Belfius FY 2015 Results

Presentation to analysts and investors

25 February 2016

Highlights

- **Strong 2015 performance by Belfius in all domains:**
  - **Net income at EUR 506 m** (up +10 % yoy**), with Franchise (EUR 611 m) for the first time above EUR 600 m,** including continued high contribution of Belfius Insurance (EUR 216 m)
  - **Commercial activity: very good commercial results in all client segments**
    - Retail and Commercial
      - Excellent organic growth in AUM
      - Strong production in mortgage and business loans
      - Steadily growing non-life bank-insurance footprint
    - Public and Corporate
      - Intensified commercial strategy towards Belgian corporates already successful in 2015
      - Maintained leadership in Belgian public & social profit sector with further improving cross sell
  - **Operational efficiency :** higher income, combined with strict cost control results in further **improving C/I-ratio of Franchise** from 64.5% in 2014 to **59.6 % in 2015**
  - **Side net income of EUR -105 m,** mainly impacted by accelerated tactical de-risking of EUR 1.6 bn in Legacy assets
  - **Solid capital and liquidity position:**
    - **Fully loaded CET 1 ratio at 14.9%,** up 162 bps vs December 2014
    - **LCR at 132 %** and **NSFR at 108 %**
  - **Net Asset Value (NAV)** further increased from EUR 7.9 bn end 2014 to **EUR 8.7 bn** end 2015

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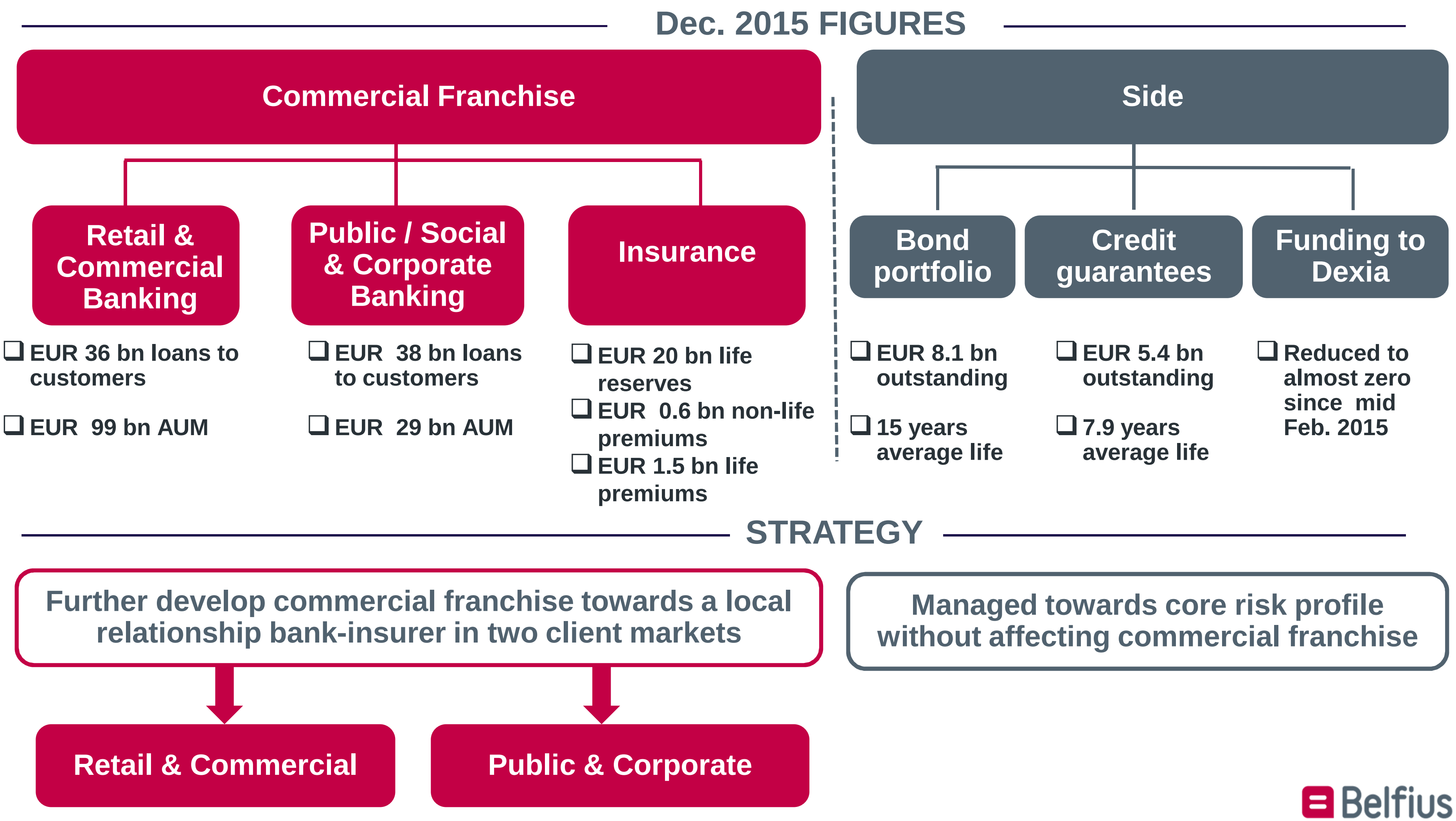
Part 1

BELFIUS AT A GLANCE

Belfius at a glance

An integrated Belgian bank-insurer

- More than 50 years of experience as bank and insurer of proximity for more than 3.5 million individual account holders, liberal professions, self-employed and companies
- 150 years of experience as the preferred partner to the public and social sector in Belgium



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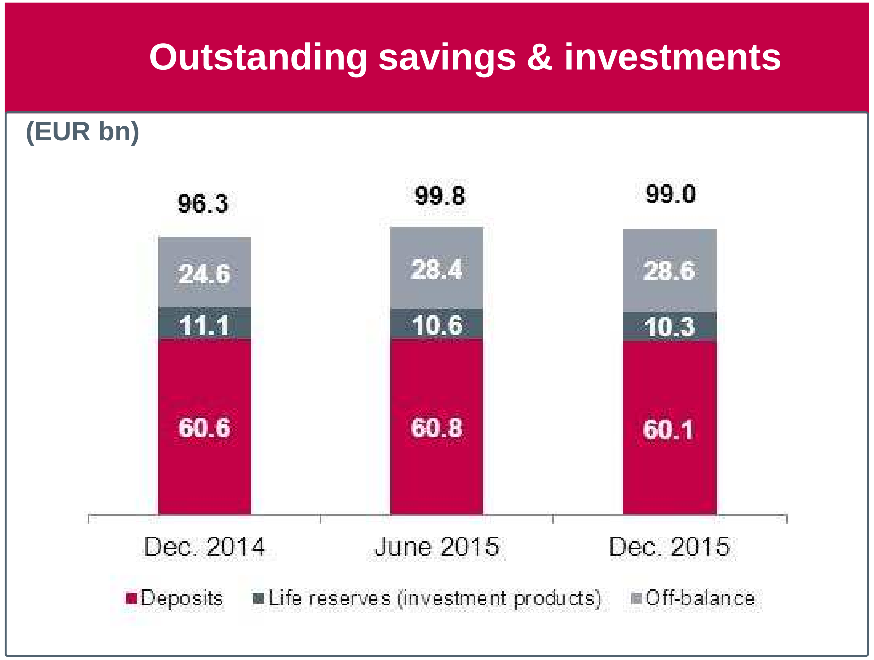
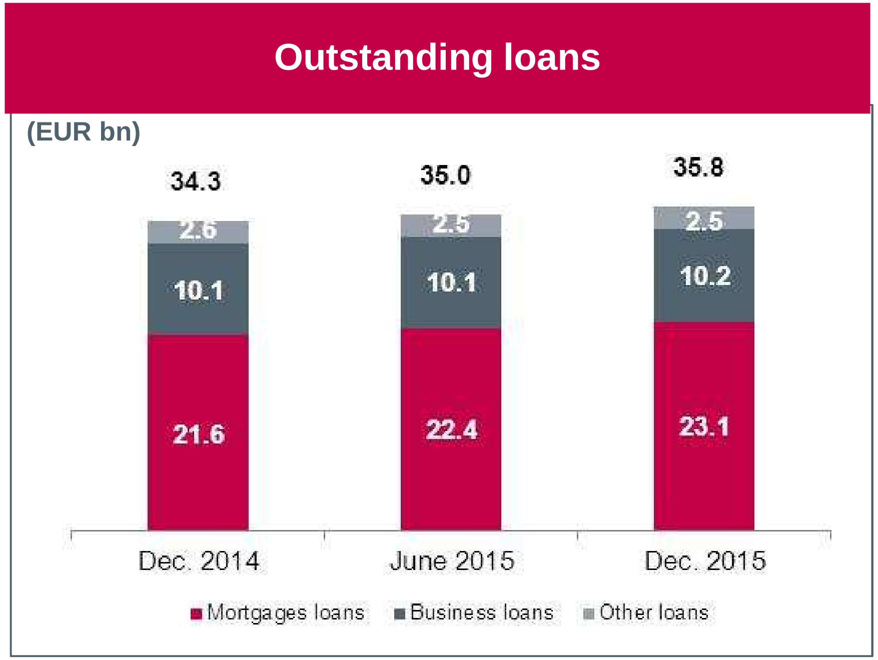
Part 2

VALUABLE COMMERCIAL FRANCHISE

Valuable commercial franchise

Retail & Commercial - activity figures (1/2)





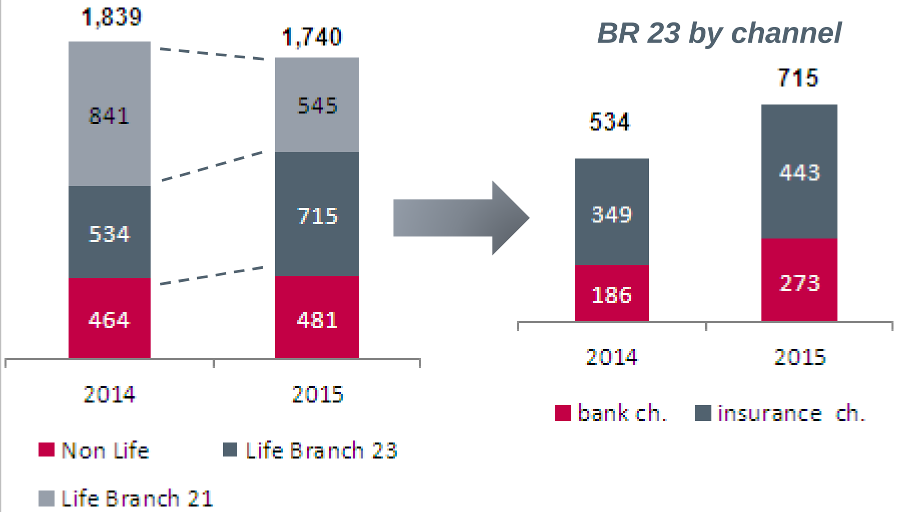
- **RC Franchise** continues to show solid dynamics
- Total assets under management stood at EUR 99 bn, up EUR 2.7 bn compared to Dec. 14
  - Off-balance sheet products strongly increased by EUR 4 bn (or +16%) following client preference towards & good performance of Belfius in mutual funds and mandates
  - On-balance sheet deposits remained stable as a result of an important growth in current & savings accounts (+7%) and a decrease of long-term savings products (-19%)
  - Life reserves (investment products) decreased (-6%) in line with strategic shift towards Branch 23 investments, driven by low client appetite for Branch 21 products in a low interest rate environment
- Outstanding loans increased by 4% compared to Dec. 14, mainly driven by a strong growth in mortgage loans (7%)

Valuable commercial franchise

Retail & Commercial - activity figures (2/2)

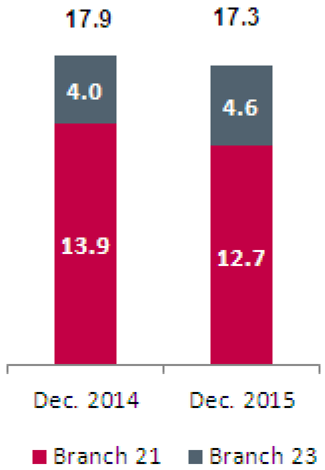
Insurance sales and reserves

Insurance premiums (EUR m)



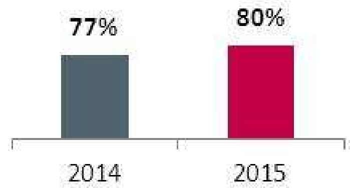
Life reserves[1]

(EUR bn)



Cross sell with mortgages

Property insurance



Credit linked life insurance

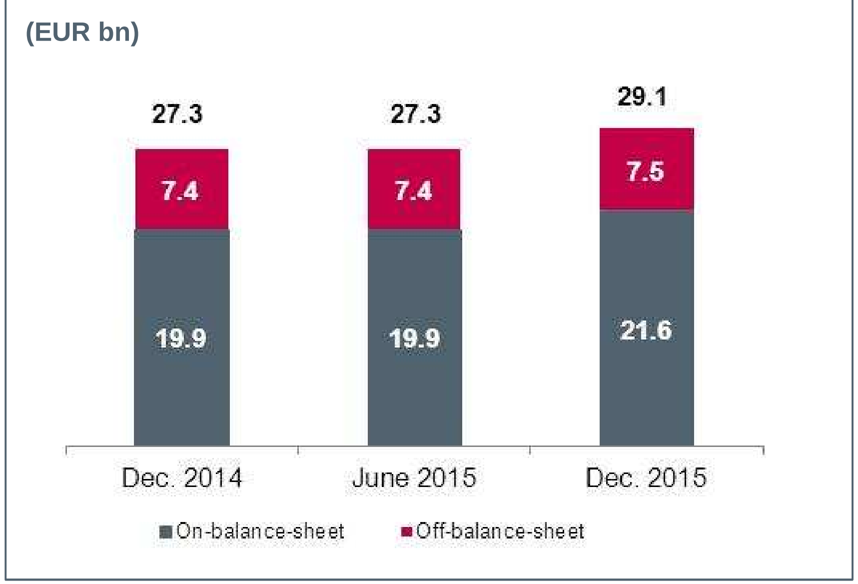
- **Non-Life insurance premiums** stood at EUR 481 m, up 4% in 2015, thanks to the bank-insurance strategy and increased cross selling activities, in particular with mortgage loans
- **Life insurance premiums** stood at EUR 1.3 bn, of which almost 60% in unit-linked products (Branch 23)
  - Life Branch 23 premiums strongly increased by 34%, particulary via the bankchannels (+47%)
  - Life Branch 21 premiums decreased (-35%) in line with low client appetite in low interest rate environment
- **Life reserves** stood at almost EUR 17.3 bn, with further growth in less capital intensive unit-linked products which rose by 14%, whereas guaranteed interest products reserves (Branch 21 & 26) decreased by 9%
- **Mortgage related cross sell ratios** continue to reach high levels, confirming good bank-insurance development

[1] *including EUR 10.3 bn life reserves under investment product format*

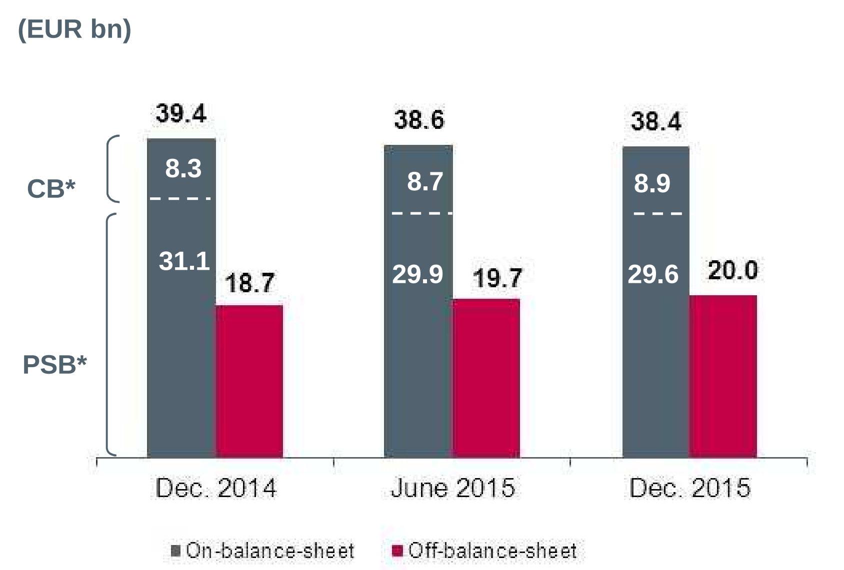
Valuable commercial franchise

Public & Corporate - activity figures

Outstanding savings & investments



Outstanding loans & off-balance-sheet commitments



- Belfius remains the **preferred partner of public & social profit sector in Belgium**
  - Outstanding loans in PSB* are decreasing mainly due to relatively low demand and the structural shift to more alternative financing (a.o. desintermediation), where Belfius is also market leader for PSB in Belgium
- Intensified commercial strategy towards **Belgian corporates** results in 7% increase of outstanding loans in 2015
- Excellent growth in AUM illustrates strong cross selling performance

** PSB = Public & Social Banking // CB = Corporate Banking*

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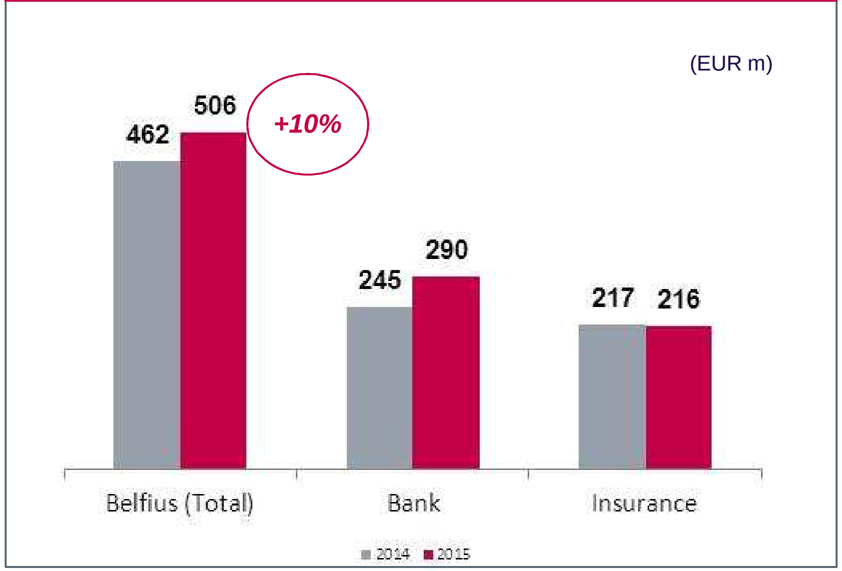
Part 3

SOLID FINANCIALS

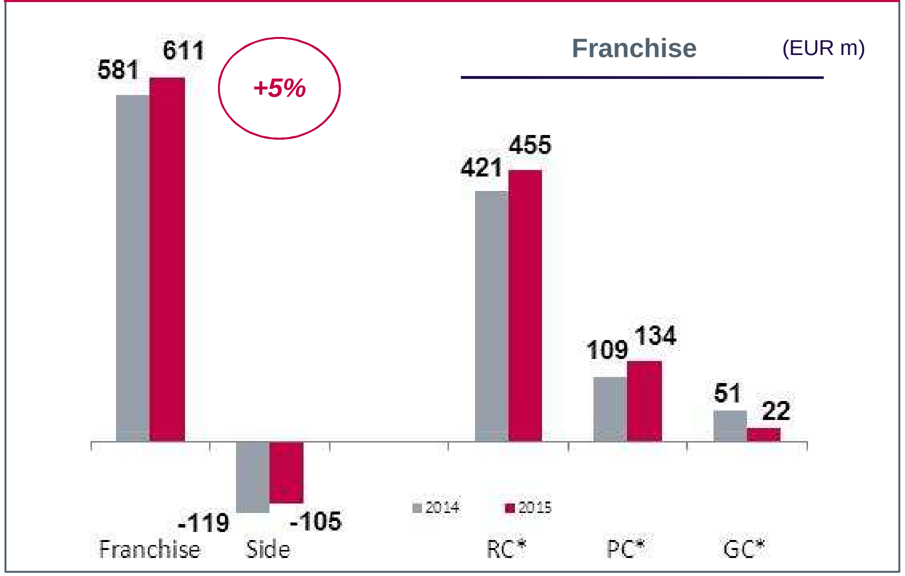
Solid financials

Net income group share

Net income Belfius Bank / Insurance



Net income Franchise / Side



- 2015 **Belfius net income** stood at EUR 506 m, up 10% compared to EUR 462 m in 2014
  - Net income of the bank stood at EUR 290 m (+18%), while the contribution of the insurer remained stable at EUR 216 m
- 2015 **Franchise net income** increased to EUR 611 m, up 5%, thanks to both excellent income dynamics and strict cost control
  - **RC** net income amounted to EUR 455 m, up 8%
  - **PC** net income amounted to EUR 134 m, up 23%
- 2015 **Net income of Side** activities stood at EUR -105 m, mainly due to the accelerated tactical de-risking executed during the year

** RC = Retail & Commercial // PC = Public & Corporate // GC = Group Center*

Solid financials

Positive evolution of most components of the statement of income (1/2)

(EUR m)	2014 PF	2015	Evolution
Income	**2,071**	**2,184**	**5.5%**
Of which			
Net interest income	*2,087*	*2,024*	
Net fee and commission income	*447*	*497*	
Technical margin on insurance activities	*-296*	*-286*	
Net income on invest., from financial instruments at FV & dividend income	*-129*	*122*	
Other income & expenses	*-39*	*-173*	
Expenses	**-1,448**	**-1,396**	**-3.5%**
Gross operating income	**623**	**787**	**26.4%**
Cost of risk	-59	-93	
Impairments on (in)tangible assets	-5	-13	
Pre-tax income	**560**	**682**	**21.8%**
Tax expenses	-100	-176	
Net income after taxes	**460**	**506**	**10.0%**
Non-controlling interests	2	0	
Net income group share	**462**	**506**	**9.6%**
Cost to income ratio	***70%***	***64%***	
Return on Equity	***6.1%***	***6.3%***	

Income at EUR 2,184 m, up 5.5%

- **Net interest income** remained above EUR 2 bn, despite impact of GGB* repayment in February 2015, thanks to 3% increase of Franchise net interest income *(see further)*
- **Net fee income** strongly increased (+11%) as a result of higher off B/S investments by clients, growth in mandates, mutual funds and Branch 23
- **Income on investments and from financial instruments** mainly stemming from positive fair value adjustments on derivatives and capital gains realised on the insurance ALM-portfolio, and negatively impacted by the accelerated tactical de-risking
- **Other income & expenses**: negative evolution is mainly related to the strong increase of sector levies

PF - The 2014 figures have been restated following the reclassification of the Deposit Guarantee Scheme cost, previously recorded in the net interest income, now in other income & expenses

** GGB = government-guaranteed bonds*

Solid financials

Positive evolution of most components of the statement of income (2/2)

(EUR m)	2014 PF	2015	Evolution
Income	**2,071**	**2,184**	**5.5%**
Of which			
Net interest income	*2,087*	*2,024*	
Net fee and commission income	*447*	*497*	
Technical margin on insurance activities	*-296*	*-286*	
Net income on invest., from financial instruments at FV & dividend income	*-129*	*122*	
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Net income group share	**462**	**506**	**9.6%**
Cost to income ratio	***70%***	***64%***	
Return on Equity	***6.1%***	***6.3%***	

- **Expenses** decreased by 3.5% thanks to continued strict cost control
- **Cost of risk** impacted by higher cost of risk in Side, while cost of risk in Franchise remains stable, demonstrating its good credit quality *(see further)*
- **Pre-tax income** at EUR 682 m, up 22% vs 2014
- **Tax expenses** at EUR 176 m, mainly increasing due to higher profit before taxes and lower tax shield from notional interest deduction
- **Net income** stood at EUR 506 m, up 10% vs 2014
- **C/I ratio** strongly improved to 64% compared to 70% in 2014

PF - The 2014 figures have been restated following the reclassification of the Deposit Guarantee Scheme cost, previously recorded in the net interest income, now in other income & expenses

Solid financials

Strongly increasing Franchise results

(EUR m)	2014	2015	Evolution
Income	**2,223**	**2,321**	**4.4%**
Of which			
Net interest income	*2,010*	*2,067*	
Net fee and commission income	*447*	*498*	
Expenses	**-1,434**	**-1,384**	**-3.5%**
Gross operating income	**789**	**937**	**18.8%**
Cost of risk	-67	-65	
Impairments on (in)tangible assets	-5	-13	
Pre-tax income	**716**	**860**	**20.0%**
Tax expenses	-137	-248	
Net income after taxes	**579**	**611**	**5.5%**
Non-controlling interests	2	0	
Net income group share	**581**	**611**	**5.2%**
Cost to income ratio	***65%***	***60%***	
RONRE*	***12.7%***	***14.4%***	

- **Franchise income** at EUR 2,321 m, up 4.4%, despite higher sector levies and impact of mortgage prepayments
  - Continued improving interest income (+3%)
  - Strong increase in fee income (+11%) in line with increased client interest in off balance sheet products
- **Expenses** decreased by 3.5 %
- Stable **cost of risk**
- **Pre-tax income** at EUR 860 m, up 20% vs 2014
- **Franchise net income** at EUR 611 m, up 5% vs 2014
- **C/I ratio** strongly improved to 60% compared to 65% in 2014

** RoNRE : Return on Normative Regulatory Equity, NRE allocated such as to set Franchise at 10.5% CET 1 ratio FL & Side at 13% CET 1 ratio FL*

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Solid financials

Increasing RC results

(EUR m)	2014	2015	Evolution
Income	**1,766**	**1,790**	**1.4%**
Of which			
Net interest income	*1,562*	*1,508*	
Net fee and commission income	*414*	*456*	
Expenses	**-1,109**	**-1,086**	**-2.1%**
Gross operating income	**656**	**704**	**7.3%**
Cost of risk	-56	-38	
Impairments on (in)tangible assets	0	-8	
Pre-tax income	**600**	**658**	**9.7%**
Tax expenses	-179	-203	13.6%
Net income after taxes	**421**	**455**	**8.1%**
Non-controlling interests	0	0	n.s.
Net income group share	**421**	**455**	**8.1%**
Cost to income ratio	***63%***	***61%***	
RONRE	***17.7%***	***20.0%***	

- **RC income** at EUR 1,790 m stable compared to 2014 resulting from
  - a small decrease in interest income (-3.5%) due to the switch from B/S (mainly decrease BR 21) to off B/S products & impact of mortgage prepayments
  - combined with a strong increase in fee income (+10%) in line with increased client interest in off balance sheet products
  - insurance business with RC clients generates around 30% of RC income
- **Expenses** decreased by 2%
- Strong decrease of **cost of risk**, demonstrating good credit quality
- **Pre-tax income** at EUR 658 m, up 10% vs 2014
- **RC net income** at EUR 455 m, up 8% vs 2014
- **C/I ratio** improved to 61% compared to 63% in 2014

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Solid financials

Increasing PC results

(EUR m)	2014	2015	Evolution
Income	**392**	**444**	**13.1%**
Of which			
Net interest income	*395*	*402*	
Net fee and commission income	*39*	*49*	
Expenses	**-210**	**-211**	**0.2%**
Gross operating income	**182**	**233**	**28.1%**
Cost of risk	-21	-28	
Impairments on (in)tangible assets	0	-4	
Pre-tax income	**161**	**201**	**25.0%**
Tax expenses	-52	-67	
Net income after taxes	**109**	**134**	**23.5%**
Non-controlling interests	0	0	
Net income group share	**109**	**134**	**23.5%**
Cost to income ratio	***54%***	***48%***	
RONRE	***12.6%***	***15.8%***	

- **PC income** at EUR 444 m, up 13.1% thanks to
  - Net interest income remaining stable (+2%), benefiting from higher cross sell ratios
  - Fee income increasing by 27 %
  - Insurance business with PC clients generating around 12 % of PC income
- **Expenses** remained stable
- **Cost of risk** remains low
- **Pre-tax income** at EUR 201 m, up 25% vs 2014
- **PC net income** at EUR 134 m, up 24% vs 2014
- **C/I ratio** strongly improved to 48% compared to 54% in 2014

Solid financials

Impact of Side in line with former guidance

(EUR m)	2014	2015
Income	**-152**	**-137**
Expenses	**-14**	**-13**
Gross operating income	**-166**	**-150**
Cost of risk	9	-28
Impairments on (in)tangible assets	0	0
Pre-tax income	**-157**	**-178**
Tax expenses	38	73
Net income after taxes	**-119**	**-105**
Non-controlling interests	0	0
Net income group share	**-119**	**-105**

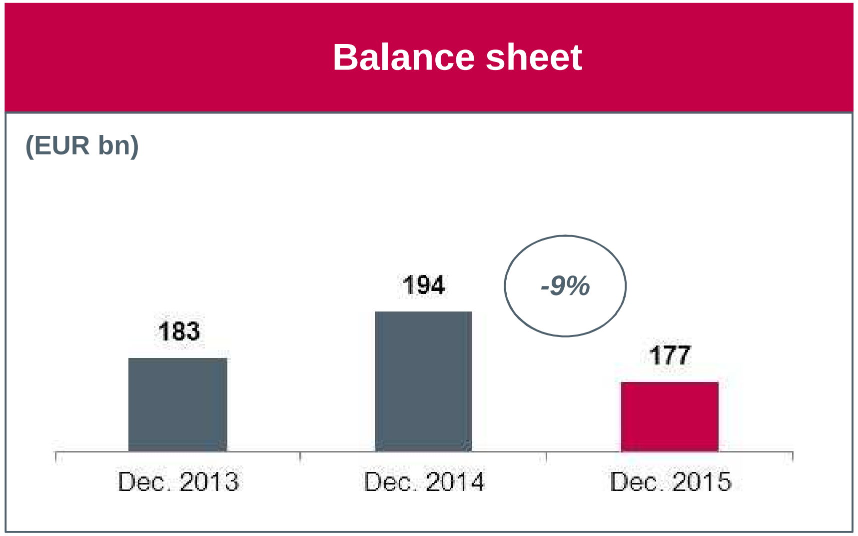
- **Side income** impacted by the accelerated tactical de-risking programme (EUR -133 m of de-risking losses), positive fair value adjustments and lower outstanding volumes (*repayment of GGB**)
- **Expenses** decreased by EUR 1 m
- **Cost of risk** mainly impacted by the increase of collective provisions, due to additional (IBNR) provisioning for some UK/US legacy assets
- **Pre-tax income** at EUR -178 m
- **Side net income** at EUR -105 m compared to EUR -119 m in 2014

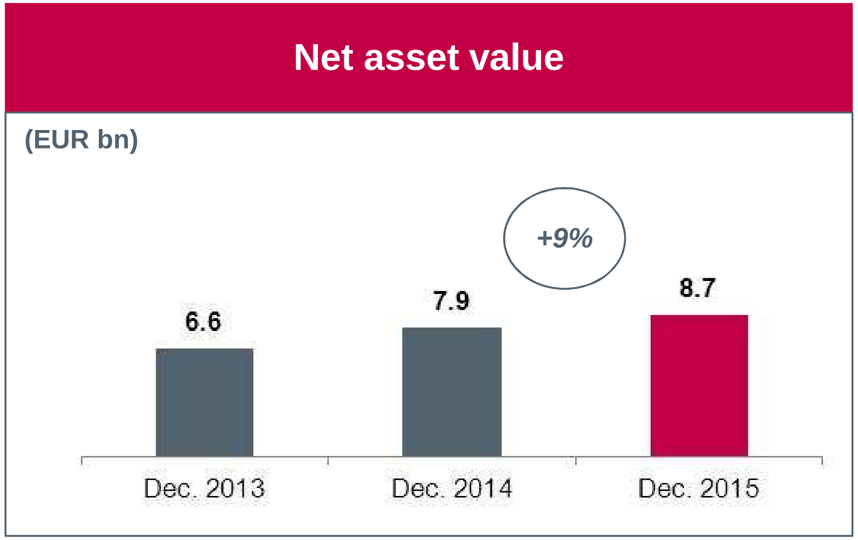
** GGB = government-guaranteed bonds*

Belfius

Solid financials

Decrease of balance sheet, continuous increase of NAV





- **Balance sheet**
  - Total balance sheet decreased to EUR 177 bn over 2015, mainly due to the repayment of the GGB* issued by DCL** which came to maturity in February 2015 and the decrease of the fair value of derivatives & assets classified under AFS as well as the related collateral following interest rate evolution in 2015

- **Net asset value**
  - Total shareholders' equity further increased to EUR 8.7 bn by the end of Dec. 2015, mainly thanks to the net income for the period and improvement of the AFS reserve

** GGB = government-guaranteed bonds ** DCL = Dexia Crédit Local*

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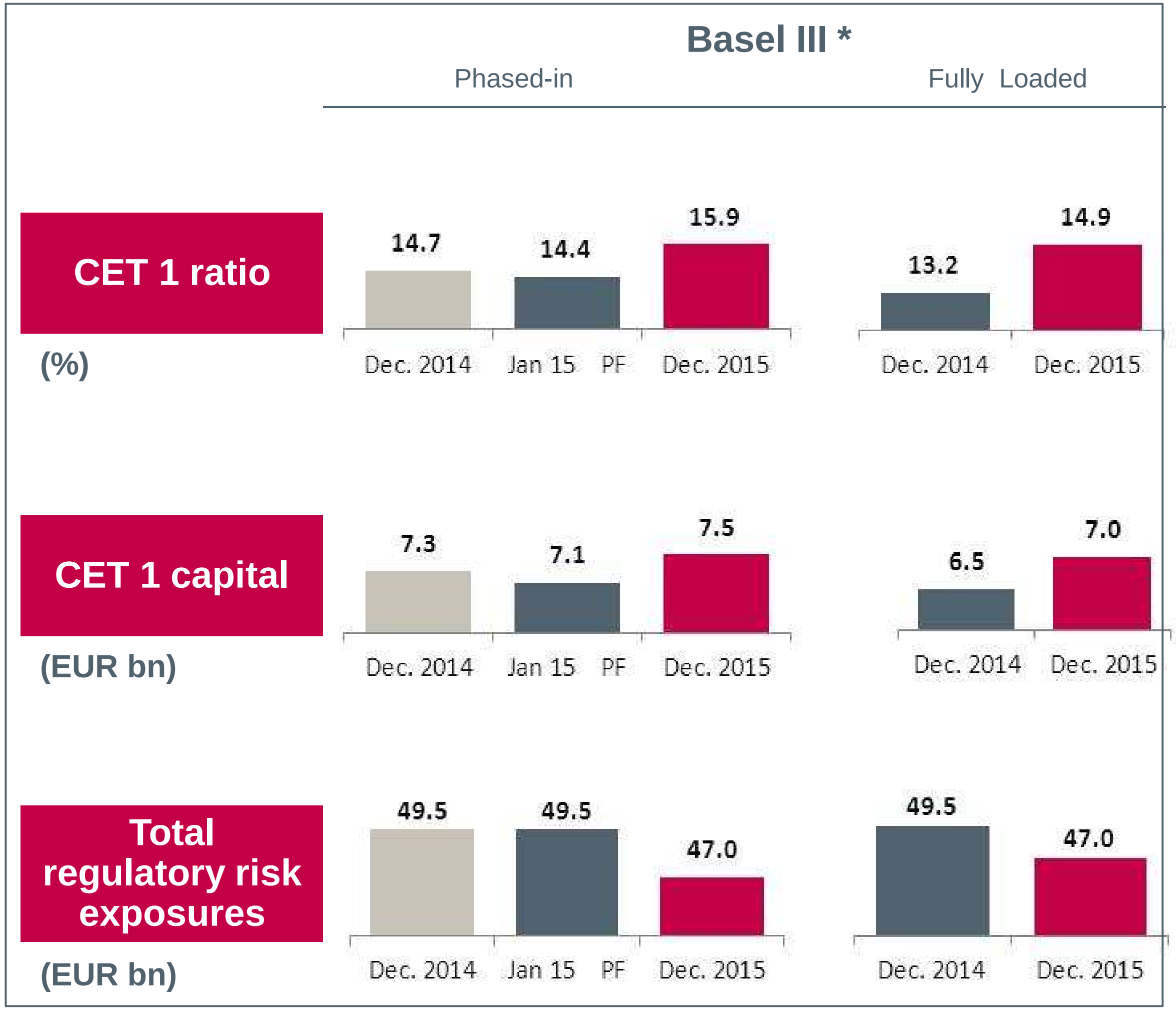
Part 4

ROBUST SOLVENCY & LIQUIDITY

Robust solvency & liquidity

Solvency position continues to stay robust



- **Further increase of the Solvency ratios in 2015**
  - **Fully loaded CET 1 ratio** stood at **14.9%**, up 162 bps vs 2014
  - **Phased-in CET 1 ratio** stood at **15.9%**, up 121 bps vs 2014, well above 11.25% supervisory requirement including
    - 10.75% SREP requirement (including capital conservation buffer)
    - 0.5% Systemic Buffer (O-SII) (growing to 1.5% in 2018)
    - Strong decrease in regulatory risk exposures mainly due to tactical de-risking, further refinement of PCB risk weight models, partly offset by a market RWA increase
  - **Solvency I** ratio Belfius Insurance stood at 221% end 2015 (**)
  - **Solvency II** ratio Belfius Insurance stood at 212% as of 1 /1/2016 PF (**)

- *According to : (i) Danish compromise : For the determination of the Common Equity Tier 1 capital , the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill and (ii) prudential filter for negative AFS reserve on sovereign portfolio for up to 5% of such portfolio*

PF - The shift in grandfathering in 2015 (i.e. 40% vs 20% in 2014) has a negative impact of 28 bps

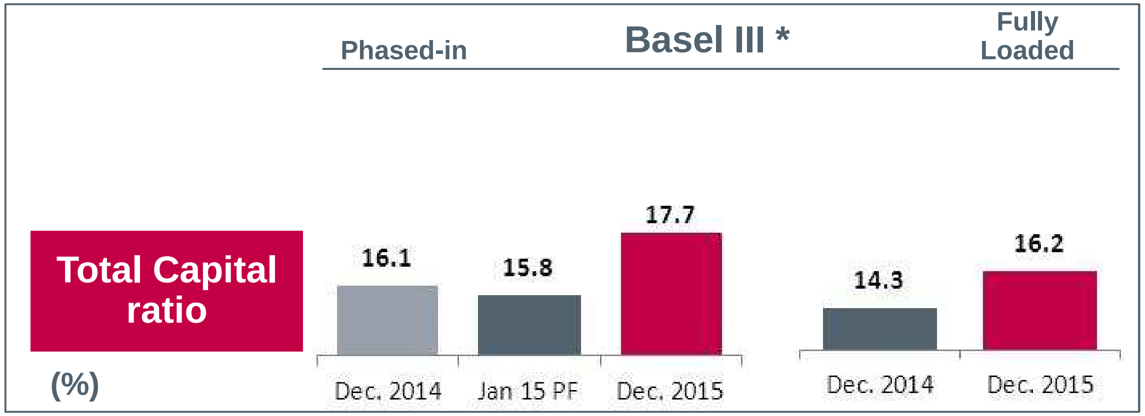
*** Before dividend 2016*

Belfius

Robust solvency & liquidity

Total capital position continues to increase

- **Further increase of Total Capital ratio in 2015**
  - **Phased-in Total Capital ratio** at **17.7%**, up 159 bps vs Dec. 2014
  - **Fully-loaded Total Capital ratio** at **16.2%**, up 195 bps vs Dec. 2014



- **Further increase of the Leverage ratio (EU Delegated Act) in 2015**
  - **Phased-in** Leverage ratio at **5.3%,** up 108 bps vs Dec. 2014
  - **Fully-loaded** Leverage ratio at **4.9%,** up 119 bps vs Dec. 2014

** According to : (i) Danish compromise : For the determination of the Common Equity Tier 1 capital, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill ; (ii) prudential filter for negative AFS reserve on sovereign portfolio for up to 5% of such portfolio and (iii) Fully Loaded : only full Basel III compliant T2 included.*

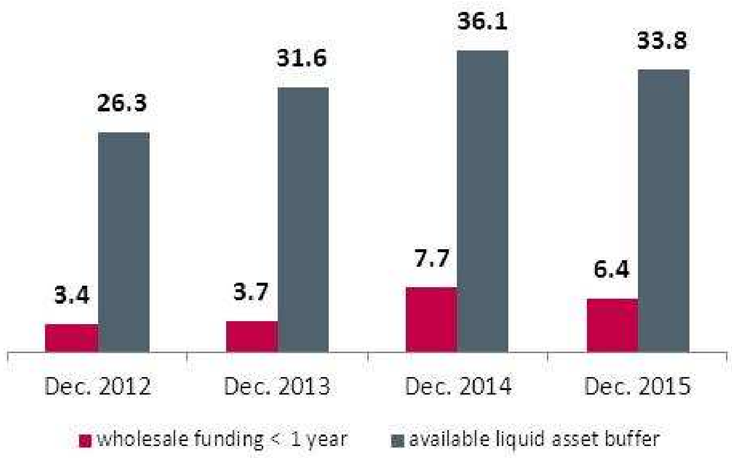
PF The shift in grandfathering in 2015 (i.e. 40% vs 20% in 2014) has a negative impact of 29 bps

Robust solvency & liquidity

Liquidity profile of Belfius continues to benefit from executed strategy

- Execution of the funding plan leads to continued strong **liquidity profile,** despite a challenging interest rate environment
  - **LCR*** stood at **132%** and **NSFR**** at **108%** as of 31 December 2015
  - The bank has an **available liquid asset buffer** of EUR 34 bn as of 31 December 2015, almost 5 times the wholesale funding maturing within 1 year

(EUR bn)



The **wholesale funding < 1 year** refers to the unsecured money market & LT wholesale funding maturing within 1 year

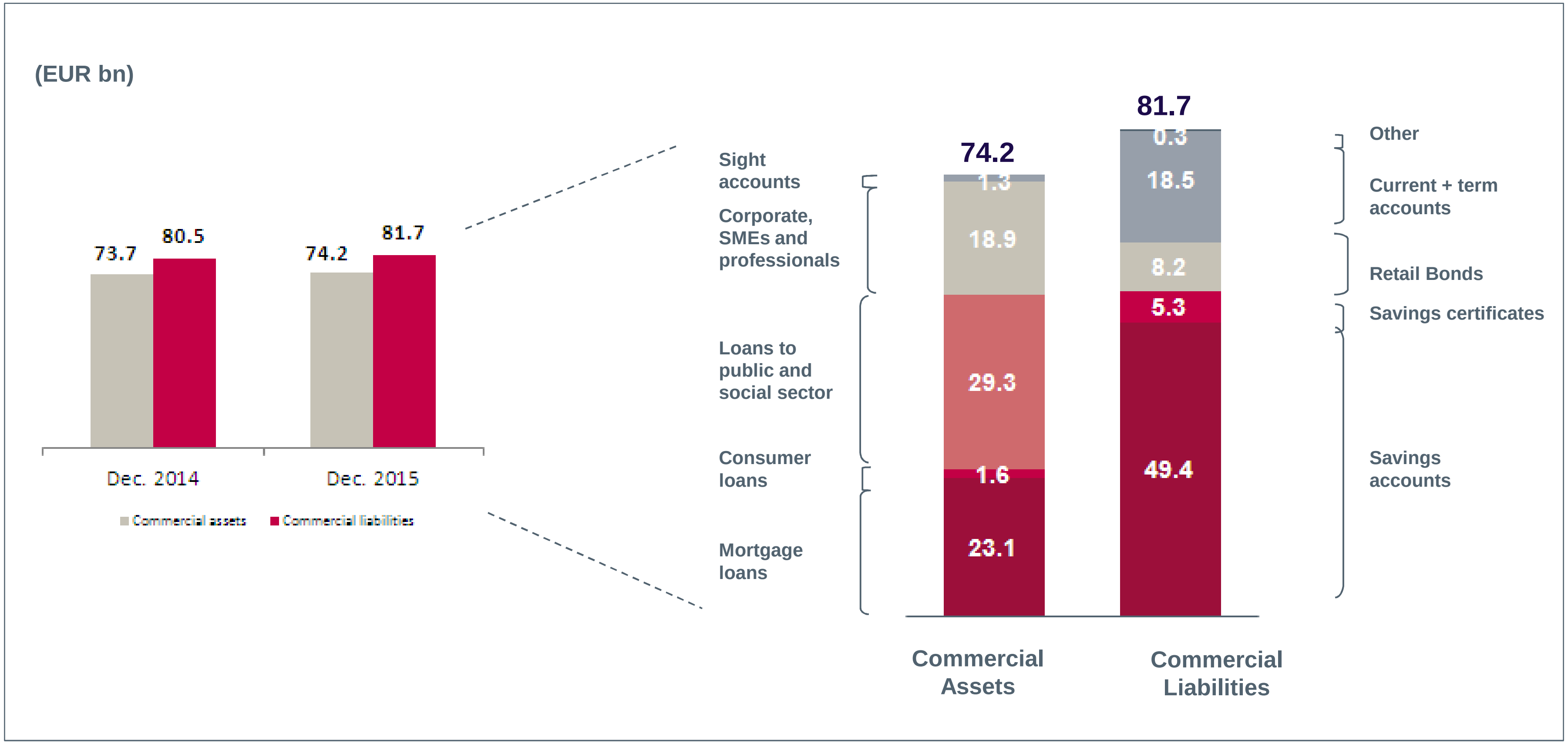
The **available liquid asset buffer** includes the liquid assets rapidly tradable in the market and the central bank eligible assets, unencumbered net of haircuts

* *The Liquidity Coverage Ratio (LCR) refers to the ratio between the stock of high quality liquid assets and the total net cash outflow over the next month under stress and is based on Belfius' interpretation of the current Basel Committee guidelines, which may* change in the future

** *The Net Stable Funding Ratio (NSFR) refers to the ratio between the available amount of stable funding and the required amount of stable funding and is based on Belfius' interpretation of the current Basel Committee guidelines, which may change in the future*

Robust solvency & liquidity

A sound L/D - ratio in the commercial balance sheet

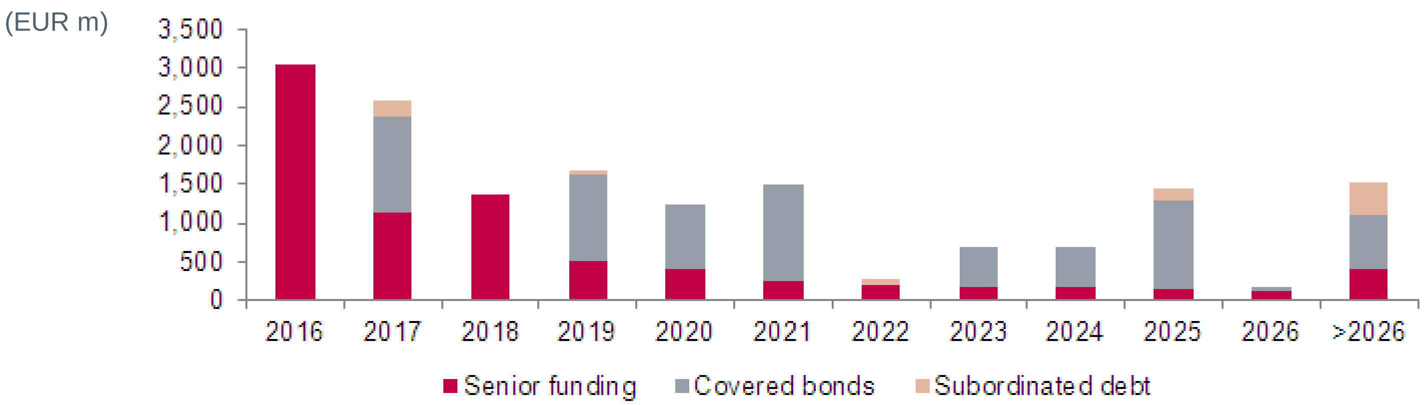


- The **commercial balance sheet** shows an increasing excess of funding of EUR 7.5 bn in 2015 versus EUR 6.8 bn year-end 2014
- **Loan-to-deposit ratio** moved to 91% end 2015 compared to 92% end 2014

Robust solvency & liquidity

Belfius continues to diversify its funding, climbing up the ladder of "juniority"

- **The highlights of Belfius' funding plan are :**
  - Belfius was the first issuer of Belgian covered bonds (Nov. 2012) with the set up of its Mortgage Pandbrieven Programme
  - Set up of EMTN programme, with Belfius as an active issuer of private placements
  - Set up of ECP programme and reactivating the CD programme
  - Development of N-Bonds format for Mortgage Pandbrieven
  - Launch of the second Belfius covered bond programme (Oct. 2014) being the Public Pandbrieven Programme (as first Belgian issuer)
  - Launch of the first Belfius RMBS transaction to be offered to external investors (Oct. 2015), being the first Belgian RMBS since 2007
- **Redemption profile of medium/long term wholesale funding***



** As of Dec. 2015*

Belfius

Robust solvency & liquidity

Belfius' various issuing programmes

	Outstanding End Dec. 2015	**Issuer**	**Listing**
Belfius Euro Commercial Paper Programme (Institutional)	EUR 1.2 bn *(end 2014 : EUR 960 m)*	Belfius Financing Company with guarantee of Belfius Bank	Not listed
Belfius CD Programme (Institutional)	EUR 3.0 bn *(end 2014 : EUR 2.7 bn)*	Belfius Bank	Not listed
Belfius Mortgage Pandbrieven Programme (Institutional)	EUR 5.5 bn *(end 2014 : EUR 4.5 bn)*	Belfius Bank	Euronext Brussels
Belfius Public Pandbrieven Programme (Institutional)	EUR 1.8 bn *(end 2014 : EUR 1.75bn)*	Belfius Bank	Euronext Brussels
EMTN Programme (Institutional)	EUR 4.6 bn *(end 2014 : EUR 4.7 bn)*	Belfius Bank	Luxembourg Stock Exchange
Belfius Notes Issuance Programme (Retail)	EUR 8.2 bn *(end 2014 : EUR 10 bn)*	Belfius Bank, and Belfius Financing Company with guarantee of Belfius Bank	Not listed

Belfius

Robust solvency & liquidity
Ratings

Ratings of Belfius Bank as at 24 February 2016

	Stand-alone rating (*)	Long-term rating	Outlook	Short-term rating
Fitch	bbb+	BBB+	Positive	F2
Moody's	baa3	A3	Stable	Prime-2
Standard & Poor's	bbb+	A-	Negative	A-2

- Latest rating actions:
  - Since May 2015, Fitch no longer applies government support for banks. As a consequence the LT-rating of Belfius is now fully driven by its stand-alone rating
  - In December 2015, S&P also decided to fully remove government support for banks, and applied an additional positive transitional notch for Belfius, as such affirming its LT-rating at A-
  - In January 2016, Moody’s upgraded Belfius’ stand-alone rating to baa3 and its LT-rating to A3

** Intrinsic creditworthness*

Belfius

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Part 5

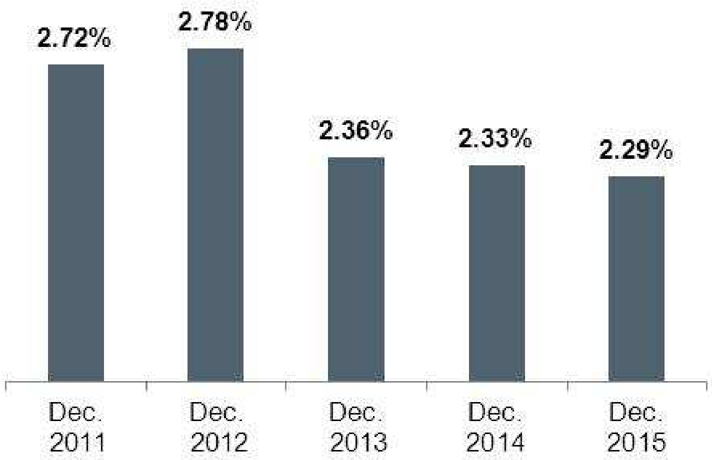
SOUND RISK PROFILE

Sound risk profile

Continued strong asset quality indicators

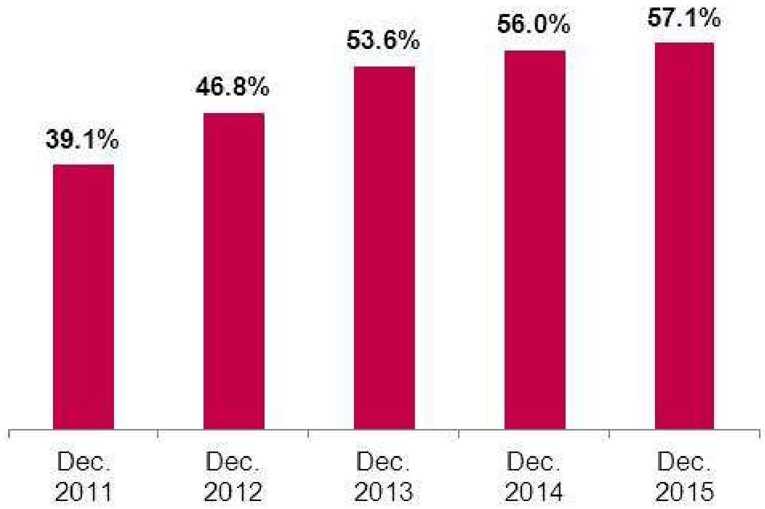
Asset quality ratio

$$\frac{\text{Impaired loans and advances to customers}}{\text{Loans and advances to customers (gross)}}$$



Coverage ratio

$$\frac{\text{Specific Impairments}}{\text{Impaired loans and advances to customers}}$$



- Despite still challenging economic environment, **asset quality ratio** remains stable
- **Coverage ratio** remains above the 50% mark (December 2015 at 57.1%)

Sound risk profile

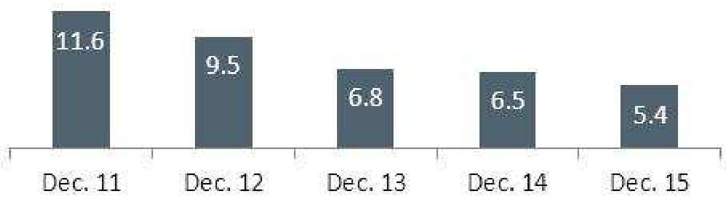
Excellent de-risking track record

Legacy

(EUR bn)

Legacy bond portfolio

Legacy credit guarantees



Funding to Dexia

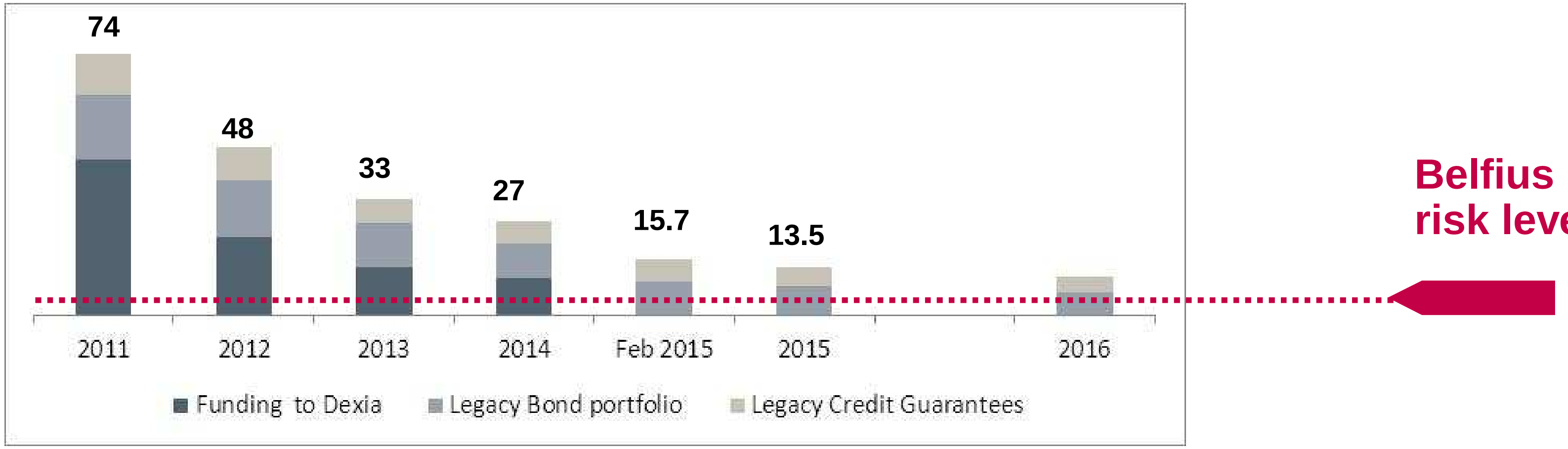
- Since 2011, Belfius has implemented a tactical de-risking plan alongside its focus on the development of its commercial activities
- **Legacy bond portfolio**
  - Since 2011 the legacy bond portfolio has decreased by EUR 10.2 bn (or -56%) of which two-third due to tactical de-risking and one third of natural amortizations
  - In 2015, EUR 1 bn of de-risking executed
- **Legacy credit guarantees***
  - Since 2011 the legacy credit guarantees portfolio has reduced by EUR 6.2 bn (or -54%)
  - In 2015, EUR 0.6 bn of de-risking executed
- **Funding to Dexia**
  - The remaining amount of government-guaranteed bonds has been paid back at the beginning of 2015
  - As of Dec. 2015 the funding to Dexia stands at approx. at EUR 62 m

** The Legacy credit guarantees refer to the intermediation transactions whereby, on different types of reference obligations, the former Dexia Bank sold credit protection to a financial counterpart and purchased credit protection with monoline insurers*

Belfius

Sound risk profile

Bringing Side portfolios to Belfius core risk level (1/2)



- **Belfius inherited large Legacy portfolios** from Dexia in 2011
- Belfius has since 2011 **significantly reduced these Side portfolios, towards a risk profile that is manageable for its scope**
- In light of Belfius' view on a lower risk profile for itself and the financial sector, Belfius **will continue further tactical de-risking**, **to bring the Side portfolio** to a risk level **in line with its core Franchise risk profile,** after which it can be integrated in Belfius' ALM-portfolio

Belfius

Sound risk profile

Bringing Side portfolios to Belfius core risk level (2/2)

	2014	Dec. 2015	Target risk profile
Average rating			
Legacy bond portfolio	A -	A -	A -
Legacy credit guarantees	BBB +	A -	A -
NIG share of notional			
Legacy bond portfolio	6 %	6 %	0 – 2 %
Legacy credit guarantees	4 %	0 %	0 – 2 %
Risk concentration			Concentration limits in line with Belfius core risk level
Liquidity			Further improve LCR impact of Legacy

Belfius

Contents

Part **6**

DELIVERING ON COMMITMENTS

Wrap up (1/2)

- **In a challenging 2015 context and beyond,** with a.o. (i) negative interest rates, (ii) volatile financial markets, and (iii) high sector levies in Belgium, **Belfius managed to deliver a strong performance in all domains:**
  - **Net income** (Group share) : **EUR 506 m** (up 10% yoy), with Franchise for the first time above EUR 600 m
  - Very **good Franchise commercial results** leading to **higher income,** combined with **continued successful cost control** resulting in **strongly improving operational efficiency ratio**: **59.6%** down from 65% in 2014
  - **Solid capital** and **liquidity position: CET 1 (PI) at 15.9%, CET 1 (FL) at 14.9%, LCR at 132%** and **NSFR at 108%**
  - **Accelerated tactical de-risking** contributing to Legacy downsizing by EUR 2.5 bn
  - **Net Asset Value (NAV)** further increasing to EUR 8.7 bn, thanks to profit reservation and improvement of AFS reserve

Wrap up (2/2)

- **As such, Belfius advanced swiftly achieving already end 2015 its 2016 commitments**

Belfius' targets 2016

Target 2016	FY 2015	
EUR 500 m annual net result	EUR 506 m	✓
Cost-income ratio Franchise < 60%	59.6%	✓
Continued reduction of the Legacy		*On Track*
Value added for the shareholder		✓
Solvency II ratio > 200%	212%	✓
CET 1 Basel III « phased in » ratio > 13%	15.9%	✓

Belfius

Appendices

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Belfius

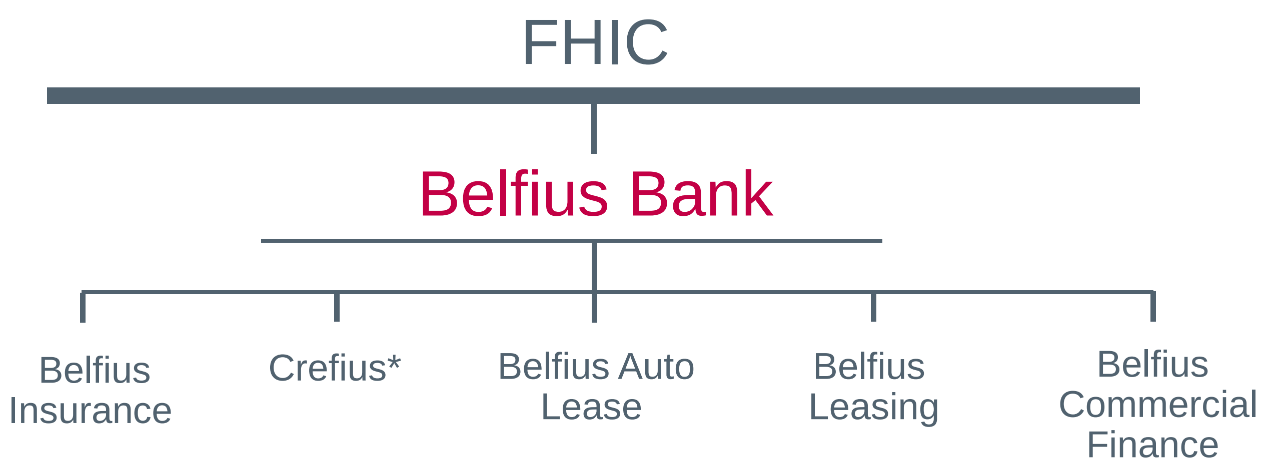
Appendices

Section I – Belfius at a glance

- Appendix 1 : A bank-insurer … with one sole shareholder
- Appendix 2 : Retail & Commercial – description
- Appendix 3 : Public & Corporatel - description

Belfius at a glance

Appendix 1 : A bank-insurer … with one sole shareholder



- Since October 2011, the Belgian federal state, through the Federal Holding and Investment Company (FHIC) has been the sole shareholder of the bank
- In March 2012, Belfius was launched as the new name of the bank-insurer

** Crefius is involved in granting and managing mortgage loans*

Belfius at a glance

Appendix 2 : Retail & Commercial - description

3.5m

724

Retail, Private & Business clients

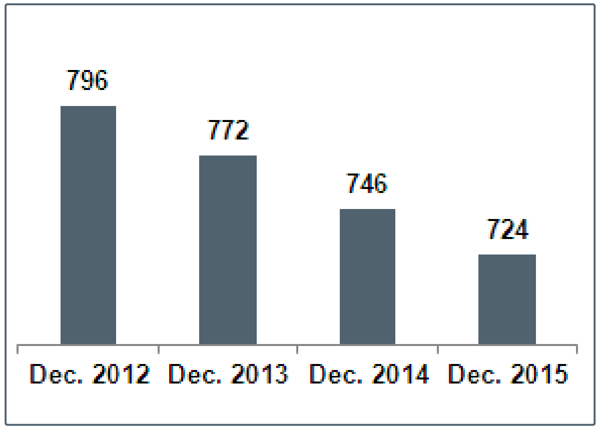
Belfius serves 3.2 million individuals & private customers and 0.3 million business clients (self-employed, SME's) combining personal advice through a network of 724 branches and state of the art applications in internet and mobile banking

Belfius provides a large range of high quality products and services:

- ❑ **payments products & treasury management services**
- ❑ **savings & investments products**
- ❑ **loans, ST & LT-financing, credit lines and/or guarantees**
- ❑ **life & non-life , staff or activity related insurance products**

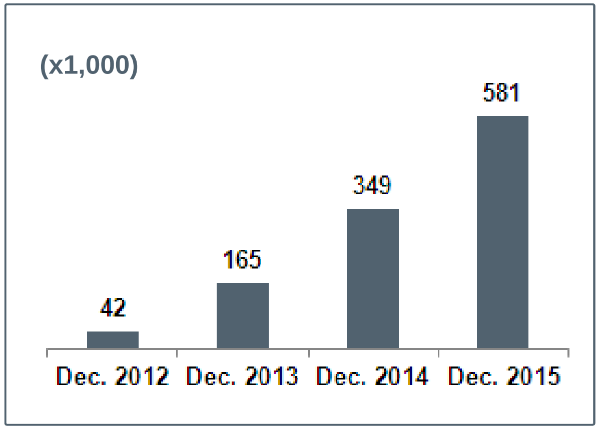
Belfius' distribution offering in line with customer behavorial change

 # bank branches



- ❑ ***In the branches, clients are more and more directed to highly valued personal advice***
- ❑ ***With more than 0.6 m active users, Belfius demonstrates its leading edge in the mobile and digital offer***

 # mobile users



Belfius

Belfius at a glance

Appendix 3 : Public & Corporate - description

12k

Public and Social clients

preferred banking partner of 12,000 public & social clients such as municipalities, provinces, regions and communities, police areas, healthcare sector, schools, universities, housing sector

6k

Corporate clients

with 6,000 clients, challenger in the segment of Belgian corporates where Belfius especially represents the link between public authorities and the corporate environment (Business to Government or “B2G”)

Crucial role in economic activity in Belgium

Either through loan financing

- **Confirmed market leader in lending to local authorities**
- **Smart cities concept**

  EUR 400 m facility line EIB, used for support of intelligent local public projects focusing on energy efficiency, mobility and urban development

Or in accompanying entities issuing public debt

- **Strong debt capital markets activities (DCM)**
- **Participation market share of 84 for public & semi-public sector issues**
- **Total DCM – volume** end of Dec. 2015: **EUR 5.8 bn**

Appendices

Section II – Additional financials

Additional financials

Appendix 4 : Impact sector levies

(EUR m)	2014	2015	Evolution
Income	2,071	2,184	5.5%
of which banklevies	*-157*	*-228*	*45.2%*
Expenses	-1,448	-1,396	-3.5%
Gross operating income	623	787	26.3%
Cost of risk (incl. imp. on (in) tang. assets)	-64	-106	
Pre-tax income	560	682	21.8%
Tax expenses	-100	-176	76.0%
of which banklevies		*-18*	
Net income after taxes	460	506	10.0%
Non-controlling interests	2	0	
Net income group share	**462**	**506**	**9.5%**
of which banklevies	*-104*	*-162*	*55.8%*

- **Sector levies** increased strongly in 2015
  - In 2015, the total amount of sector levies stood EUR 246 m, up 57% compared to 2014

Additional financials

Appendix 5 : Consolidated balance sheet – Assets

(EUR m)	31/12/2014	31/12/2015	Evolution
Loans and advances	**120,630**	**112,083**	**-8,546**
To banks and central banks	*33,472*	*24,894*	*-8,577*
To customers	*87,158*	*87,189*	*31*
Portfolios	**34,022**	**27,974**	**-6,048**
Financial investments (HTM)	*2,835*	*5,017*	*2,183*
Financial investments (AFS)	*25,087*	*19,734*	*-5,353*
Financial assets at FV through P&L	*6,100*	*3,223*	*-2,877*
Derivatives	**31,130**	**25,944**	**-5,187**
Other	**8,626**	**10,961**	**2,335**
Total assets	**194,407**	**176,962**	**-17,445**

- The decrease of **assets** with EUR 17.4 bn *(or* -9%) is a combination of
  - a decrease of loans and advances to banks and central banks (EUR 8.5 bn), as a result of the reimbursements of GGB* (EUR 10 bn), a decrease of cash collateral paid (EUR 3.5 bn) compensated by higher reverse repo activity (EUR 6.1 bn)
  - stable loans to customers
  - a decrease of the portfolio (EUR -6.1 bn) due to sales of bonds and a decline of the fair value following interest rate evolution. *To note: the decrease of financial investments (AFS) is also due to the reclass of EUR 1.5 bn bonds to HTM*
  - a decrease (EUR 5.1 bn) of the fair value of the derivatives resulting from higher interest rates compared to year-end 2014
  - the increase in other (EUR 2.4 bn) is largely due to the decison to sell the insurance subsidiary “International Wealth Insurer” (IWI) and, as such leading to its classification under non current assets held for sale

** GGB = government-guaranteed bonds*

Additional financials

Appendix 6 : Consolidated balance sheet – Liabilities without equity

(EUR m)	31/12/2014	31/12/2015	Evolution
Total deposits	**87,922**	**79,700**	**-8,222**
Banks and central banks	*21,408*	*11,538*	*-9,870*
Customers	*66,514*	*68,163*	*1,649*
Total debt securities	**39,166**	**35,607**	**-3,559**
Debt securities	*29,113*	*27,778*	*-1,335*
Debt securities at FV through P&L	*9,167*	*6,916*	*-2,251*
Subordinated debts	*886*	*913*	*27*
Derivatives	**38,165**	**30,060**	**-8,105**
Provisions	**18,524**	**17,094**	**-1,430**
Other	**2,704**	**5,841**	**3,137**
Total liabilities	**186,481**	**168,302**	**-18,179**

- The decrease of **liabilities** with EUR 18.2 bn *(or -9.7%)* is a combination of
  - lower deposits from banks and central banks (EUR -9.9 bn), following the repayment of LTRO, a decrease of cash collateral and a decrease of repurchase agreements
  - an increase of customer deposits (EUR 1.7 bn)
  - a decrease of total debt securities (EUR 3.6 bn)
  - a decrease (EUR 8.1 bn) of the fair value of derivatives following higher interest rates compared to year-end 2014

Additional financials

Appendix 7 : Consolidated balance sheet – Accounting equity

(EUR m)	31/12/2014	31/12/2015	Evolution
Core shareholders' equity	**7,805**	**8,309**	**504**
Subscribed capital + additional paid in capital	*3,667*	*3,667*	*0*
Reserves + retained earnings	*3,676*	*4,135*	*460*
Net income for the period	*462*	*506*	*44*
Gains and losses not recognised in the statement of income	**119**	**350**	**231**
Reserve AFS (Available for Sale)	*19*	*213*	*194*
Reserve CFH (Cash flowhedge) + other	*-10*	*-12*	*-2*
Remeasurement of Defined Benefit plan	*98*	*120*	*22*
Discretionary participation features	*12*	*29*	*17*
Total shareholders' equity	**7,924**	**8,659**	**735**
Other	**3**	**1**	**-2**
Total equity	**7,927**	**8,660**	**733**

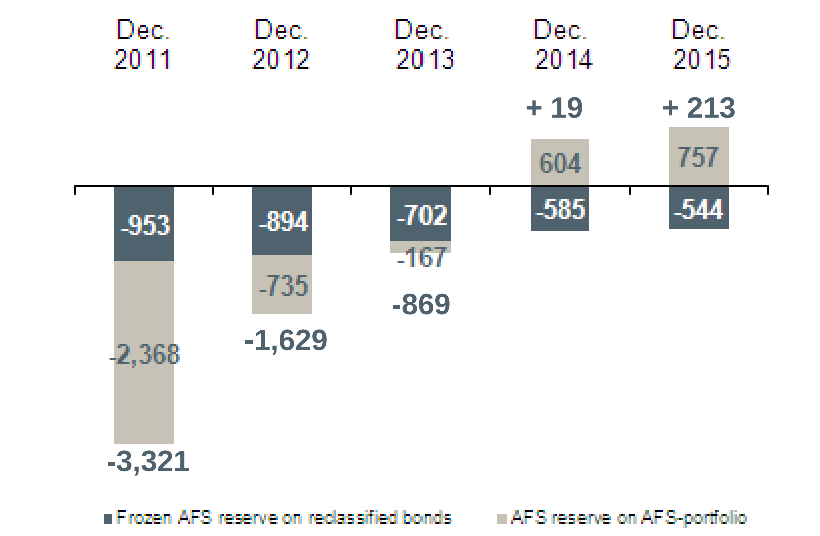
- The increase of **total equity** in 2015 with EUR 733 m is due to
  - the net profit of EUR 506 m reported in 2015
  - an increase of EUR 231 m of gain and losses not recognised in the statement of income

Additional financials

Appendix 8 : Focus on AFS reserve*

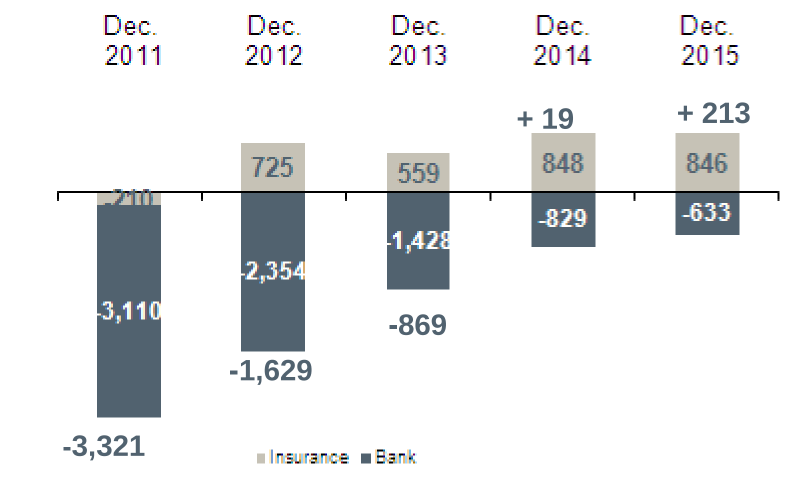
Breakdown Frozen AFS / AFS

(EUR m)



Breakdown Bank / Insurance

(EUR m)



- The total **AFS reserve** stood at EUR + 213 m as at December 2015, an increase of EUR 194 m compared to year-end 2014
  - the increase of the AFS reserve for the banking group (+ EUR 195 m) can be explained by improved credit spreads and further tactical de-risking
  - the AFS reserve for the insurer group remained stable

(*) After tax

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Additional financials

Appendix 9 : Focus on regulatory capital

	Phased-in		Fully Loaded	
	Dec. 2014	Dec. 2015	Dec. 2014	Dec. 2015
Core shareholders' equity	**7,805**	**8,309**	**7,805**	**8,309**
Elimination of Belfius Insurance (*)	*97*	*38*	*97*	*38*
Core regulatory equity	**7,902**	**8,347**	**7,902**	**8,347**
Elimination of foreseeable dividend	0	-75	0	-75
Gains and losses not recognised in the statement of income	-38	-43	-532	-411
Remeasurement Defined Benefit Plan	99	119	99	119
AFS reserve	-815	-623	-815	-623
Transitory measures & filter on govies	678	461	184	93
Items to deduct	-589	-750	-822	-880
Deferred tax assets	-291	-218	-291	-218
Transitory measures	233	131	0	0
Other	-531	-662	-531	-662
Common equity Tier 1 - CET 1	**7,276**	**7,479**	**6,548**	**6,980**
Tier 2 - Capital instruments	666	679	477	475
Other	39	170	39	170
Total regulatory capital	**7,981**	**8,328**	**7,063**	**7,625**

(*) For the determination of the Common Equity Tier 1 capital the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"

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Additional financials

Appendix 10 : Focus on Regulatory Risk Exposures

	Phased-in		Fully Loaded	
(EUR bn)	Dec. 2014	Dec. 2015	Dec. 2014	Dec. 2015
Market risk	1.1	1.8	1.1	1.8
Operational risk	2.7	2.8	2.7	2.8
Credit risk	39.6	36.3	39.5	36.3
Danish compromise (*)	6.1	6.1	6.1	6.1
Total Regulatory Risks Exposures	**49.5**	**47.0**	**49.5**	**47.0**

(*) For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"

Additional financials

Appendix 11 : Focus on capital ratios

	Phased-in		Fully Loaded	
	Dec. 2014	Dec. 2015	Dec. 2014	Dec. 2015
Common equity Tier 1 - CET 1 (EUR m)	7,276	7,479	6,548	6,980
Total regulatory capital (EUR m)	7,981	8,328	7,063	7,625
Total Regulatory Risks Exposures (EUR bn)	49.5	47.0	49.5	47.0
CET 1 ratio	14.7%	15.9%	13.2%	14.9%
Total capital ratio	16.1%	17.7%	14.3%	16.2%

(*) For the determination of the Common Equity Tier 1 capital, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"

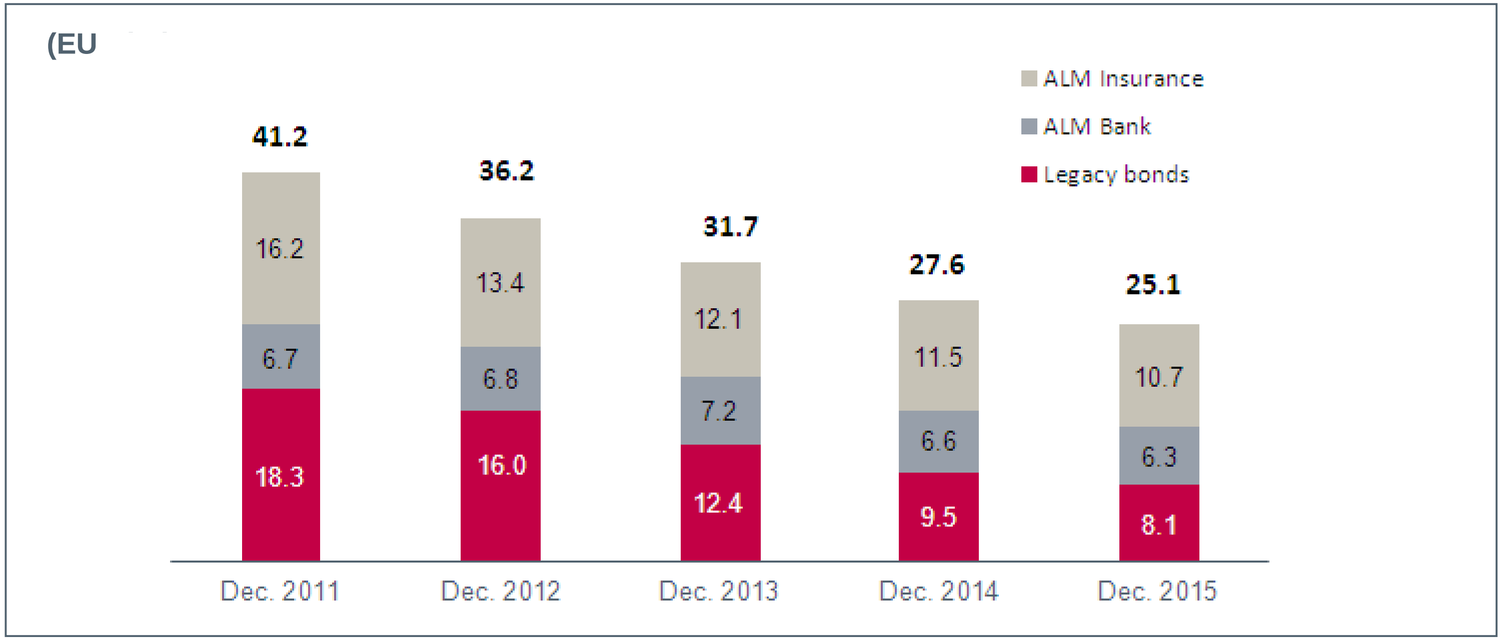
Appendices

Section III – Additional information on risk profile

- Appendix 12 : Investment portfolio – Total
- Appendix 13 : Investment portfolio – Legacy bond portfolio
- Appendix 14 : Investment portfolio – ALM Bank
- Appendix 15 : Investment portfolio – ALM Insurance
- Appendix 16 : Legacy credit guarantees
- Appendix 17 : Outstanding exposure on government bonds

Additional information on risk profile

Appendix 12 : Investment portfolio – Total (1/2)



- Total **fixed income investment portfolio** consists of three parts: the Legacy bond portfolio, the ALM Bank portfolio and the ALM Insurance portfolio
- **Investment portfolio** stood at EUR 25.1 bn as at 31 December 2015, a reduction of EUR 2.5 bn (or -9%) vs December 2014. Since 2011, the total investment portfolio has been reduced by EUR 16.1 bn (or -39%) mainly due to the executed tactical de-risking within the legacy bond portfolio and the natural amortization of the portfolios.

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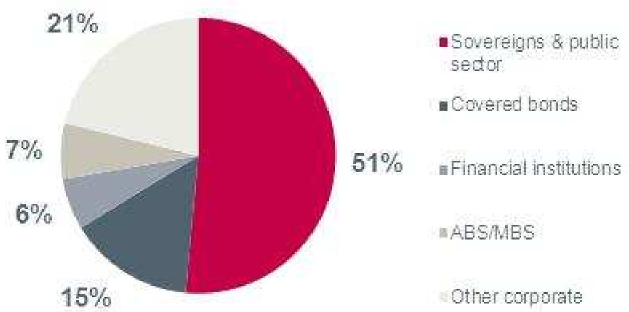
Additional information on risk profile

Appendix 12 : Investment portfolio – Total (2/2)

Breakdown by type of counterpart

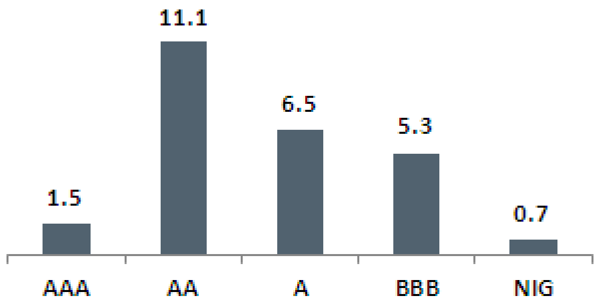
EUR 25.1 bn (as at 31 December 2015)



Breakdown by rating

(EUR bn)

Average rating: A -



NIG – Non Investment Grade

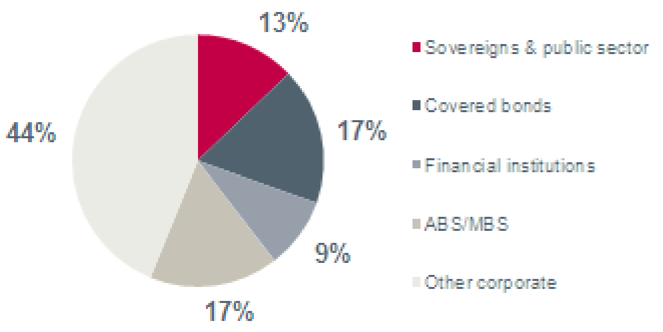
- The **total investment portfolio** is well diversified
- The investment portfolio remains of good quality:
  - 97% of the portfolio is Investment Grade
  - The average rating stood at A-
- Expected average life: 11.5 years

Additional information on risk profile

Appendix 13 : Investment portfolio – Legacy bond portfolio (1/2)

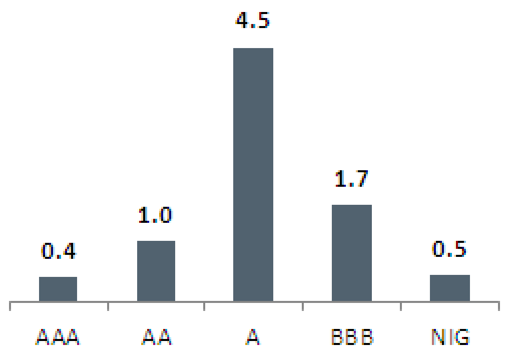
Breakdown by type of counterpart	Breakdown by rating

EUR 8.1 bn (as at 31 December 2015)



(EUR bn)

Average rating: A-



NIG – Non Investment Grade

- **Legacy bond portfolio** stood at EUR 8.1 bn as at 31 December 2015, a reduction of EUR 1.4 bn compared to December 14. The tactical de-risking (EUR 1.0 bn) & natural amortization of the portfolio was partially compensated by FX-effects
- The Legacy bond portfolio remains of good quality by the end of December 2015
  - 94% of the portfolio is Investment Grade
  - The average rating stood at A-
- Expected average life: 15 years

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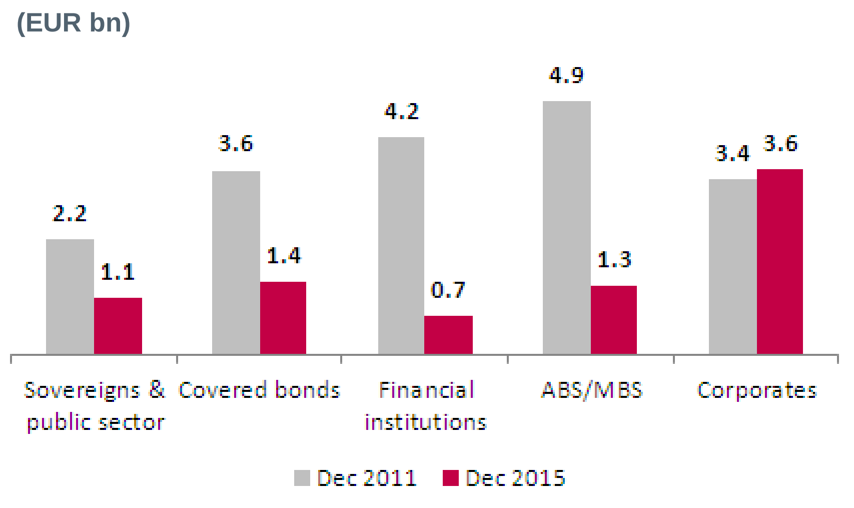
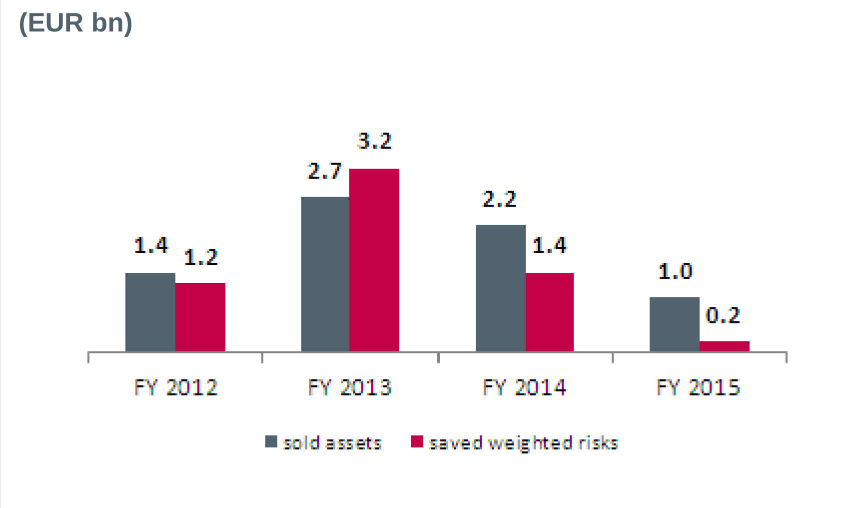
Additional information on risk profile

Appendix 13 : Investment portfolio – Legacy bond portfolio (2/2)

Evolution of outstanding by type of counterpart



Impact tactical de-risking in Legacy bond portfolio



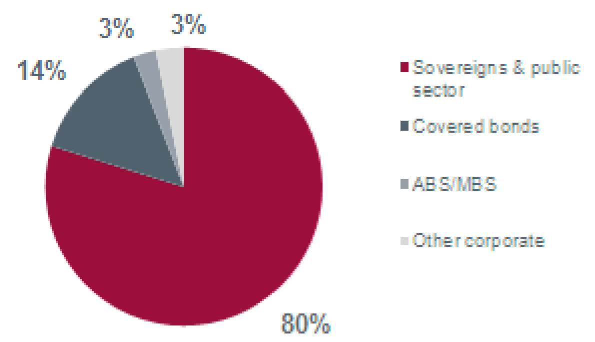
- **Since 2011, the Legacy bond portfolio has been decreased by more than half (56%) or EUR 10.2 bn** of which two-third due to tactical de-risking and one third of natural amortizations.
- The tactical de-risking has been mainly executed in the asset categories financial institutions (-83%), asset-backed securities (-73%), international sovereigns & public sector (-51%) and covered bonds (-6%). The outstanding amount of corporates is slightly increasing due to FX-effects
- EUR 7.3 bn tactical de-risking executed in Legacy bond portfolio since 2011, of which EUR 1.0 bn in 2015

Additional information on risk profile

Appendix 14 : Investment portfolio – ALM Bank

Breakdown by type of counterpart

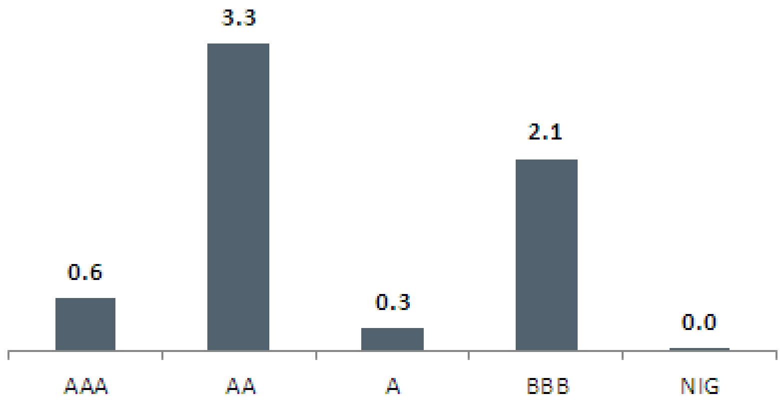
EUR 6.3 bn (as at 31 December 2015)



Breakdown by rating

(EUR bn)

Average rating: A



NIG – Non Investment Grade

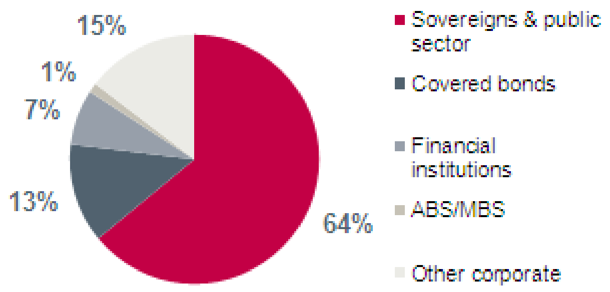
- **ALM Bank portfolio** stood at EUR 6.3 bn as at 31 December 2015, compared to EUR 6.6 bn as at 31 December 2014
- The ALM bank portfolio is of good quality
  - 99.4% of the portfolio is Investment Grade
  - The average rating stood at A
- Expected average life: 12.4 years

Additional information on risk profile

Appendix 15 : Investment portfolio – ALM Insurance

Breakdown by type of counterpart

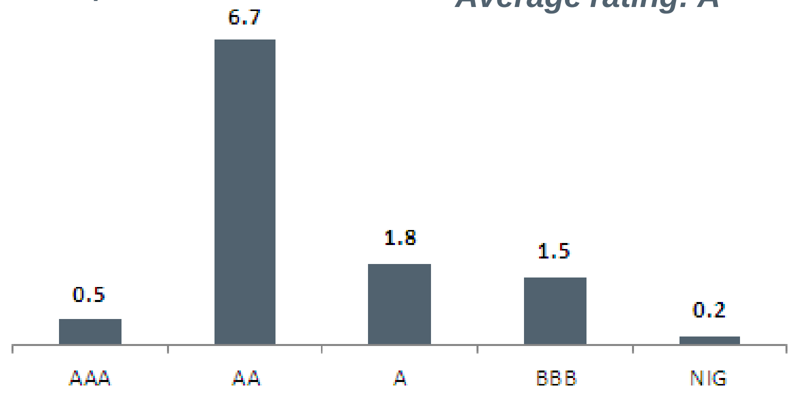
EUR 10.7 bn (as at 31 December 2015)



Breakdown by rating

(EUR bn)

Average rating: A



NIG – Non Investment Grade

- **ALM Insurance fixed income portfolio** stood at EUR 10.7 bn as at 31 December 2015 compared to EUR 11.5 bn as at December 2014
- The ALM Insurance portfolio remains of good quality
  - 98% of the portfolio is investment grade
  - The average rating stood at A
- Expected average life: 8.3 years

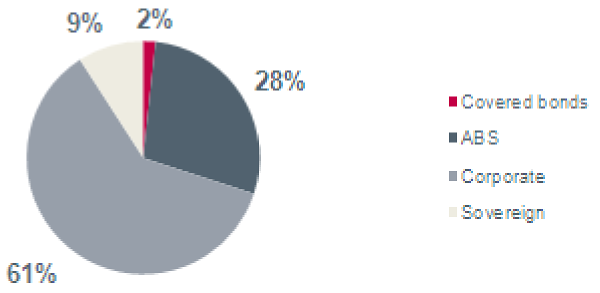
Belfius

Additional information on risk profile

Appendix 16 : Legacy credit guarantees

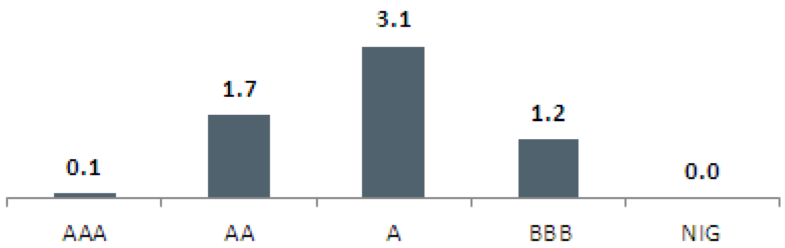
Breakdown by type of counterpart	Breakdown by final rating

EUR 5.4 bn (as at 31 December 2015)



(EUR bn)

Average rating: A-



NIG – Non Investment Grade

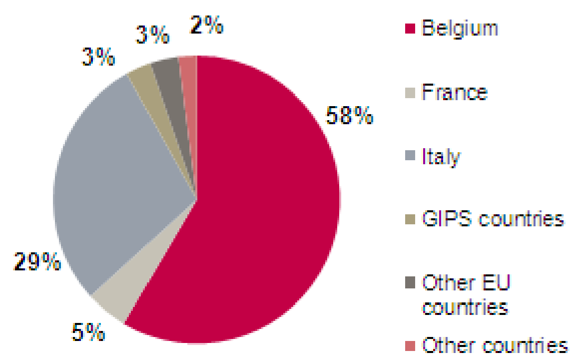
- **Legacy credit guarantees portfolio** stood at EUR 5.4 bn as at 31 December 2015, down EUR 1.1 bn (of which EUR 0.6 bn due to tactical de-risking) compared to December 2014
- Legacy credit guarantees portfolio is of good quality
  - 100% of the portfolio is Investment Grade, compared to 96% by the end of 2014
  - The average rating stood at A -
- Expected average life: 7.9 years

Additional information on risk profile

Appendix 17 : Outstanding exposure on government bonds

(EUR m)	31/12/2014	31/12/2015
Belgium	7,437	8,132
France	495	662
Italy	5,107	3,986
GIPS countries	177	390
Other EU countries	340	447
Other countries	295	287
Total	**13,851**	**13,904**

Breakdown as at 31 December 2015



- Total **government bond portfolio** stood at EUR 13.9 bn* as at 31 December 2015 stable compared to December 2014
- More than half of the portfolio (58%) remains invested in Belgian government bonds
- The relative proportion of the Italian government bonds decreased from 37% in 2014 to 29% in 2015, due to the sale of EUR 1.3 bn during 2015

Note: Figures are based on EaD – Exposures at Default pre CCF

Appendices

Section IV – Additional information on insurance

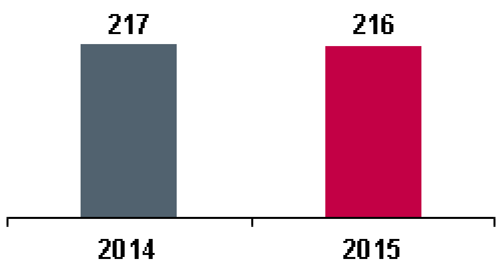
- Appendix 18 : Focus on insurance results
- Appendix 19 : Belfius Insurance - Consolidated balance sheet
- Appendix 20 : Belfius Insurance - Consolidated statement of income

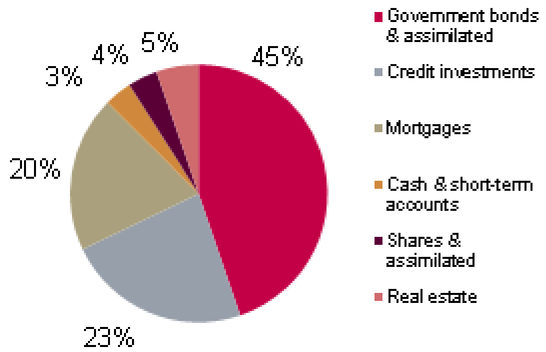
Additional information on insurance

Appendix 18 : Focus on insurance results

Net profit	Diversified asset allocation (*)	Key ratios (*)

(EUR m)





** As at 31 Dec. 2015*

Cost/outstanding ratio Life : 0.3%

Cost/premium ratio Non-Life : 18.4%

Underlying combined ratio : 96.4%

Customer satisfaction : 95%

- Continued focus on integrated bank-insurance approach
  - Net profit stood at EUR 216 m in 2015
  - Solvency I ratio Belfius Insurance stood at 221% end 2015 (**)
  - Solvency II ratio Belfius Insurance stood at 212% as of 1/1/2016 PF (**)
- Prudent investment strategy of the asset portfolio
  - Well-diversified asset allocation
  - Financial return on average life outstanding > 4%
- Most efficient insurer on the Belgian market enjoying high customer satisfaction

** *Before dividend*

Additional information on insurance

Appendix 19 : Belfius Insurance – Consolidated balance sheet

(EUR m)	31/12/2014	31/12/2015	Evolution
Total assets	**27.003**	**26.967**	**-36**
of which			
Loans and advances due from banks	1.439	1.097	-343
Financial investments	14.014	13.441	-574
Financial assets measured at fair value through profit and loss	4.074	1.991	-2.084
Mortgage and other loans	6.517	5.908	-609
Investment property	392	411	19
Other assets specific to insurance companies	313	503	190
Total liabilities	**24.933**	**24.790**	**-143**
of which			
Due to banks	1.591	1.424	-167
Technical provisions for insurance companies	18.051	16.695	-1.357
Financial liabilities measured at fair value through profit and loss	4.074	1.991	-2.084
Other liabilities specific to insurance companies	214	394	179
Total equity	**2.070**	**2.177**	**107**
of which			
Core shareholders' equity	1.203	1.278	75
Gains and losses not recognized in the statement of income	852	869	17
Non-controlling interests	3	1	-2
Discretionary Participation Feature	12	29	16

Additional information on insurance

Appendix 20 : Belfius Insurance – Consolidated statement of income

(EUR m)	2014	2015
Income	**506**	**492**
Net technical income	*-296*	*-286*
Financial income	*797*	*776*
Other income	*5*	*2*
Expenses	**-215**	**-220**
Gross operating income	**291**	**272**
Cost of risk	*-4*	*6*
Pre-tax income	**287**	**278**
Tax expenses	*-68*	*-60*
Net income after taxes	**219**	**218**
Non-controlling interests	*2*	*0*
Net income group share	***220***	***218***
of which contribution to consolidated results Belfius Bank	***217***	***216***

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