Thanks to its solid financial results, the retained earnings in its equity and the improvement of the value of its bond portfolio, Belfius has **EUR 8.7 billion of shareholder equity** in total and slightly exceeds the level at the end of 2015.



Conclusions

With sustained growth of the net income from its commercial activities, the franchise of the Belfius group confirms the entire pertinence of its strategy based on:

- 1°) a bankinsurance model allowing for diversification of its income;
- 2°) customer satisfaction leading to rapid growth of the number of new customers and cross-selling;
- 3°) strengthened operational efficiency leading, for the fourth consecutive year, to a stabilisation or a reduction of its general costs.

The financial solidity of Belfius was moreover strengthened in 1H with a CET-1 ratio (Fully Loaded) of 15.2% for Belfius Bank, a Solvency II ratio of 206% for Belfius Insurance and a reduction of Legacy by EUR 2.1 billion. This high solvency level is a result of the long-term vision of our shareholder and, in synergy with increased commercial momentum, creates the investment capacity necessary to continue to develop our new business model.

Jos Clijsters, Chairman of the Board of Directors: *“The solid results for the first half-year offer the opportunity this year to pay our shareholder an interim dividend of EUR 75 million, subject to the approval of the competent authorities. Nevertheless, we should continue the efforts we have been making over the last few years, and be vigilant as to costs and risk in an environment which will probably remain difficult. The financial solidity acquired in very little time, over recent years, and our commercial momentum create the investment margin required to continue, with our own means, to play a lasting role in the Belgian economy and society.”*

Marc Raisière, CEO: *“Belfius has done great work in difficult circumstances. With double-digit performances in almost all commercial fields, it has proved its resistance and the solidity of its franchise. We are working relentlessly to implement our new business model, but we remain loyal to the strategic lines we defined almost five years ago, when Belfius was created. I would like to thank our employees in the head offices and networks, our independent agents and their staff members for the efforts they have made, and our customers for the confidence they have shown in Belfius.”*

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APPENDICES

Financial and commercial highlights

- **Belfius net income was EUR 249 million in 1H.**
- **Net income from commercial activities was EUR 312 million – a great performance in a difficult economic context.**
- **As in previous years, the EUR 2.1 billion reduction of Legacy had a negative impact of EUR 63 million on net income.**
- **Compared with the end of 2015, the Cost-Income ratio for commercial activities improved to 59%.**
- **EUR 6.6 billion in new long-term funding was granted to the Belgian economy, up 4%.**
- **For the first time, organic growth of investments by individuals and SME exceeded EUR 2 billion (+ 5%).**
- **131,000 new active customers, a rise of 19%.**
- **Our position as a bankinsurer strengthens from year to year. Receipts of Non-Life premiums rose by 9% and new Non-Life production by 16%.**
- **The CET 1 solvency ratio (Fully Loaded) of 15.2% places Belfius among the best capitalised banks in Europe and fully meets the minimum capital requirements imposed by the ECB and the NBB.**
- **Compared with the end of 2015, total shareholder equity has increased slightly again, to EUR 8.7 billion.**

