



Belfius FY2017 Results

Presentation to analysts and investors

23 February, 2018



1. Summary Highlights

- **Belfius' Net Income 2017 stands at EUR 606m**, up 13% from 2016; Operational Net Income 2017 (excluding one-off elements) at EUR 615m, up 12% from 2016.
- **Further growing commercial franchise and efficient financial management continue to support the development of operational profit**
 - Net interest income of the bank increase of 5% despite low interest rate environment
 - Fee & Commission income of the bank increase of 7% thanks to successful bancassurance strategy and development of assets under management
 - Costs remain well controlled at EUR 1,369m, even in light of accelerating investments in the digitalization of banking services in Belgium, leading to C/I ratio of 58.1% (57.3% on operational basis)
 - Benign economical and liquidity environments continue to translate into historically low cost of risk which further benefited from reversal of provisions in 2017 (EUR - 33m in 2017 vs. EUR - 116m in 2016)
- New corporate tax law in Belgium¹ leading to a **one-off DTA value reassessment** impacting 2017 net income by EUR -106m. **Net income in 2017 would have been EUR 711m without this impact.**
- Belfius continues to demonstrate **solid solvency levels**: 15.9% CET1 FL at consolidated level and 219% SII ratio for Belfius Insurance
- Strong results and benign financial markets further **increasing net asset value** to EUR 9.5bn
- Focus on operational and diversified profit capacity and efficiency to serve should allow for sustainable dividend capacity. Indeed, based on these solid figures, Belfius Board of Directors **will propose an ordinary dividend of EUR 363m** (o.w. EUR 75m interim dividend already paid in September 2017) to the General Assembly, representing a dividend pay out ratio of 60% of the consolidated Net Income 2017.

From 2011 to 2017

2011

€-1.4bn

Net Income

>100%

Cost/
Income ratio

<8%

CET1 Ratio
Basel III FL

<100%

Solvency II
ratio

€3.3bn

Net Asset
Value

-

Dividend

October 2011

Dexia Bank Belgium acquired
by the Belgian State and
rebranded Belfius

- Banking and sovereign crisis 2008-2011
- Financial solidity: non-core legacy portfolio weighing heavily
- Human aspect: loss of pride and motivation of staff
- Brand image: lack of customer confidence

December 2017

Belfius continues to show solid
balance sheet and growing
profitability

- Improving efficiency with C/I < 60%
- 95.9% customer satisfaction
- Number 1 in mobile banking
- 93% employee satisfaction

2017

Net Income

€606m

Cost/
Income ratio

58.1%

CET1 Ratio
Basel III FL

15.9%

Solvency II
ratio

219%

Net Asset
Value

€9.5bn

Dividend¹

€363m

2. Belfius at a glance

- **Integrated bank-insurer**
 - Net Income of EUR 606m, of which EUR 435m Bank and EUR 171m Insurance
 - Growing bank-insurance franchise, with non-life premiums growth of 13% via bank distribution channel
 - Leadership position in public sector and successful development with upside potential in corporate
- **Anchored in all segments of the Belgian economy**
 - 3.5 m customers in Retail & Commercial (RC) and 23k customers in Public & Corporate (PC)
 - Loans to customers of EUR 83bn, ow EUR 45bn to RC clients and EUR 38bn to PC clients
 - Savings and Investments of EUR 138bn, ow EUR 106bn RC and EUR 32bn PC
 - Well distributed physical distribution channel all over the country, complemented by top-notch digital and remote service channels
- **Focused on customer satisfaction**
 - N° 1 in bank digital app score in Belgium
 - > 95% of satisfied customers
- **Risk and financial management as two key pillars allowing dynamic commercial development**
 - Strong solvency and liquidity position, solidly respecting regulatory minima allowing to cope with general economical, geo-political and regulatory uncertainties



Successful integrated bank-insurer anchored in all segments of the Belgian economy

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

Belfius Bank & Insurance

Retail & Commercial Banking

Insurance

Public & Corporate Banking

Retail & Commercial (RC)¹

- #2² bank-insurer with more than 3.5m customers
- #1 in mobile banking³
- #4⁴ bank to 300,000 professional customers
- EUR 45bn loans to customers
- EUR 106bn savings and investments

Public & Corporate (PC)¹

- #1 bank to 12,000 Public sector customers
- #4⁴ bank to 10,600 Corporate customers
- EUR 38bn loans to customers
- EUR 32bn savings and investments

Group Center (GC)¹

- ALM Liquidity Bond portfolio (EUR 8.1bn)
- Run-off portfolios
 - ALM Yield Bond portfolio (EUR 3.7bn)
 - Derivatives and guarantees
- Other non-core activities

3. Group Highlights

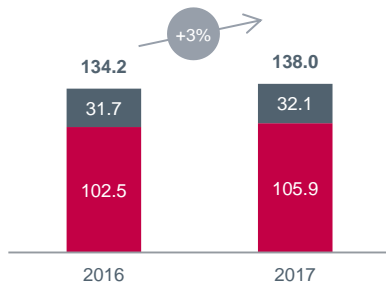
- Strong **commercial momentum leading to volume growth** in customer balances, lending and insurance premiums
- **Higher volumes, strict tariff management, efficient interest rate hedging and benign financial markets** (leading to decreasing wholesale funding costs) result in resilient NII despite continuing low interest rate environment
- **Focus on revenue diversification** from asset management and bancassurance leads to continued good momentum in fee & commission income
- Strategic transformation of product mix towards non-life insurance and unit-linked leading to **sustained insurance contribution**. Efficient ALM allows for solid Life insurance margins
- **Further efficiency gains**, especially at bank side, and **historically very low cost of risk** are further supporting robust bottom line expansion leading to a Net Income of EUR 606m, up 13% from 2016 and an Operational Net Income (excluding one-off elements) of EUR 615m, up 12% from 2016.

Commercial activity: continued volume growth in customer balances, lending and insurance premiums

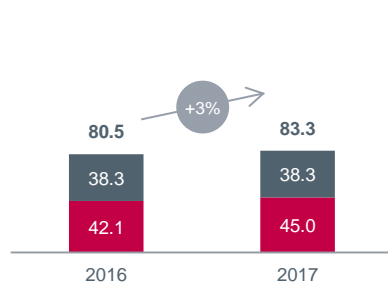
Group

Savings & investments and loans to customers

Outstanding savings & investments
EUR bn



Outstanding loans to customers
EUR bn



■ RC ■ PC

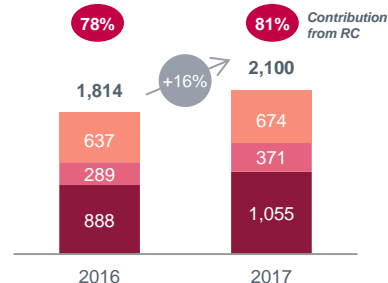
■ RC ■ PC

- Total savings & investments amounted to EUR 138bn in 2017, up 2.8% compared to 2016
 - RC benefits from c. EUR 2.4bn organic growth and favourable market evolution
 - Slight increase in new balance sheet and asset management products within PC
- Increase of loans outstandings (+3.5%) mainly driven by
 - a strong growth in mortgage and business loans
 - successful commercial strategy towards Belgian corporates

Insurance

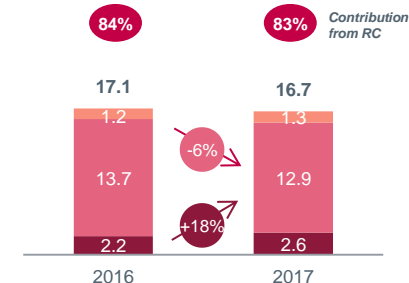
Insurance sales and reserves

Insurance production
EUR m



■ Life GWP ■ Life transfers / renewals ■ Non-life GWP

Insurance reserves
EUR bn



■ Unit-Linked (Branch 23) ■ Guaranteed products (branch 21, 26 & 27) ■ Non-life

- Strong increase of Non Life GWP to EUR 674m in 2017 (up 5.8% compared to 2016, ahead of the market at circa +2%¹), with a strong performance in bancassurance (+12.5 %)
- Life insurance production stood at EUR 1,426m in 2017 (up 21.2% compared to 2016) driven by growth in both new premium collection and a higher level of transfers/renewals
- Continued implementation of the strategy to switch from guaranteed yield products to unit linked products (+18.4% increase in unit linked reserves), boosted by bancassurance

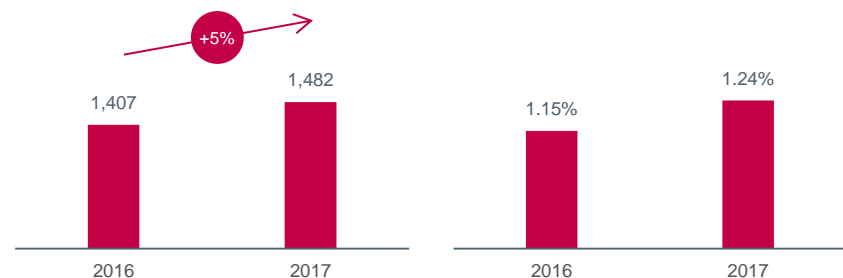
Resilient bank NII combined with good momentum in bank fee & commission income

Bank

Resilient bank NII despite continuing low interest rate environment

Net interest income

EUR m



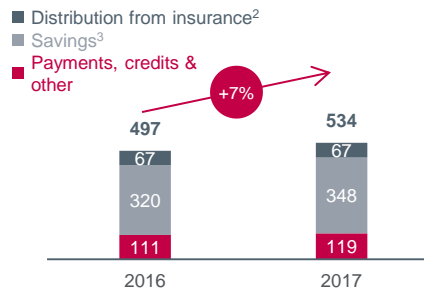
- All in all, increase of NII mainly resulting from efficient interest rate hedging, lower liquidity costs, increasing commercial volumes and strict tariff management
- As such more than offsetting negative impact of a continuing lower interest rate environment on interest margin of non-maturing deposits
- Increase of NIM in 2017 at 1.24%, up by 9bps from 2016
- NII 2017 was also supported by interest income related to general standardization of CSA contracts

Bank

Good momentum in bank fee & commission income

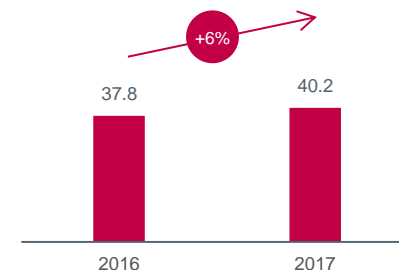
F&C income

EUR m



Assets under management⁴

EUR bn



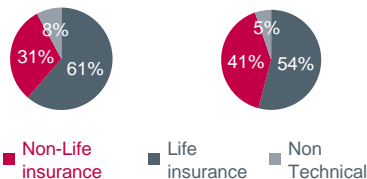
- Higher fee and commission income thanks to good development of assets under management (both organic growth and positive market effects) and sustained contribution from insurance distribution fee for classical life and non-life products

Solid revenue growth and continued revenue diversification

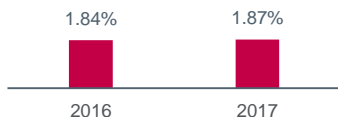
Insurance

Sustained insurance contribution

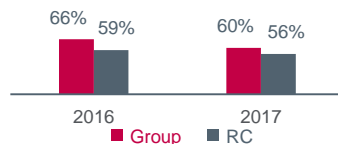
Insurance income EUR m



Life: operational income / avg. reserves



Non-Life: operational net loss ratio P&C

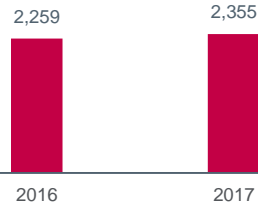


- Strategic transformation of product mix towards more non-life insurance and unit-linked products
- Life Insurance: efficient ALM allows for continued solid life margins
- Non-Life Insurance: good momentum with an increase in income of 35% compared to 2016, realized with further improving loss ratios

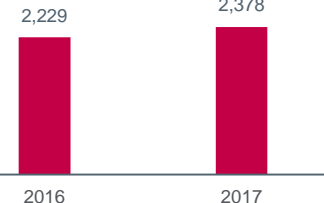
Group

Solid revenue momentum

Total income EUR m



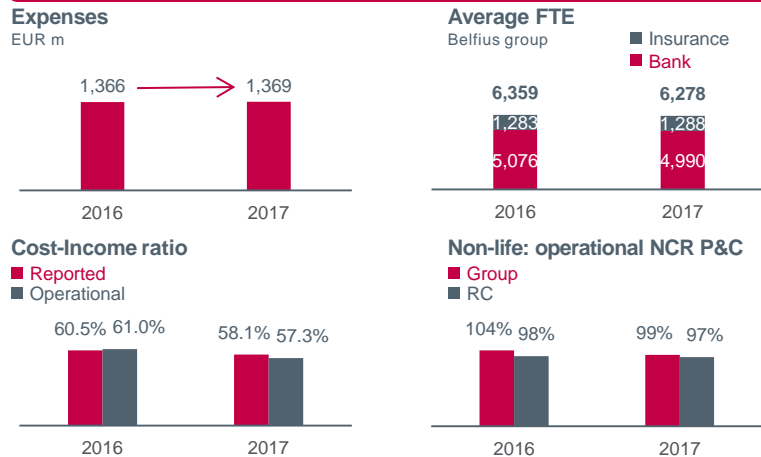
Total operational income EUR m



- Solid revenue momentum thanks to the continued development of the client franchise and bancassurance model
- Total operational income amounted to EUR 2,378 m in 2017, up 6.7% compared to 2016. Following non-operational income items can be noted, amongst others (a.o.):
 - 2016: one-off upfront recognition of prepayment penalties on mortgage loans versus losses on active tactical derisking
 - 2017: one-off (discretionary) profit sharing provisions

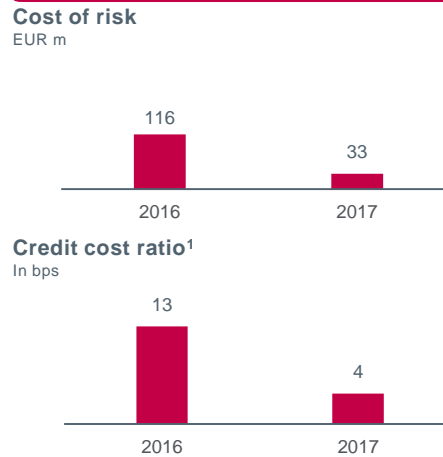
Further efficiency gains and very low cost of risk are further supporting robust bottom line expansion

Continued improvement in “efficiency-to-serve”



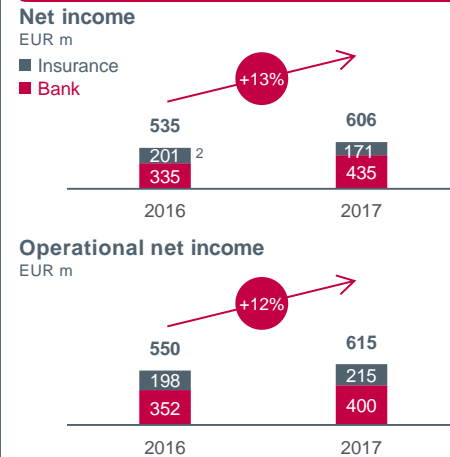
- Cost containment despite significant investments in digital
- Reduction in FTE through continued bank-insurance platform integration, investments in digital operations and development of digital/remote service channels

Strong reduction in cost of risk



- Cost of risk in commercial activities remains at a historical low level, demonstrating continued good credit quality of commercial assets in current benign environment
- Derisking tail allowed for release of some material provisions booked in 2016

Good quality net income expansion



- Continued revenue growth and diversification coupled with efficiency gains and very low cost of risk leading to solid net income expansion, despite DTA reassessment
- Reassessment of the DTA impacted 2017 net income by EUR -106m. Excluding this specific impact Belfius net income would have been EUR 711m
- Operational Net Income 2017 amounts to EUR 615m

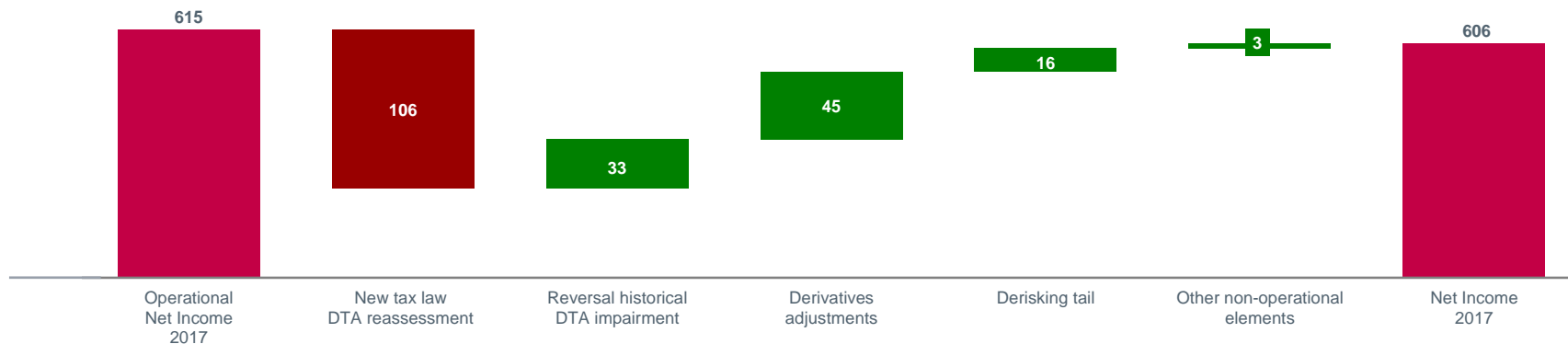
Notes: 1. Calculated as cost of risk divided by average gross outstanding loans and advances to customers; 2. The net contribution of Belfius Insurance in the consolidated Belfius P&L amounts to EUR 201 million, after adjustment of an intragroup transaction. In fact, the difference between the net contribution of EUR 201 million and Belfius Insurance's own statutory consolidated P&L of EUR 170 million stems from the impact of an intragroup transaction between Belfius Bank and Belfius Insurance. More in particular, Belfius Insurance has bought back, before maturity, its Tier 2 subordinated debt issued end 2011 which was subscribed by Belfius Bank, and this at a fair market price above book value, as yields for subordinated debt came down since then. At the same time, Belfius Insurance reissued (and Belfius Bank subscribed) new Tier 2 subordinated debts and in that way extended the maturity profile of its outstanding subordinated debt and increased somewhat its total outstanding Tier 2, as such improving its total capital mix.



From operational to realized Net Income

Net negative impact from DTA reassessments almost fully compensated by positive one-offs

EUR m



- New corporate tax law: (net) DTA reassessment (EUR -106m)
- Reversal of historical DTA impairment thanks to improving taxable base (EUR 33m)
- Adjustments on fair value of derivatives, a.o. from derivatives markets trend towards more central clearing and contract standardizations, allowing Belfius to capture some optional values embedded in certain (former) specific contractual clauses (EUR 45m)
- Derisking tail executed in 2017 a.o. on US RMBS net of release of provisions (EUR 16m)
- Other non-operational elements, including one-off results and provisions in commercial activities (EUR 3m)

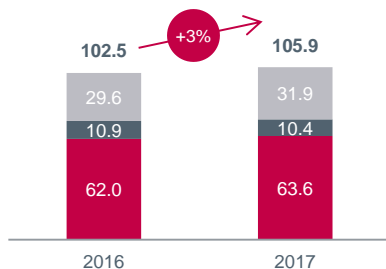
4. Segment results RC

- **Retail & Commercial continues to show strong commercial momentum** with growing
 - Customer savings & investments (+3%)
 - Loans to customers (+7%)
 - Insurance production (+19%)
 - Overall customer equipment and sales through direct channels
- **A strong digital track-record in mobile - omnichannel banking**
 - N° 1 in bank digital app score in Belgium
 - Over 1m active mobile users connecting on average approximately once a day
- This commercial volume growth, combined with strict tariff management, has allowed to **“contain” the decrease of NII** in the continued low rate environment
- Development of asset management and bancassurance (both Life and Non-life) leading to **solid momentum in F&C income**
- **Increasing contribution of profitable insurance activities**
- Cost containment and low cost of risk leading to all-in-all **increasing operational net income**

Solid commercial activity leads to further volume growth and developing customer equipment

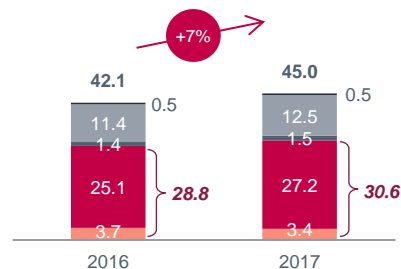
Savings & investments and loans to customers

Outstanding savings & investments
EUR bn



- Off-balance sheet investments
- Life reserves (investment products)
- Deposits

Outstanding loans to customers
EUR bn

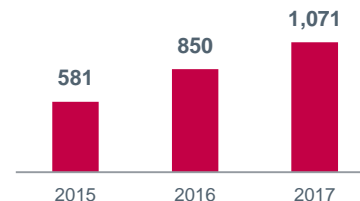


- Mortgage loans (Ins.)
- Mortgage loans (Bank)
- Consumer loans
- Business loans
- Other loans

- Retail & Commercial continues to show excellent dynamics:
 - On-balance sheet deposits increased by EUR 1.6 bn (+2.6%) compared to 2016, mainly as a result of growth in current & savings accounts (+5.4%)
 - Off-balance sheet products increased by EUR 2.3 bn (+7.8%) compared to 2016, supported by solid new production as well as favourable markets
 - Outstanding loans increased by EUR 2.9 bn (+6.9%) compared to 2016, driven by a strong growth in mortgage (+6.0%) and business loans (+9.3%)

Growing customer equipment and direct sales

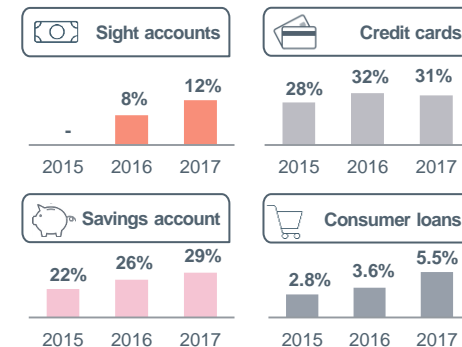
Active mobile users
x 1,000



Customer equipment rate



Sales through direct channels¹
%



- Continued growth of equipment rates of RC customers on the back of increasing direct sales:
 - In 2017, bank customers product onboarding increased with +14% for car lending and +16% for unit linked insurance products (branch 23 and 44)
 - Since 2016, sight accounts can be opened 100% digitally and paperless
- Strong increase of new active mobile users (+26%) in 2017
- High customer equipment rate of 3 products by customer, with increasing product demand for payment, asset management and non-life products

Notes: 1. Belfius' direct channels are Belfius Connect, Belfius Mobile (smartphone and tablet) and Belfius Direct Net (computer)

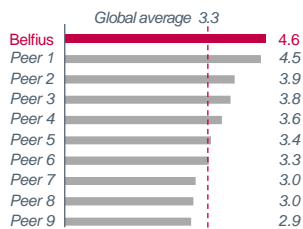
Within its omni-channel approach, the Belfius app takes an ever increasing prominent role

Digital

Strong digital track record

Best rated Belgian Bank app

Combined app-scores: IOS & Android



Awards won in 2017:



iCulture



Be Commerce



Bankshopper



Trends Digital Pioneer

Fast adoption and high customer intimacy

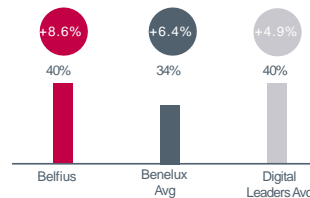
Belfius outpaces Benelux & digital leaders in mobile adoption and growth rate¹

1,071,000

Active mobile users
(end 2017)

2016: Fastest grower worldwide in mobile banking
2017: Top 10 worldwide in growth mobile banking

Active mobile user/customers²



Strong customer intimacy through high mobile activity

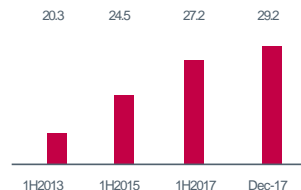
29.2

Average connections per active mobile user per month

99%

Satisfaction of active mobile customers

Average number of connections per month per user



Leading in digital innovation

Mobile app overview of:



All cards & accounts



All savings & investment products



All personal & business loans



All insurance policies

Mobile app - paperless - end-2-end sales of:



- Becoming a customer in less than 5 min
- All credit cards
- Saving & Investment products: deposit accounts, pension savings, investment funds
- Consumer loans
- Travel insurance
- Simulation of mortgage loans & car insurance

Fast developing sales in mobile app

Share of mobile sales in direct channel sales

43%

Savings accounts

38%

Credit cards

81%

Pension savings

36%

Consumer loans

Pioneer in digital innovation:

First & only Belgian bank with:



contactless payments integrated in its app



chat- & video call integrated in mobile banking app

Launch of:



Mobile app omnichannel investment advice



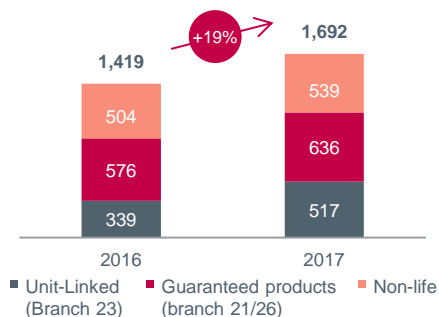
Pengo payment request functionality in app & Facebook Messenger

Bancassurance strategy continues to support Belfius' insurance activities, undergoing at the same time a profound product mix transformation

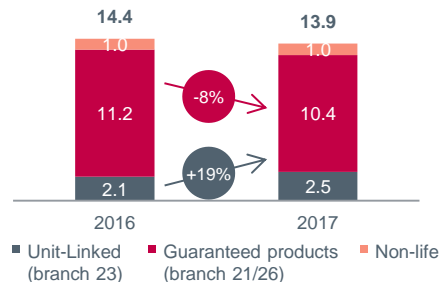
Insurance

Insurance sales & reserves

Insurance production EUR m



Insurance reserves EUR bn

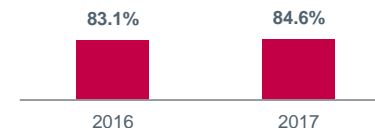


Bank-Insurance

Continuous growth of bank insurance cross-sell

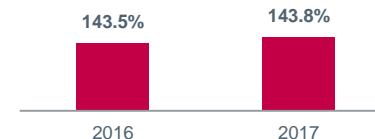
Property insurance

Belfius Home & Family cross-sell (%)



Credit linked life insurance

Belfius Home Credit Protect cross-sell (%)³



- Non-Life insurance premiums in 2017 stood at EUR 539 m, up 6.9% compared to 2016, thanks to the bank-insurance strategy and good performance in all other strategic distribution channels (e.g. Corona, DVV)
- Life insurance (unit-linked and traditional) premiums stood at EUR 1,153 m in 2017¹, up 26.0% compared to 2016²
 - Unit-Linked (Branch 23) premiums went up strongly (+52.4%) thanks to growing product suite and customer demand
 - Traditional Life (Branch 21/26) premiums progressed solidly (+10.5%) despite the low guaranteed yields
- Total RC insurance reserves stood at EUR 13.9 bn: unit-linked reserves increased by 18.6% while traditional life reserves decreased by 7.9%, demonstrating the life product mix transformation from guaranteed products to unit linked products
- Mortgage loans related cross-sell ratios continue to increase, confirming strong bank-insurance development

Notes: 1. of which EUR 782m GWP and EUR 371m transfers/renewals; 2. of which EUR 626m GWP and EUR 289m transfers/renewals; 3. Mortgage-related cross-selling ratio based on contractual data and showing the average insured amount compared to the mortgage. This ratio is above 100% when both members of a household are insured

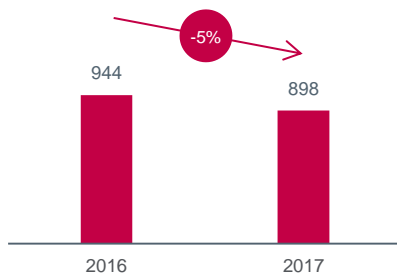
Floored retail deposits tariffs put some pressure on net interest income, however this is almost fully compensated by higher fees & commissions

Bank

Contained decrease of net interest income

Net interest income

EUR m



- NII decrease by 5% in RC driven by margin pressure on non-maturing deposits and running impact from material wave of mortgage prepayments during previous years, partially compensated by strong volume growth at margins, for loans, still above stock margins

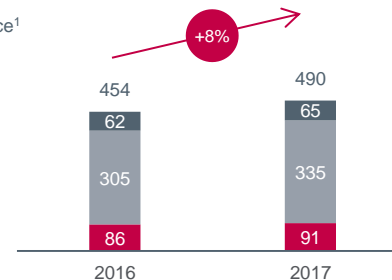
Bank

Solid momentum in bank Fees & Commissions

F&C income

EUR m

- Distribution from insurance¹
- Savings²
- Payments, credits & other



- F&C increase by 8% in RC driven by strong organic growth in Private Banking, investment products (mutual funds, Br23 & Br44, structured bonds, MyPortfolio) and non-life bank-insurance cross-selling

On-going revenue diversification allows for safeguarding of revenues

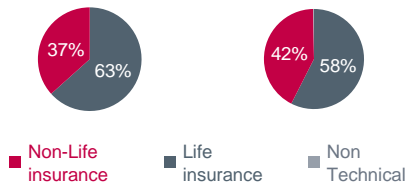
Retail & Commercial

Insurance

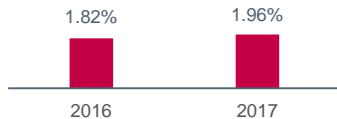
Sustained insurance contribution throughout transformation of product mix

Insurance income

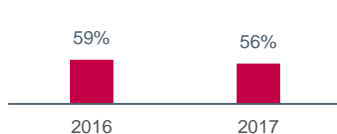
EUR m



Life: operational income / avg. reserves



Non-Life: operational net loss ratio P&C



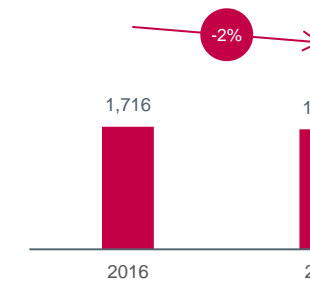
- RC Insurance results showing excellent dynamics in Non-Life with premium growth above Belgian market level¹
- Decrease in Life stemming from reinvestment of maturing branch 21 products into branch 23/44 and bank savings & investments products
- Non-Life Insurance: good momentum, with an increase in income realized with further improving loss ratios

Bank-Insurance

Limited decrease of total income; slight increase of total operational income

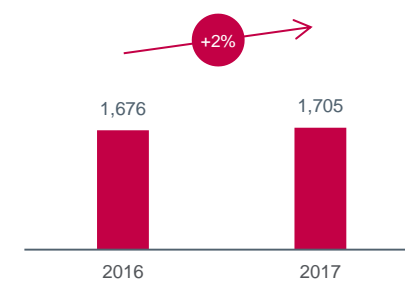
Total income

EUR m



Total operational income

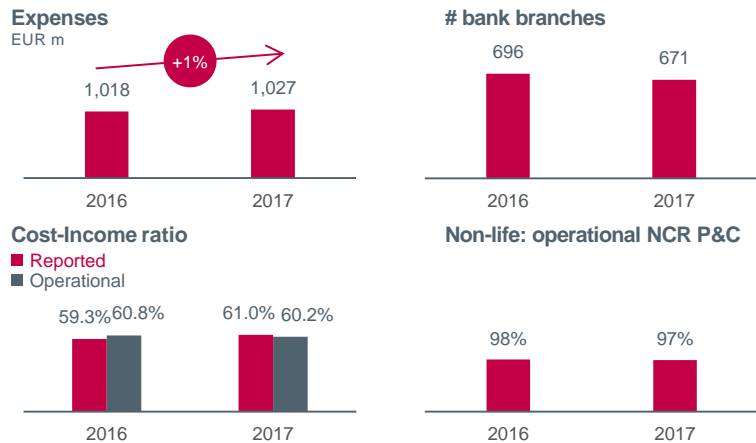
EUR m



- Limited decrease of revenues despite the adverse interest rate environment demonstrating the resilience of Belfius' business model in RC
- Total operational income amounted to EUR 1,705 m in 2017, up 1.8% compared to 2016. Following non-operational income can be noted, a.o.:
 - 2016: one-off upfront recognition of prepayment penalties on mortgage loans
 - 2017: one-off (discretionary) profit sharing provisions

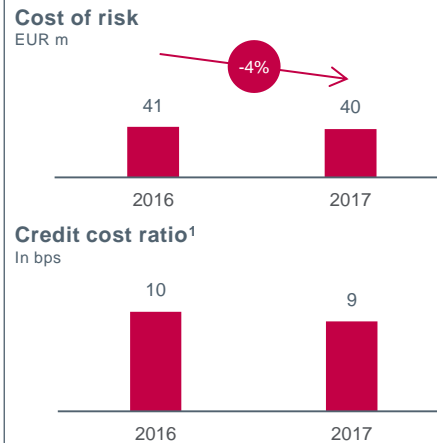
Digital investments within cost containment strategy allow for further expanding operational net income

Customer aligned adaptation of the branch network and digitalisation



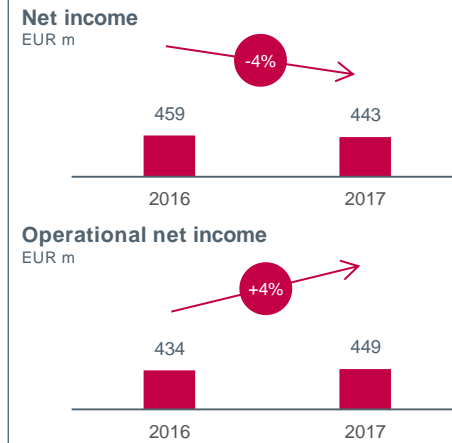
- In line with Belfius' group expenses, RC has rather stable expenses
- Belfius continues to adjust step by step its physical branch network, in synchronisation with customer behavior, digitalisation trend and bank-insurance platform integration

Low risk profile



- Cost of risk remains at a historical low level, demonstrating continued good credit quality/management in current benign environment

Good quality net income expansion



- Despite the pressure on net interest income, total net income RC decreases by only 4% and amounts to EUR 443m in 2017
- The operational net income increases by 4% compared to 2016

Notes: 1. Calculated as cost of risk divided by the average outstanding commercial loans

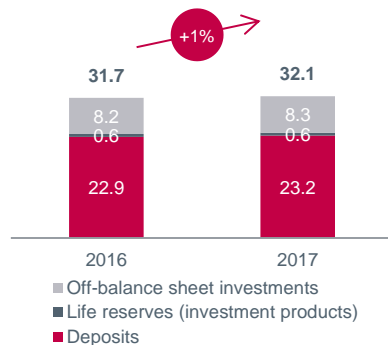
4. Segment results PC

- **Public & Corporate continues to strongly develop its Corporate segment, and remains the leading full service provider in the Belgian Public & Social segment**
 - Strong increase in loans to Belgian Corporates (+13.8%)
 - Continued momentum in DCM; participation rate of 86% with PSB clients and 58% with corporate clients
- **Growing NII** thanks to strict pricing discipline, higher volumes especially in the Corporate Segment, and solid continued contribution from Financial Management Services
- **Stable contribution of fees and commissions**
- Strong increase of insurance contribution driven by growing non-life income
- **Important efficiency gains and stable cost of risk** supporting solid net reported and operational income expansion

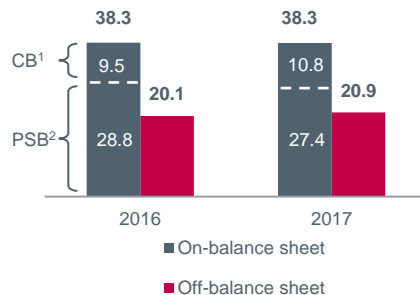
PC continues to strongly develop its Corporate segment, and remains leading full service provider in the Public & Social segment

Savings & investments and loans to customers

Outstanding savings & investments
EUR bn



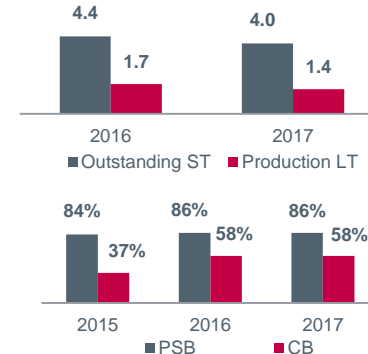
Outstanding loans to customers
EUR bn



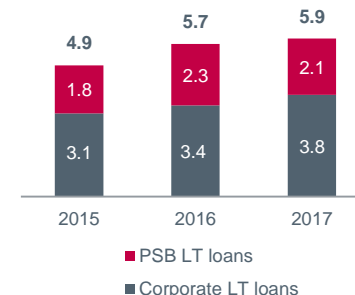
- Public & Corporate segment continues to benefit from the diversification strategy towards cross-sell & corporate segment
- Total customer balances amounted to EUR 32.1 bn, up 1.3% compared to 2016
- Continued commercial strategy towards Belgian corporates results in a 13.8% increase of outstanding loans year-on-year, to EUR 10.8 bn as of end of 2017
- Outstanding loans in PSB are decreasing mainly due to lower demand than maturing stock and the structural shift to more alternative financing (i.e. desintermediation), for which Belfius is also market leader for PSB in Belgium

Debt Capital Markets (DCM) activity and PSB loan production

DCM activity and participation rate
EUR bn; %



PSB and corporate long term loan production³
EUR bn



- PC clients maintain diversified financing profiles through DCM activity
 - During 2017 the bank has placed a total funding amount of EUR 3.1bn short term and EUR 0.9bn long term notes (allocated amount) for public and social sector clients and kept its level of participation rate at 86%, confirming its DCM leadership position in this sector.
 - With a participation rate of 58% in new LT bond issuances, Belfius also confirmed in 2017 its position as leader in bond issues for Belgian corporate clients, and placed a total amount of EUR 0.9bn short term and EUR 0.5bn long term notes. This is in line with the strategy of local proximity and leverage on public sector access and expertise for Belfius' CB clients
- Sustained production in PSB loans in competitive landscape

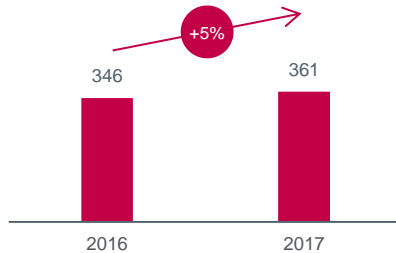
Price discipline and strong momentum with corporates driving NII expansion

Public & Corporate

Bank

Increasing Net Interest income despite adverse rate environment

Net interest income
EUR m



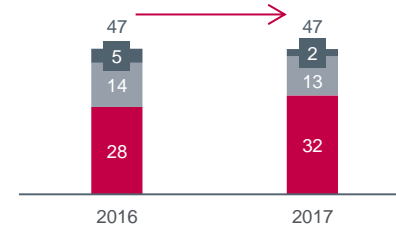
- Increasing bank NII of PC, mainly thanks to strict pricing discipline, higher volumes and solid contribution from Financial Management Services compensating for pressure on interest margin especially on non-maturing deposits

Bank

Stable Fees & Commissions

F&C income
EUR m

- Distribution from insurance¹
- Savings²
- Payments, credits & other



- Higher cross-sell ratios between lending and non-lending services as well as solid contribution from Financial Management Services

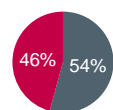
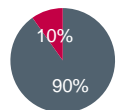
Notes: 1. Classical and non-life; 2. Including insurance distribution from insurance investment products.

Improving insurance contribution and positive fair-value adjustments further support solid revenue growth

Insurance

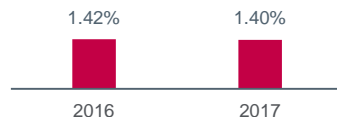
Strong increase of insurance contribution

Insurance income EUR m

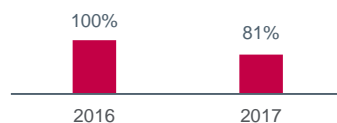


■ Non-Life insurance ■ Life insurance ■ Non Technical

Life: operational income / avg. reserves



Non-Life: operational net loss ratio P&C

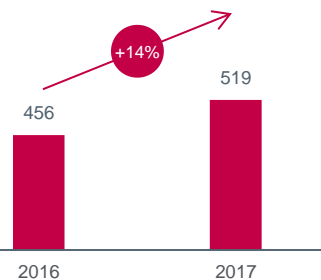


- PC insurance results evolving positively thanks to significant improvement of the loss ratio thanks to continued more selective underwriting

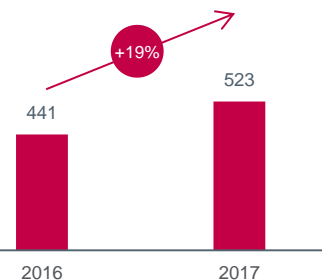
Bank-Insurance

Solid revenue growth

Total income EUR m



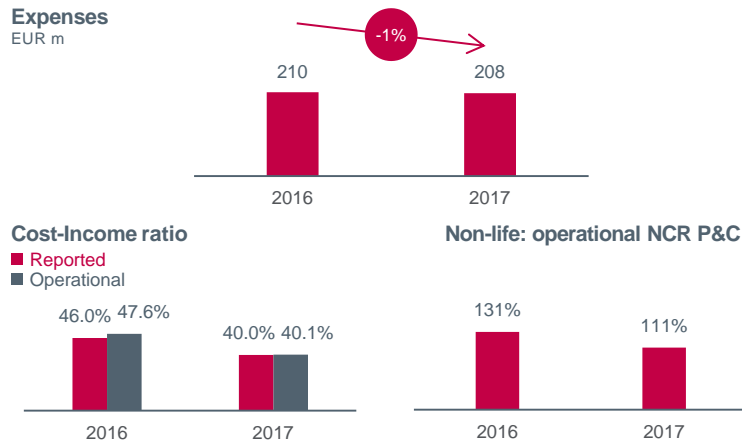
Total operational income EUR m



- Solid revenue growth mainly thanks to strong commercial momentum in CB and continued price discipline in PSB
- Total operational income amounted to EUR 523m in 2017, up 19% from 2016. Following non-operational income can be noted, a.o.:
 - 2016: release of some provisions for commercial contract settlements
 - 2017: one-off (discretionary) profit sharing provisions

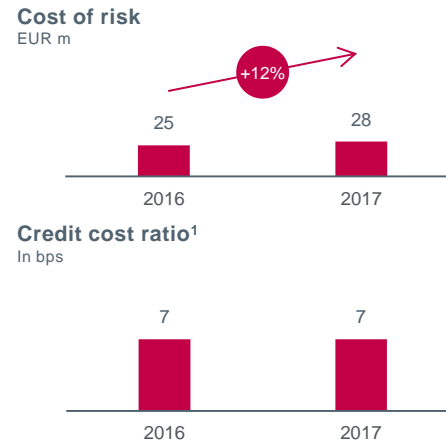
Further efficiency gains and continued historical low cost of risk lead to robust operational net income growth

Efficiency gains



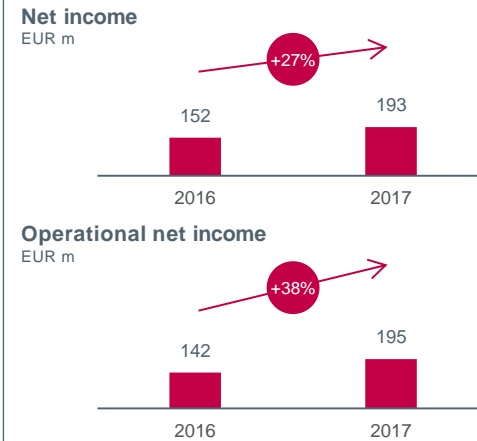
- Continued focus on efficiency allows for strict cost control
- C-I ratio stood at 40% compared to 46% in 2016, following the positive scissor effect of higher income and lower costs

Cost of risk remains at historical lows



- Although cost of risk increases in line with commercial momentum in the corporate segment, it remains at a historical low level

Solid net income expansion



- Revenue momentum and continued cost control driving efficiency gains and bottom line expansion in current benign environment, both on reported and operational Net Income level

4. Segment results

GC

- Despite the historically low interest rate environment, **net interest income of GC increased strongly**, leading to a total income of EUR 150m. This strong increase results from efficient interest rate management and continued lowering liquidity and collateral costs in current benign financial markets
- **GC expenses decreased by 4%** in line with Belfius' overall strict cost control policy
- Derisking tail executed in 2017 leads to a **strongly positive cost of risk of EUR 35m** thanks to reversals of formerly set aside credit risk provisions on ex-legacy assets
- New corporate tax law in Belgian has led to a (net) DTA reassessment of EUR -106m , fully allocated to GC
- All in all, **GC net income stood at EUR -30m in 2017, significantly improving** from 2016 net income of EUR -75m. Operational net income of EUR -29m is in line with 2016 performance of EUR -26m.
- The **ALM Yield, derivatives and credit guarantees portfolios continue their progressive run-off** in terms of notional value
- **RWA of GC have increased** mainly following higher credit RWA as a result of the (internal) downgrades of the sovereign exposure on Italy to BBB- and some higher market risk exposure due to increased SVaR

Reminder – summary overview of Belfius Group Center

Belfius Group Center (notional amounts as of Dec. 2017)

		Bond portfolio		Run-off portfolio derivatives and guarantees	Other GC activities
		ALM Liquidity	Run-off ALM Yield		
Ex-legacy		<ul style="list-style-type: none"> ■ LCR eligible bonds (EUR 1.4 bn) 	<ul style="list-style-type: none"> ■ Non-LCR eligible bonds (EUR 3.5 bn) 	<ul style="list-style-type: none"> ■ Collateralized derivatives with Dexia entities, intermediated and hedged with Financial Markets (EUR 29.2 bn) ■ Non collateralized derivatives with international non financial counterparts (EUR 5.1 bn) ■ Credit guarantees: protection given, partly reinsured with monolines (EUR 3.9 bn, incl. TRS, part of former GC) ■ Bought credit protection for some ALM yield bonds 	<ul style="list-style-type: none"> ■ Management of old credit risk files (Holding Communal & Arco entities)
	Other	<ul style="list-style-type: none"> ■ ALM LCR eligible bonds (EUR 6.6 bn) 	<ul style="list-style-type: none"> ■ ALM non-LCR eligible bonds (EUR 0.2 bn) 		
Considerations		<ul style="list-style-type: none"> ■ Part of Belfius Bank's total LCR liquidity buffer ■ Well diversified, high credit quality and highly liquid portfolio ■ Ex-legacy LCR bonds are similar to ALM LCR bonds, except for geography of issuer (non-core EU countries (e.g. UK), Australia, Japan) 	<ul style="list-style-type: none"> ■ Bond portfolio used to manage excess liquidity ■ Mainly high quality bonds of international issuers (non-core EU) in ex-legacy part with a ~20 years residual duration ■ Managed in natural run-off and standard credit risk management for ex-legacy part 	<ul style="list-style-type: none"> ■ Originates from former competence center for derivatives within the Dexia Group ■ Ex-legacy derivatives managed in natural run-off and standard risk management 	



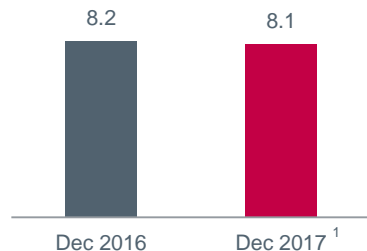
Continued natural decrease of run-off portfolios stemming from ex-legacy

Group Center portfolios

ALM Liquidity

ALM Liquidity bond portfolio

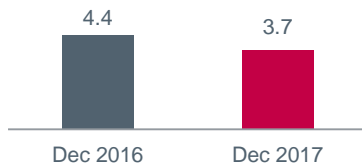
Notional value
EUR bn



Run-off portfolios

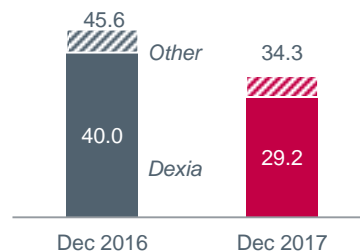
ALM Yield bond portfolio

Notional value
EUR bn



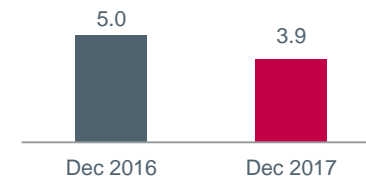
Derivatives

Notional value
EUR bn



Credit guarantees

Notional value
EUR bn



Average Rating⁽²⁾

A	BBB+	A-	A	A-	A-	A-	A-
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Expected average life (years)

9.7	9.0	19.5	20.8	14.9 ⁽³⁾	14.4 ⁽³⁾	8.6	10.3
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Investment grade (%)

100%	100%	91%	95%	100%	100%	100%	100%
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Risk weighted assets (EUR bn)

2.0	4.3	3.2	2.8	2.2	1.5	2.2	1.8
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Notes: 1. Including EUR 2.2bn (notional) of Italian Government Bonds, of which EUR 0.8bn have been sold in January 2018; 2. Includes rating impact from bought credit protection for some ALM yield bond portfolio; 3. Calculated based on EAD

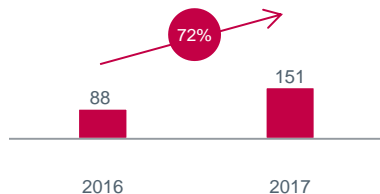


Decreasing impact from GC run-off portfolios on net income

Solid income expansion and costs under control

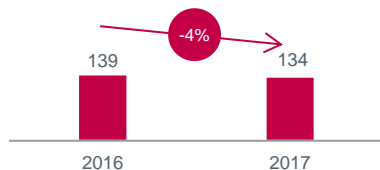
Income

EUR m



Expenses

EUR m

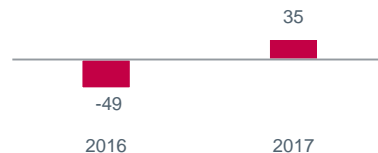


- Solid income improvement driven by net interest income mainly by improving liquidity costs
- GC benefits from overall group wide cost control

Derisking tail leading to positive cost of risk

Cost of risk

EUR m



Taxes

EUR m



- Positive cost of risk of EUR 35m mainly related to reversals on provisions on derisking tail
- Tax expenses amounts to EUR -96m, and were a.o. impacted by
 - New corporate tax law in Belgium leading to a (net) DTA reassessment of EUR -106m
 - Reversal of historical DTA impairments thanks to improving taxable base (EUR 33m)

Improved all-in-all net income

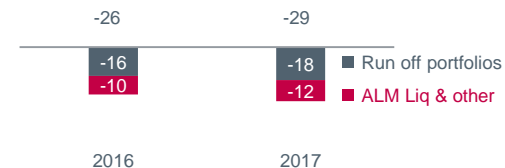
Net income

EUR m



Operational net income

EUR m



- Net income of GC improving mainly thanks to lower liquidity costs and exceptionally positive cost of risk in 2017 (compared to negative cost of risk in 2016 following derisking), partially compensated by the DTA reassessment
- The operational net income amounts to EUR -29m, stable compared to 2016

4. Segment results RoAE improvement

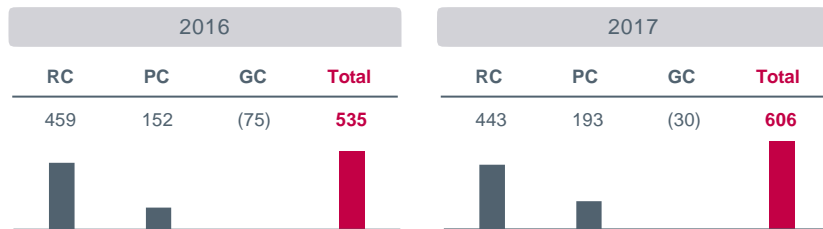
- Belfius' strategy is designed with a **primary focus on operational profit development**, based on the development of a strong commercial franchise that is to be supported by solid risk and financial profile foundations
- This translates into **commercial activities that are able to grow their footprints in a profitable way** and invest in future business model developments, on the basis of solid solvency foundations
- All in all, this strategy leads to a **gradually increasing Return on Average Equity**, both at segment and group level

The combination of solid solvency and focus on operational growth allows for further gradual RoE improvement

Increasing reported and operational profit ...

Net income

EUR m



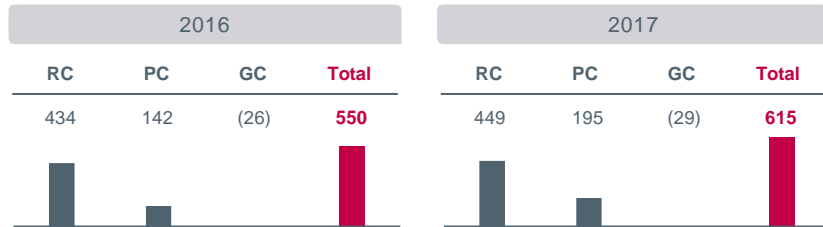
RWA¹

EUR bn

16.7	15.2	14.8	46.7	17.5	16.8	16.3	50.6
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Operational net income

EUR m



RWA¹

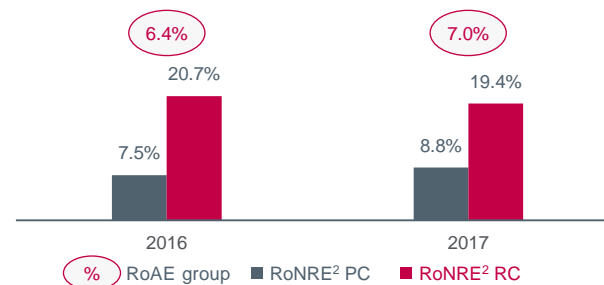
EUR bn

16.7	15.2	14.8	46.7	17.5	16.8	16.3	50.6
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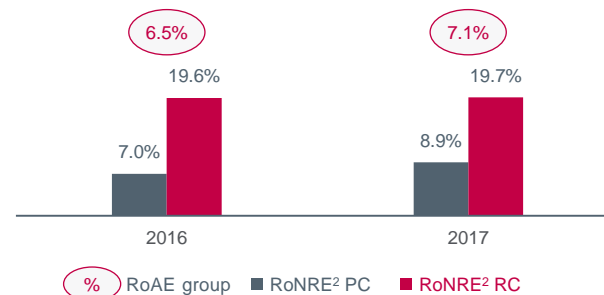
Notes: 1 Basel III fully loaded. 2. Return on average normative equity based on normative Common Equity Tier 1 capital at 13.5% RWA.

... leading to gradual RoE improvement

Return on Average Equity (RoAE)



Operational Return on Average Equity (RoAE)

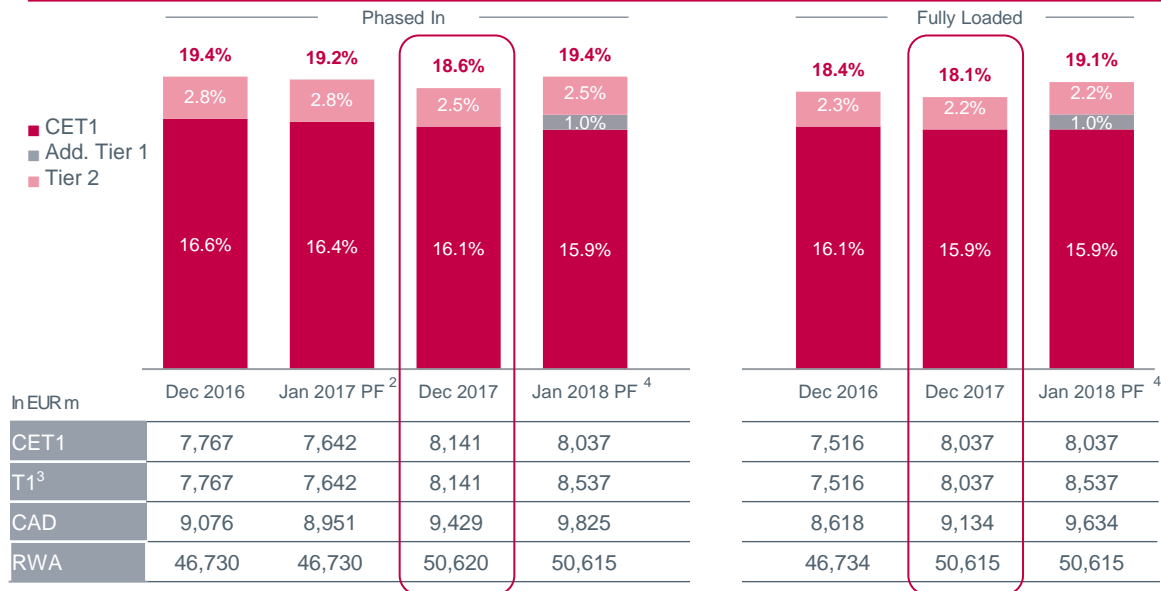


5. Financial solidity

- Based upon its 2017 solvency metrics, Belfius **ranks amongst the well capitalized European banks**:
 - Fully Loaded CET1 ratio of 15.9% end 2017, only slightly lower than 2016 mainly due to higher dividend and Italian government bond related RWA increase, outlining Belfius' strong organic capital generation
 - Including the EUR 500m inaugural Perpetual Additional Tier 1 transaction that was completed in January 2018, this results in a Fully Loaded (pro forma) Tier 1 ratio of 16.9%, total capital ratio of 19.1% and leverage ratio of 5.9%
- This solid capital base **compares well to Belfius' SREP level and internally defined minimum operational and target levels**
 - Fully Loaded minimum CET1 supervisory requirement of 10.75% for 2019 (supposing 0% Countercyclical Buffer and constant Pillar 2 Requirements at 2.25%) and P2G of 1%
 - Fully Loaded actual CET1 of 15.9%, well above the minimum operational CET1 ratio of 13.5% and in full compliance with the target CET1 ratio of 15.5%
- **Insurance activities also show solid solvency metrics**, with Solvency II ratio of 219% (of which 172% in the form of Tier 1 capital) end 2017, well above the 2020 ambition of 175%
- **Continued strong liquidity and funding profile**
 - LCR ratio of 130% and NSFR of 116%
 - Liquid assets representing 4.7x one year wholesale refinancing needs
 - Loan to deposit ratio (for commercial balance sheet) roughly stable at 92%
- **Continued strong asset quality**
 - Further improvement in asset quality: asset quality ratio of 1.99% and coverage of 63.3%
 - Solvency impact of finalisation of Basel III is currently estimated to be manageable for Belfius, with estimated FL CET1 impact of -1% to -1.25% in 2022
 - Belfius' estimated impact of the First Time Adoption (FTA) of IFRS 9 on FL CET1 is slightly positive

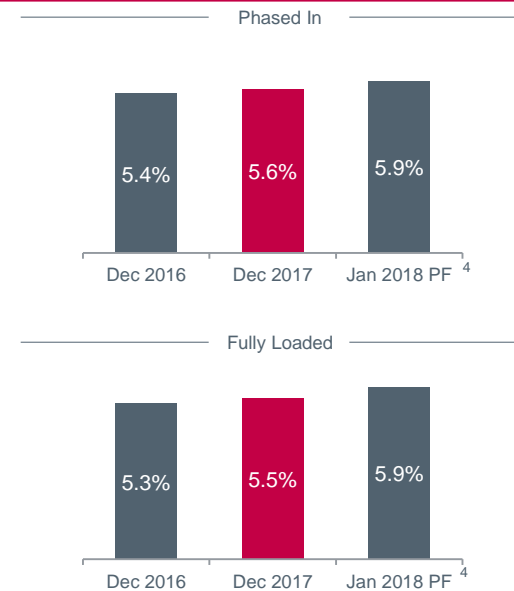
Belfius among well capitalized European banks thanks to its solid capital and leverage ratios

CET1, Tier 1 and Total capital ratio¹



- Phased In CET1 ratio stood at 16.1%, well above the 9% minimum supervisory requirement for 2017
- Fully Loaded CET1 ratio stood at 15.9%, with an increase in CET1 capital slightly more offset by a growth of RWA
- Total Capital ratio remained strong in 2017 with a Phased In ratio of 18.6% and a Fully loaded ratio of 18.1%
- Considering the issued EUR 500m inaugural Perpetual Additional Tier 1 of January 2018 as well as the shift in grandfathering, FL and PI Tier 1 ratio amounts to 16.9% and FL Total Capital ratio to 19.1%

Leverage ratio



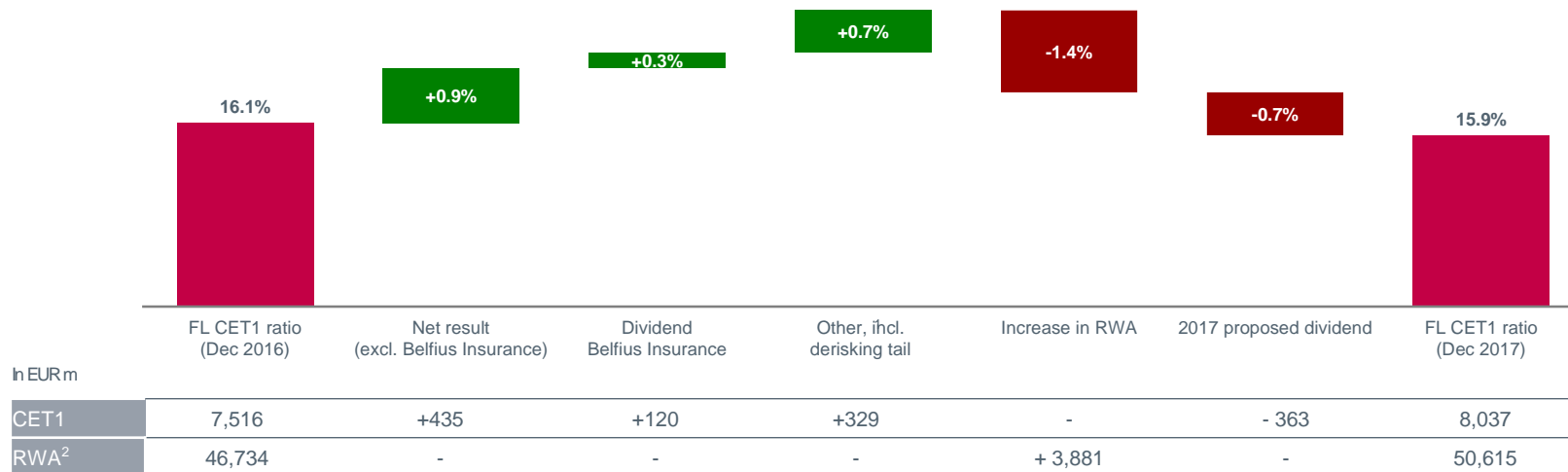
- Leverage ratio improved compared to Dec. 2016, Fully Loaded ratio stood at 5.5%
- Considering the issued EUR 500m inaugural Perpetual Additional Tier 1 of January 2018 as well as the shift in grandfathering, FL and PI leverage ratio amounts to 5.9%

Notes: 1. Consolidated ratios using the 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 on the additional capital subscribed by the bank; 2. PF showing the shift in grandfathering 2017 (i.e. 80% vs 60% in 2016) having a negative impact of 27 bps on the CET1 and the Total Capital ratios; 3. Until Dec 2017, Tier 1 capital ratio is equal to CET1 ratio because Belfius did not hold any additional Tier 1 Capital. In January 2018, Belfius issued EUR 500m inaugural Perpetual Additional Tier 1; 4. PF showing the shift in grandfathering 2018 (i.e. 100% vs 80% in 2017) as well as the issue of EUR 500m inaugural Perpetual Additional Tier 1 in January 2018



CET1 ratio remains strong thanks to realized profit and derisking tail impact outlining Belfius' strong organic capital generation

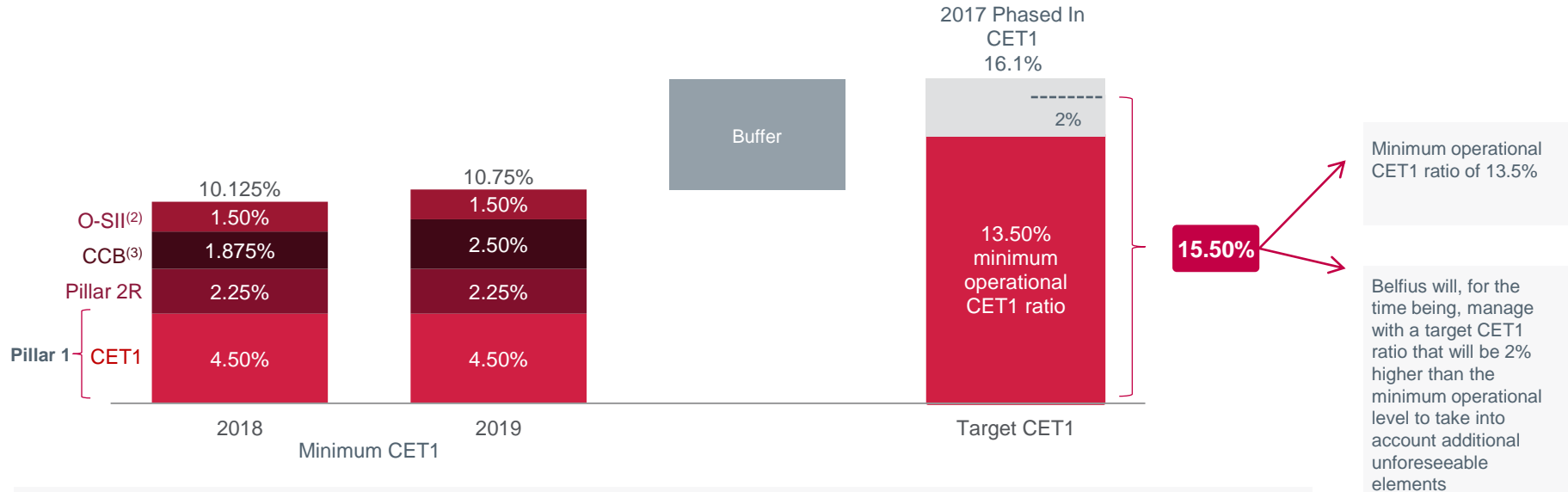
Strong realized profit and positive derisking tail impact counter increasing RWA and higher dividend pay-out



- The derisking tail includes the improvement of the remeasurements of AFS reserves (EUR 109 m) mainly explained by improved credit spreads as well as the decrease of ABS deductions of EUR 211m due to the sale of US RMBS
- The increase in RWA for EUR 3.9 bn is mainly due to higher credit RWA as a result of the commercial growth, the (internal) downgrades of the sovereign exposure on Italy to BBB- and some higher market risk exposure due to increased SVaR
- CET1 capital is reduced by the provisional "foreseeable" dividend of EUR 363 m (based on a 60% pay-out ratio and of which EUR 75m interim dividend already paid in September 2017)
- Using the deduction method (instead of the Danish Compromise), the Fully Loaded CET1 ratio would amount to 16% in Dec. 2017

Capital framework in line with strategic priorities

Belfius' Minimum CET1 Requirements(1) vs Belfius 2017 CET1 Capital Position & Target



- For 2018, phased-in minimum CET1 requirement for Belfius is 10.125%
- Based upon gradual phasing in of the Capital Conservation Buffer to 2.5% and all other things remaining equal, this would lead to a 10.75% Fully Loaded minimum CET1 requirement for 2019
- The ECB also formally notified Belfius to set a Pillar 2 Guidance (P2G)⁽⁴⁾ of 1%
- In December 2017, Phased In CET1 ratio stood at 16.1%, well above the minimum supervisory requirement as well as above the target CET1 ratio

Notes: 1. Assumes for 2019 0% Countercyclical Buffer and constant Pillar 2 Requirements at 2.25%. 2. Other Systemically Important Institutions Buffer. 3. Capital Conservation Buffer. 4. P2G is set above the level of binding capital requirements (Pillar 1 and Pillar 2 Requirement (P2R)) and on top of the combined buffers. According to the EBA clarification, the Pillar 2 capital guidance is not relevant for the Maximum Distributable Amount trigger and calculation.

Capital framework and solid current solvency base provide resilience for new regulatory frameworks

Group

Finalization of Basel III

- Implementation is foreseen in 2022, with a transition phase only for the output floor, which is set at 72.5% in year 1
- Based on current assessment of available information and assuming no material change to Belfius' general risk profile, Belfius expects the impact from "finalized Basel III" to be manageable:
 - RWA increase of c. EUR 3.5bn, representing an estimated negative impact of 1% to 1.25% on FL CET1 ratio
 - The impact is mainly driven by an increase in RWA for operational risks, CVA and market risks
 - Belfius does not expect to be affected by the output floor

Group

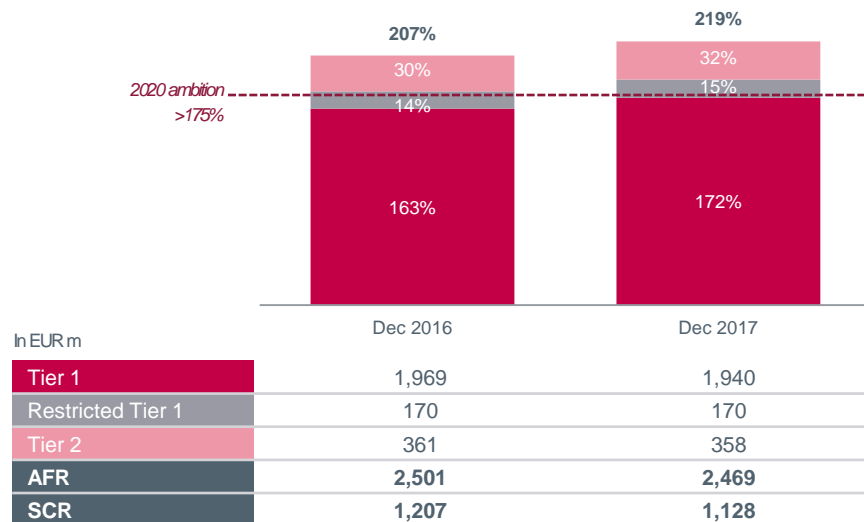
New IFRS 9

- As from January 1st 2018, Belfius will apply IFRS 9 replacing IAS 39 for the consolidated accounts of Belfius Bank and Belfius Insurance
- Belfius' estimated impact of the First Time Adoption (FTA) of IFRS 9 on FL CET1 is slightly positive as a result of a positive contribution of the reclassification of financial assets, partially offset by a negative impact from increased credit impairment
- Belfius has chosen to utilize the option to remain with IAS 39 accounting standards for hedge accounting



Belfius Insurance also displays solid solvency metrics

Available Financial Resources and Solvency Capital Requirement



Decomposition of Solvency Capital Requirement

EUR m	Dec 2016	Dec 2017	Delta %
Market risk	1,097	1,111	1%
Credit risk	209	157	(25%)
Life risk	246	288	17%
Health risk	67	69	3%
Non-life risk	232	246	6%
Diversification	(483)	(491)	2%
BSCR	1,368	1,381	1%
Operational risk	100	97	(3%)
Adjustments ¹	(261)	(350)	34%
SCR	1,207	1,128	(7%)

- Strong and high quality capital levels supporting dividend to bank
- Most important solvency sensitivity is related to market risk, with credit spread movements being the most impacting market element²

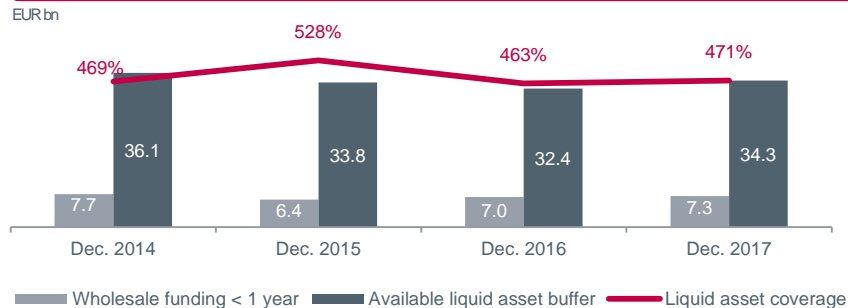
Notes: 1. Loss absorbing capacity of technical provisions and deferred taxes.; 2. See appendix for more details.



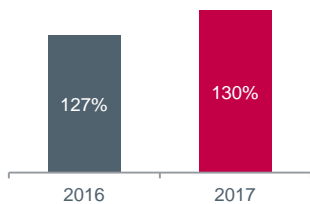
Belfius Bank continues to display strong liquidity stance

Bank

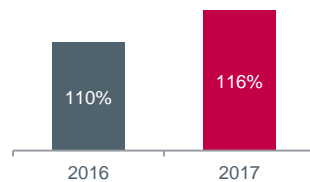
Strong liquidity profile



LCR¹



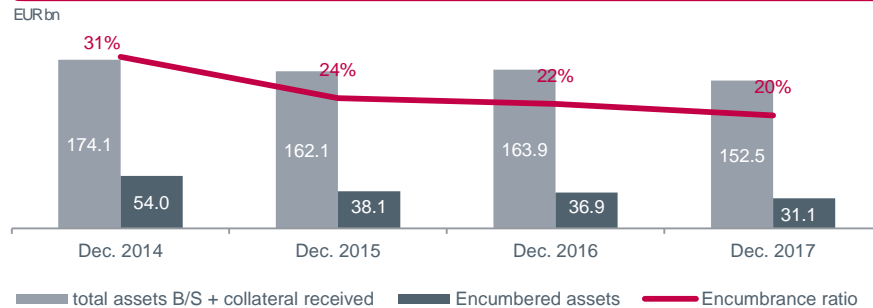
NSFR²



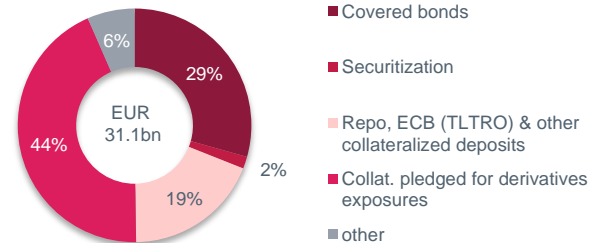
Notes: 1. The Liquidity Coverage Ratio (LCR) refers to the regulatory ratio between the stock of high quality liquid assets and the total net cash outflow over the next month under stress; 2. The Net Stable Funding Ratio (NSFR) refers to the regulatory ratio between the available amount of stable funding 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

Bank

Encumbered assets



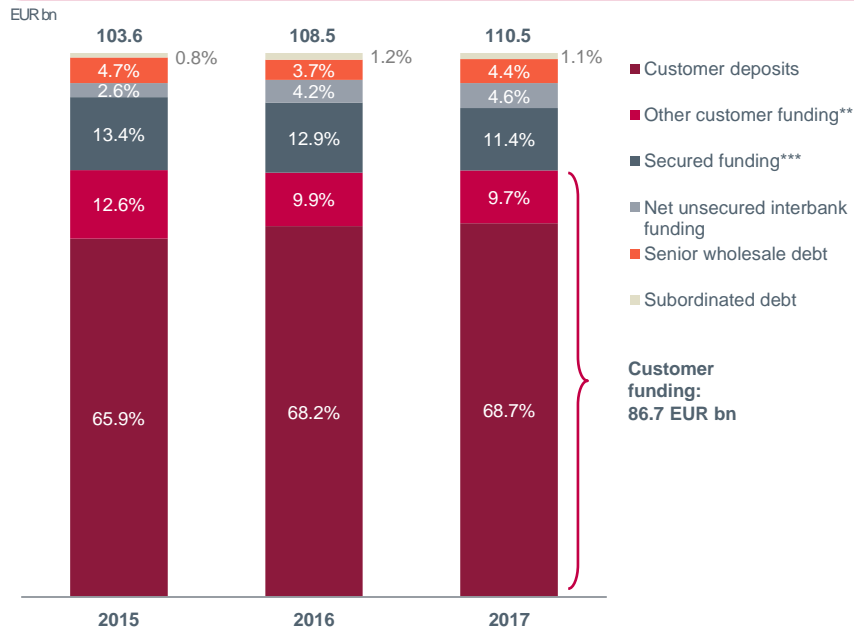
Detail of the encumbered assets



Belfius Bank has a stable funding base, driven by significant contribution from RC and PC customers

Bank

Funding sources*



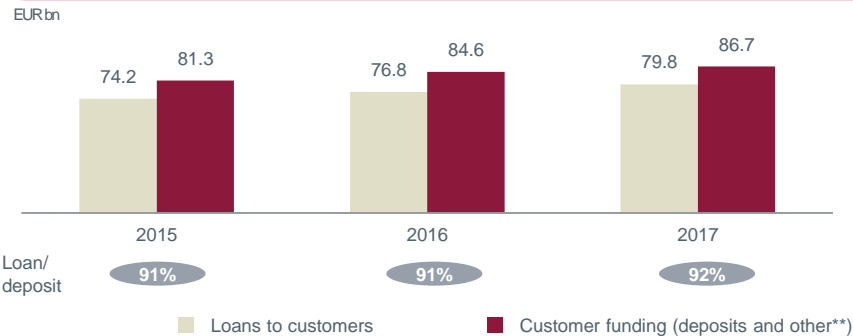
(* Belfius Bank only

(**) Other customer funding includes retail bonds and savings certificates (8% and 2% as percentage of total funding, respectively)

(***) Secured funding includes Covered Bonds (6.5%), TLTRO (3.6%), Repo (0.2%), and other longer term secured funding (1.2%)

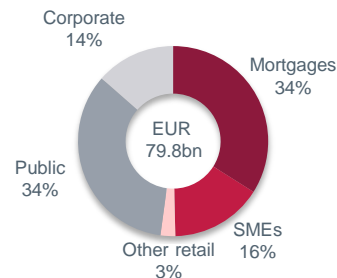
Bank

Loans to customers vs. customer funding

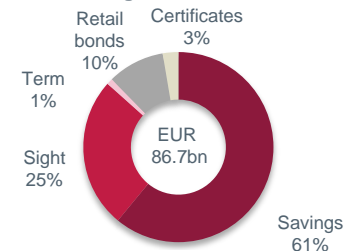


Loans to customers and customer funding mix 2017

Loans to customers



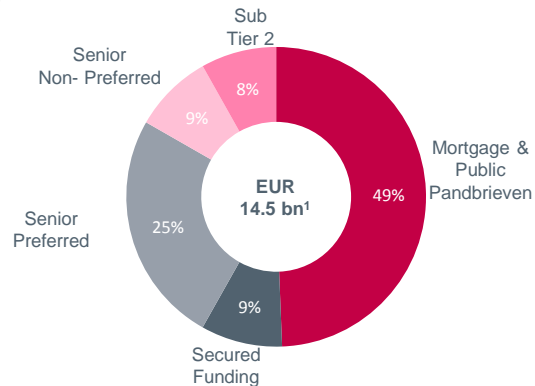
Customer funding



Belfius continues its diversification focused funding strategy

MLT wholesale funding strategy

As of December 2017

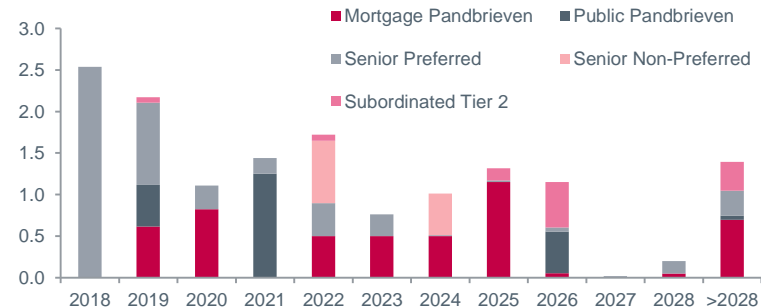


- Focused on diversification of funding sources and investor base
 - Inaugural AT1 issuance (Jan 2018)
 - First Belgian Issuer Senior Non Preferred (Sept 2017)
 - Inaugural Tier 2 issued (Apr 2016)
 - First (since 2007) Belgian Issuer of a public RMBS transaction (Oct 2015)
 - First Issuer of Belgian Public Covered Bonds (Oct 2014)
 - First Issuer of Belgian Mortgage Covered Bonds (Nov 2012)

Group

Redemption profile MLT wholesale funding

EUR bn



- Belfius' funding needs are in line with the redemptions, however can be adapted in function of general evolutions within the banking environment
- Over the coming three years, around EUR 5.8bn wholesale funding comes to maturity
- Various instruments can be targeted both under benchmark or private placement format
- Belfius will further manage its MREL buffer² including use of the new layer of Senior Non Preferred notes³

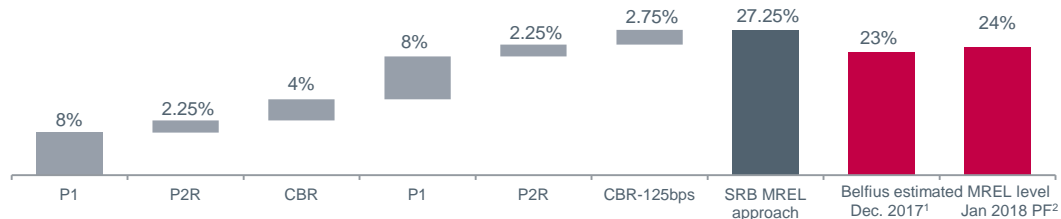
Group

Belfius to get formal MREL during 1H 2018

MREL comments

- It is expected that a formal MREL level will be given to Belfius by the Single Resolution Board in 1H 2018
- At this stage, no formal MREL target has been communicated to Belfius
- Based on the MREL Calibration Methodology, published by the SRB, Belfius' mechanical target would potentially amount to 27.25% of risk-weighted exposures (in fully-loaded format)
- When applied to Belfius, this MREL requirement of 27.25% RWA would result in c. 10% of total liabilities and own funds (taking into account derivative netting where applicable). This compares well to the 8% minimum level to get access to the resolution fund
- MREL subordination level for O-SII is currently expected to be set at 12% + combined buffers, i.e. 16% for Belfius
- In July 2017 a new Belgian law was enacted, enabling the issuance of Non Preferred Senior instruments
- Since then, Belfius issued 2 benchmarks in Non Preferred Senior format, for a total amount of EUR 1.25bn

Current estimated MREL requirement vs. actual level



Belfius' Pro forma MREL level currently estimated at 24%²

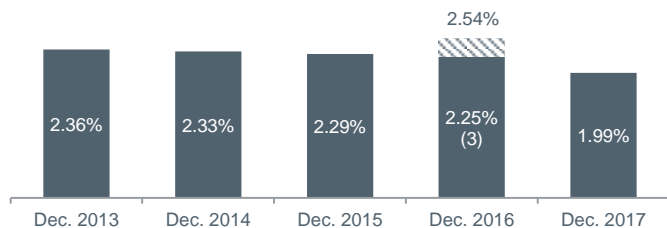
- Belfius in the midst of meetings with SRB. Expecting formal requirement and ability to finalize assessment of current realized levels during 1H 2018. Belfius expects MREL needs to be manageable.
- Belfius aims to further build up its MREL position a.o. with public and/or private issuance of Non Preferred Senior instruments³

Notes: 1. Including CET1, T2, Non Preferred Senior and wholesale Preferred Senior; 2. Including CET1, AT1, T2, Non Preferred Senior and wholesale Preferred Senior; 3. MREL strategy can be amended in function of changing SRB positions.

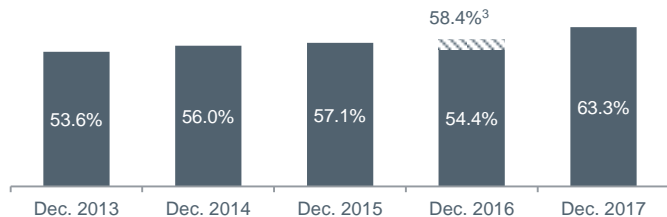
Belfius displays continued strong asset quality

Historical excellent asset quality ratio

Asset quality ratio¹

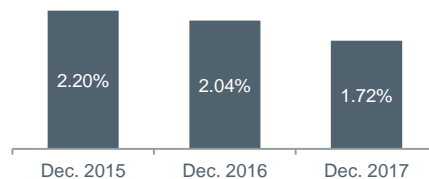


Coverage ratio²

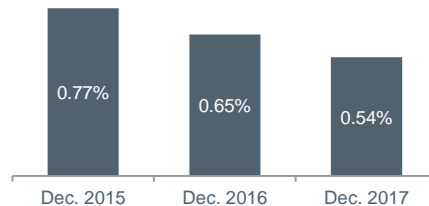


RCB

Asset quality ratio⁴, RCB

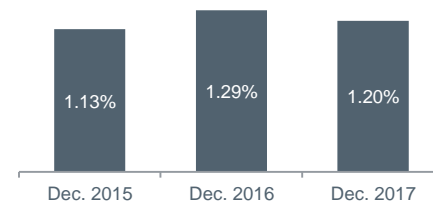


Asset quality ratio, mortgages⁵

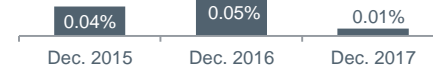


PCB

Asset quality ratio⁴, PCB



Asset quality ratio, Public & Social⁶



- Decreasing impaired loans (-22%) combined with stable gross outstanding loans leads to a strong decrease of the global asset quality ratio below 2%. The coverage ratio increased to 63.3%
- Good credit quality lending in benign macro-economic environment results in:
 - in decreasing AQR for RCB to 1.72% as well as for PCB to 1.20%
 - very low AQR for mortgages and Public & Social sector loans

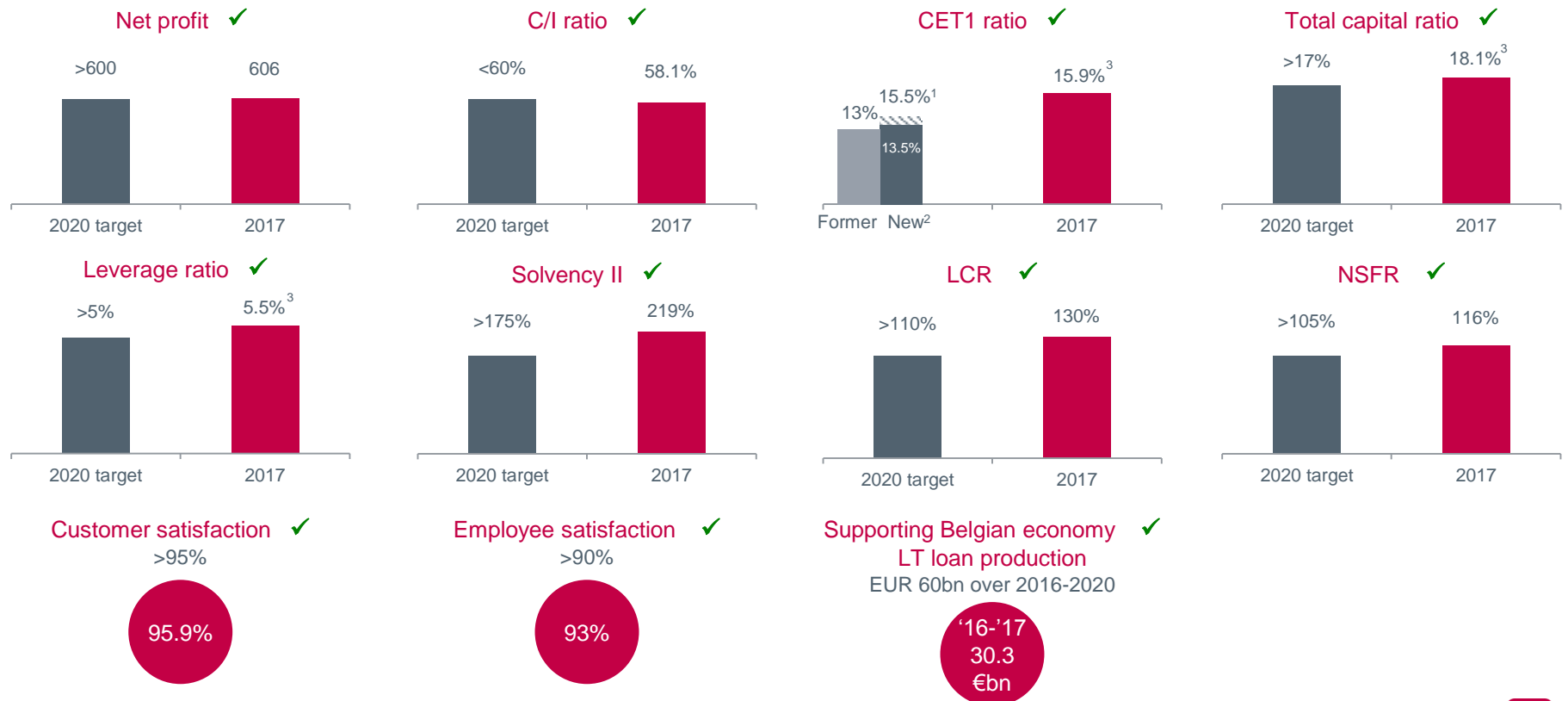
Notes: 1. The ratio between impaired loans and advances to customers and the gross outstanding loans and advances to customers; 2. The ratio between the specific impairments and impaired loans and advances to customers; 3. 2016 was strongly impacted by a specific impairment related to an US RMBS that has been sold in 2017. Excluding this exposure, the asset quality ratio of December 2016 would have been 2.25% and the coverage ratio 58.4%; 4. The ratio between impaired loans and the commercial outstanding loans; 5. The ratio between impaired RCB mortgage loans and the commercial outstanding RCB mortgage loans; 6. The ratio between impaired Public & Social sector loans and the commercial outstanding Public & Social sector loans



6. Wrap up

- **Belfius has generated a net income of EUR 606 m in 2017**, up 13% from 2016 even considering the DTA value reassessment which impacted 2017 net income by EUR -106m
- **Belfius has clearly delivered on its targets ahead of time**
 - Strong efficiency with cost/income ratio of 58.1% below 2020 target of 60%
 - Robust solvency ahead of targets on all metrics
 - Solid liquidity ratios with LCR and NSFR above targets
 - High level of customer (96%) and employee satisfactions (93%)
 - Continued support to the Belgian economy with EUR 30.3bn LT loan production since 2016
- Based on these solid results, **Belfius' Board of Directors will propose an ordinary dividend of EUR 363 m** (ow EUR 75 m interim dividend already paid in September 2017) to the General Assembly, representing a dividend pay out ratio of 60% of the consolidated Net Income 2017.

Back in 2016, Belfius defined some targets 2020, on which it is delivering ahead of time



Notes: 1. Belfius will, for the time being, manage with a target CET1 ratio that will be 2% higher than a minimum operational CET1 ratio of 13.5% to take into account additional unforeseeable elements; 2. Update from previous capital management levels; 3. On a consolidated fully-loaded basis

Section 7

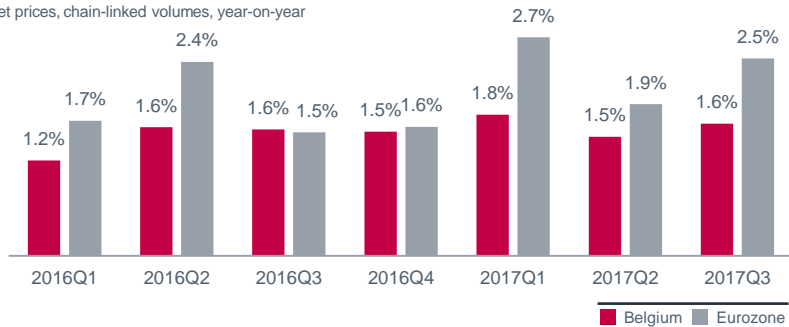
Appendices

Some Belgian economical statistics

Stable GDP growth

GDP

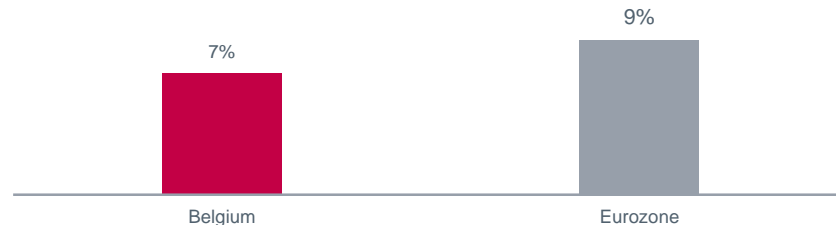
Market prices, chain-linked volumes, year-on-year



Unemployment level below Eurozone average

Unemployment rate

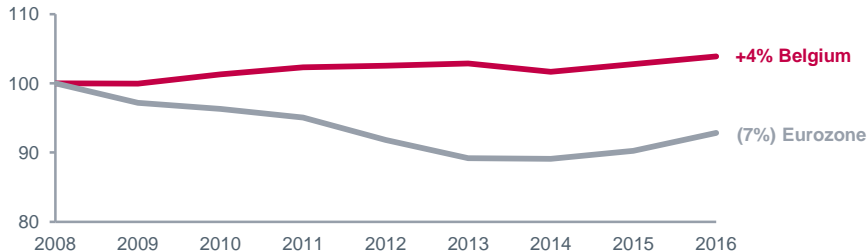
% of active population, Avg. Q1-Q4 2017



House prices continued to grow through crisis

Increase in real house prices since 2008

Rebased at 100 in 2008



Sources: ECB Supervisory Banking Statistics, Eurostat, OECD.

Continued growth in household debt

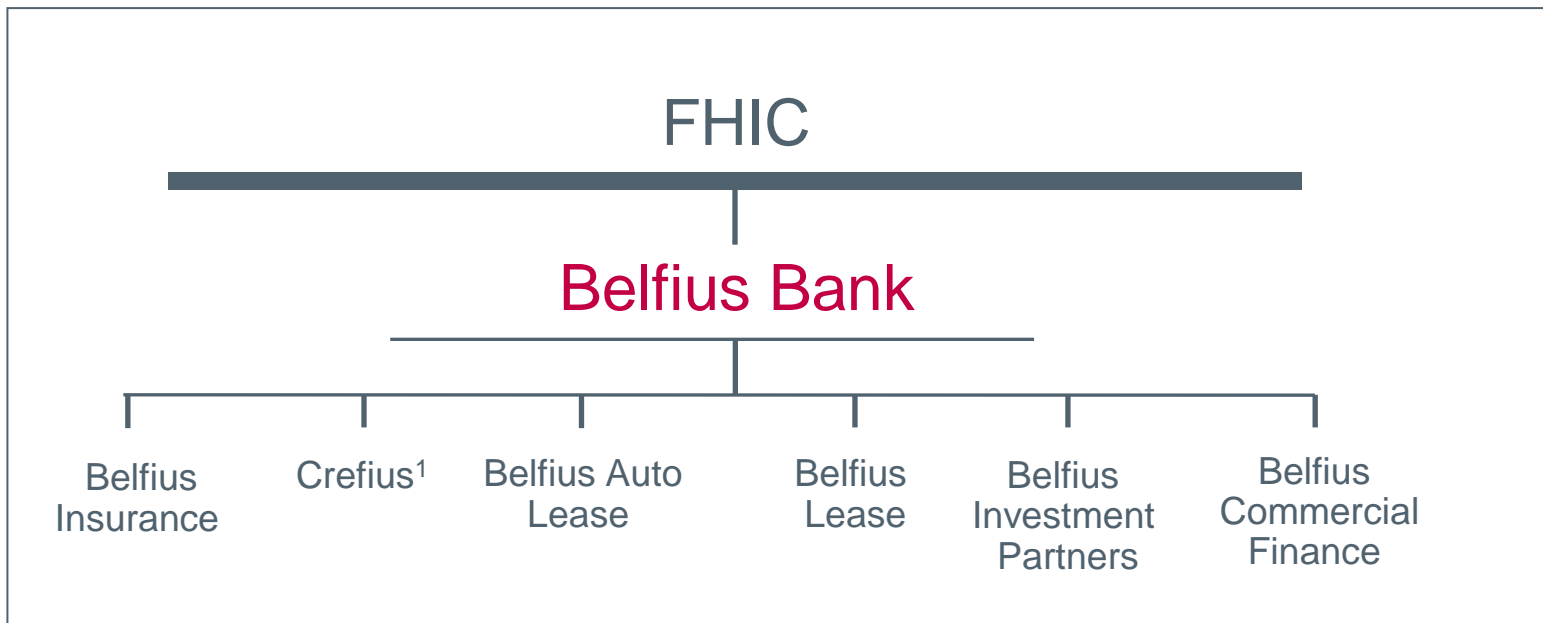
Compounded growth rate in household debt since 2008

Rebased at 100 in 2008



Simplified organizational chart Belfius

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

Consolidated statement of income

Belfius Bank Conso

EUR m	2016				2017				Evolution
	RC	PC	GC	Total	RC	PC	GC	Total	%
Income	1,716	456	88	2,259	1,684	519	151	2,355	4%
Net interest income	944	346	117	1,407	898	361	222	1,482	5%
Fee and commission	454	47	-4	497	490	47	-4	534	7%
Life insurance contribution	250	35	11	295	238	31	-1	267	-10%
Non-life insurance contribution	145	4	-0	148	175	26	-0	200	35%
Other (1)	-78	25	-36	-89	-117	54	-66	-129	45%
Expenses	-1,018	-210	-139	-1,366	-1,027	-208	-134	-1,369	0%
Gross operating income	698	246	-51	893	657	311	17	986	10%
Cost of risk	-41	-25	-49	-116	-40	-28	35	-33	-72%
Impairments	2	1	-	3	-4	-1	14	9	278%
Net Income before tax	659	221	-100	780	614	282	66	963	23%
Taxes	-200	-70	25	-244	-171	-89	-96	-357	46%
Net income	459	152	-75	535	443	193	-30	606	13%
o/w bank	281	151	(97)	335	252	177	6	435	30%
o/w insurance	178	0	22	201	191	16	(36)	171	-15%

Consolidated operational income

Belfius Bank Conso

EUR m	2016				2017				Evolution
	RC	PC	GC	Total	RC	PC	GC	Total	%
Revenue	1,676	441	113	2,229	1,705	523	150	2,378	7%
Operating expenses	-1,019	-210	-130	-1,359	-1,026	-210	-128	-1,364	0%
Gross operating income	657	231	-18	870	679	314	22	1,014	17%
CoR	-37	-25	1	-62	-40	-25	-1	-66	7%
Impairments	2	1	0	3	-1	0	0	0	-117%
Profit before taxes	622	206	-16	811	639	288	21	948	17%
Taxes	-187	-64	-9	-261	-189	-93	-51	-333	28%
Net income	434	142	-26	550	449	195	-29	615	12%
o/w bank	251	140	(39)	352	251	177	(28)	400	13%
o/w insurance	183	1	13	198	199	18	(1)	215	9%

Consolidated statement of income Belfius Insurance

Belfius Insurance

EUR m	2016	2017	Evolution
Income	438	496	13%
Net technical income	-276	-228	-17%
Financial income	703	705	0%
Other income	10	19	88%
Expenses	-212	-238	12%
Gross operating income	226	257	14%
Cost of risk	2	12	471%
Net income before tax	228	270	19%
Taxes	-58	-86	48%
Net income	170	184	8%
Non-controlling interests	-	-	
Net income group share	170	184	8%
of which contribution to consolidated results Belfius Bank	168	171	1%

Consolidated balance sheet

Belfius Bank Conso

EUR m	2016	2017	Evolution
Loans and advances	116,816	114,415	-2,401
To banks and central banks	27,114	24,358	-2,756
To customers	89,702	90,057	355
Portfolios	27,199	26,665	-534
Financial investments (HTM)	5,393	5,442	49
Financial investments (AFS)	18,820	17,983	-837
Financial assets at FV through P&L	2,986	3,240	254
Derivatives	25,307	20,303	-5,004
Other	7,399	6,576	-822
Total assets	176,721	167,959	-8,762

EUR m	2016	2017	Evolution
Total deposits	86,753	87,384	632
Banks and central banks	12,582	11,110	-1,472
Customers	74,171	76,274	2,103
Total debt securities	32,904	32,119	-786
Debt securities	23,981	22,027	-1,954
Debt securities at FV through P&L	7,524	8,893	1,368
Subordinated debts	1,399	1,199	-200
Derivatives	29,573	21,264	-8,308
Provisions	16,403	15,575	-828
Other	2,077	2,096	19
Total liabilities	167,709	158,438	-9,271

Core shareholders' equity	8,694	9,084	391
Subscribed capital + additional paid in capital	3,667	3,667	-
Reserves + retained earnings	4,491	4,812	320
Net income for the period	535	606	70
Gains and losses not recognised in the statement of income	318	437	119
Reserve AFS (Available for Sale)	231	338	107
Reserve CFH (Cash flow hedge) + other	-33	-14	19
Remeasurement of Defined Benefit plan	87	113	26
Discretionary participation features	33	-	-33
Total shareholders' equity	9,012	9,521	510
Non-controlling interests	0	0	-0
Total equity	9,012	9,521	510



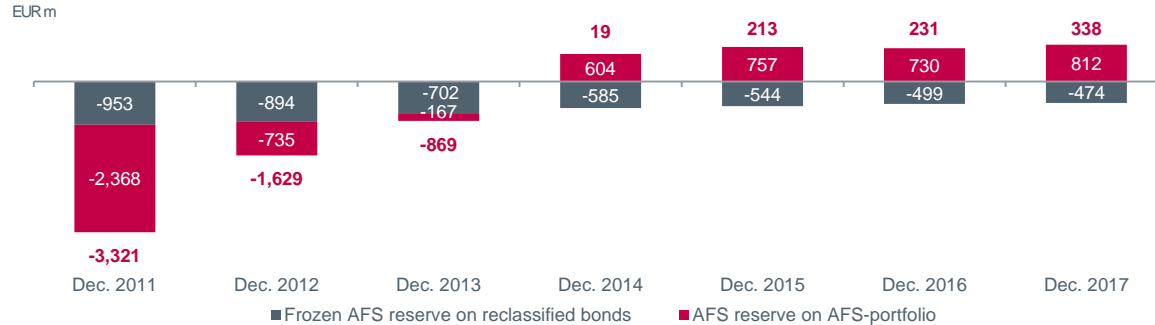
Consolidated balance sheet Belfius Insurance

Belfius Insurance

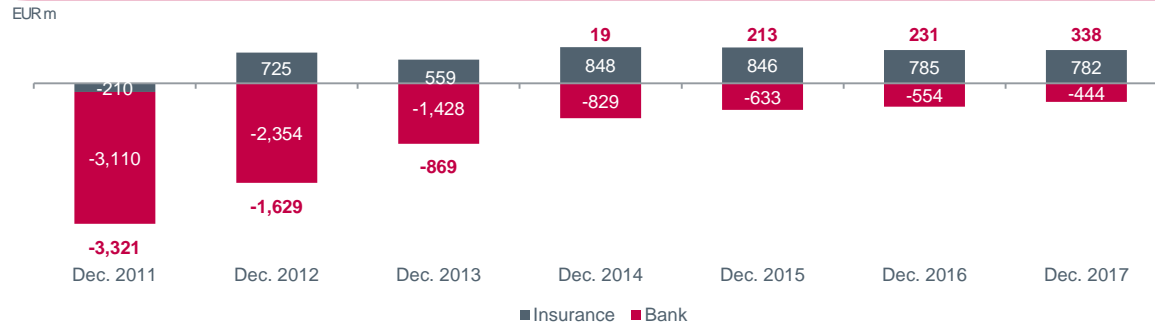
EUR m	2016	2017	Evolution
Total assets	22,986	22,455	-531
of which			
Loans and advances due from banks	738	448	-290
Financial investments	13,565	13,309	-256
Financial assets measured at fair value through profit and loss	2,190	2,598	408
Mortgage and other loans	5,382	4,978	-404
Investment property	407	424	17
Other assets specific to insurance companies	438	451	13
Total liabilities	20,840	20,283	-557
of which			
Due to banks	1,150	1,032	-118
Technical provisions for insurance companies	15,997	15,160	-837
Financial liabilities measured at fair value through profit and loss	2,190	2,598	408
Other liabilities specific to insurance companies	327	346	19
Total equity	2,147	2,173	26
of which			
Core shareholders' equity	1,328	1,391	63
Gains and losses not recognized in the statement of income	786	781	-5
Non-controlling interests	-	-	-
Discretionary Participation Feature	33	-	-33

Focus on AFS reserve

Breakdown frozen AFS / AFS



Breakdown Bank / Insurance



- The **total AFS reserve** stood at EUR +338m as at December 2017, up 46% compared to December 2016
 - the improvement of the AFS reserve for the banking group (EUR +110 m compared to Dec. 2016) can be explained by the slight improved credit spreads and natural amortization of the frozen AFS reserve
 - the AFS reserve for the insurer group decreased slightly (EUR -3 m compared to Dec. 2016). The decrease of the fair-value of bonds is partially offset by a decrease of the negative adjustment of shadow accounting at Belfius Insurance

Focus on regulatory capital

EUR m	Phased In		Fully Loaded	
	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017
Core shareholders' equity	8,694	9,088	8,694	9,088
Elimination of Belfius Insurance (*)	-	-49	-	-49
Core regulatory equity	8,694	9,039	8,694	9,039
Elimination of foreseeable dividend	-140	-288	-140	-288
Gains and losses not recognised in the statement of income	-215	-221	-460	-325
Remeasurement Defined Benefit Plan	86	112	86	112
AFS reserve	-546	-437	-546	-437
Transitory measures & filter on govies	246	104	-	-
Items to deduct	-573	-389	-578	-389
Deferred tax assets	-13	-0	-13	-0
Transitory measures	5	0	-	-
Other	-565	-389	-565	-389
Common equity Tier 1 - CET 1	7,767	8,141	7,516	8,037
Tier 2 - Capital instruments	1,135	1,130	928	939
Other	174	158	174	158
Total regulatory capital	9,076	9,429	8,618	9,134

(*) 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"

Focus on regulatory risk exposures

Regulatory risks exposures - by type of risk

EUR m	Dec. 2016	Dec. 2017
Market risk	1,136	1,841
Operational risk	2,915	2,932
Credit risk	35,951	39,078
Danish compromise (*)	6,728	6,769
Total Regulatory Risks Exposures	46,730	50,620

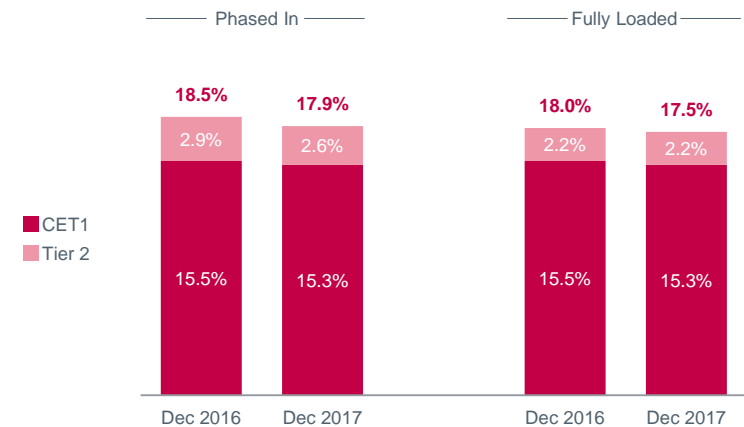
Regulatory risks exposures - by segment

EUR m	Dec. 2016	Dec. 2017
Retail and Commercial	16,694	17,476
Public and Corporate	15,225	16,805
Group Center	14,811	16,339
Total Regulatory Risks Exposures	46,730	50,620

(*) 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"

Focus on solo capital ratios

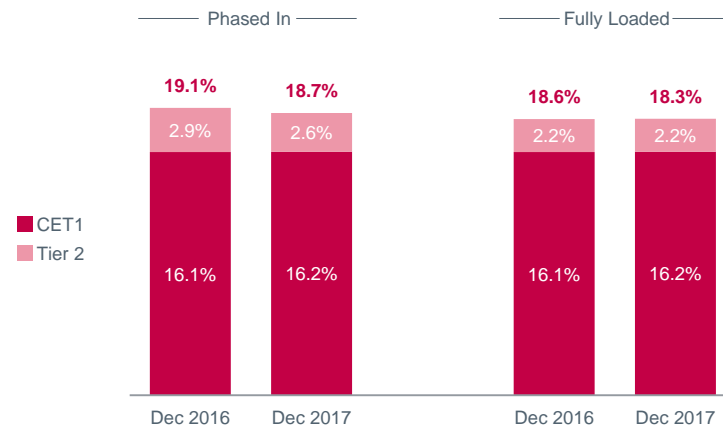
Basel III ratios Belfius Bank Solo, excluding¹ result of the year



EURm

	Dec 2016	Dec 2017	Dec 2016	Dec 2017
CET1	7,136	7,596	7,136	7,596
CAD	8,484	8,879	8,276	8,688
RWA	45,948	49,716	45,948	49,716

Basel III ratios Belfius Bank Solo, including result of the year



EURm

	Dec 2016	Dec 2017	Dec 2016	Dec 2017
CET1	7,410	8,030	7,410	8,030
CAD	8,758	9,313	8,550	9,122
RWA	45,948	49,716	45,948	49,716

Notes: 1. Solo ratios as communicated to the regulator

Belfius' ST & MLT funding overview

	Outstanding EoY 2017	Issuer	Listing
Belfius Euro Commercial Paper Programme (Institutional)	EUR 1.2 bn	Belfius Financing Company with guarantee of Belfius Bank	Not listed
Belfius CD Programme (Institutional)	EUR 4.8 bn	Belfius Bank	Not listed
Belfius Mortgage Pandbrieven Programme (Institutional)	EUR 4.9 bn	Belfius Bank	Euronext Brussels
Belfius Public Pandbrieven Programme (Institutional)	EUR 2.3 bn	Belfius Bank	Euronext Brussels
EMTN Programme (Institutional)	EUR 4.3 bn	Belfius Bank	Luxembourg Stock Exchange
Stand Alone Documentation (Institutional)	EUR 0.8 bn	Belfius Bank	Euronext Brussels
Belfius Notes Issuance Programme (Retail)	EUR 8.3 bn	Belfius Bank, and Belfius Financing Company with guarantee of Belfius Bank	Not listed

Continued positive rating actions

Ratings of Belfius Bank as at 31 January 2018

	Moody's <i>last action on</i> 29/03/2017	S&P <i>last action on</i> 10/11/2016	Fitch <i>last action on</i> 07/12/2017
Senior	A2 Positive outlook	A- Stable outlook	A- Stable outlook
Standalone Rating	baa2	bbb+	a-
Non-Preferred Senior	Baa3	BBB	
Tier 2	Baa3	BBB-	BBB+
Additional Tier 1	Ba2	BB	

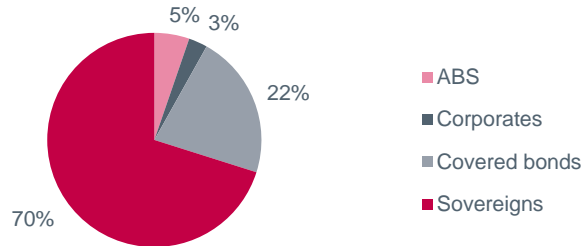
Latest rating actions

- In January 2016, Moody's upgraded Belfius' stand-alone Baseline Credit Assessment (BCA) to baa3 and its LT-rating to A3
 - In April 2016, Fitch upgraded Belfius' stand-alone Viability Rating (VR) to a- and its LT-rating to A-
 - In November 2016, S&P revised Belfius' outlook from negative to stable and confirmed its ratings
 - In March 2017, Moody's upgraded Belfius' stand-alone Baseline Credit Assessment (BCA) to baa2 and its LT-rating to A2. The ST-rating has been upgraded from Prime-2 to Prime-1. The outlook has changed from stable to positive
 - In October 2017, S&P replaced the transitional notch with a notch for ALAC support as they believe Belfius will sustain its current capitalization and bail-in-able debt levels, hence affirming Belfius' ratings
 - In December 2017, Fitch affirmed Belfius' rating of A-

ALM Bank Liquidity bond portfolio

Breakdown by type of counterpart

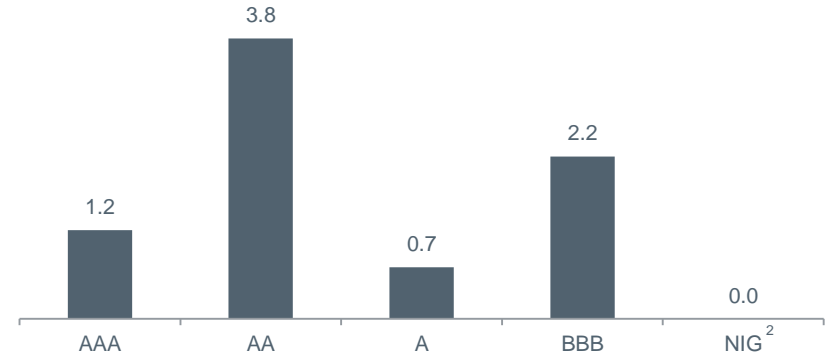
EUR 8.1 bn
31 December 2017



Breakdown by rating

EUR bn

Average rating: BBB+

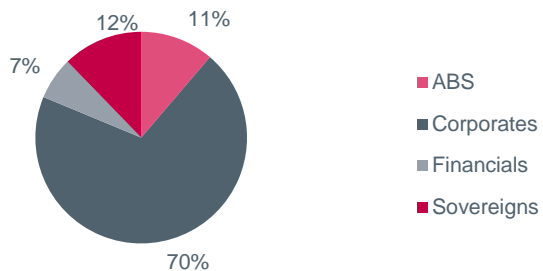


- ALM Bank Liquidity bond portfolio stood at EUR 8.1 bn¹ as at 31 December 2017, compared to EUR 8.2 bn as at year-end 2016
- The portfolio is of good quality
 - 100% of the portfolio is Investment Grade
 - The average rating stood at BBB+
- Expected average life: 9.0 years

ALM Bank Yield bond portfolio

Breakdown by type of counterpart

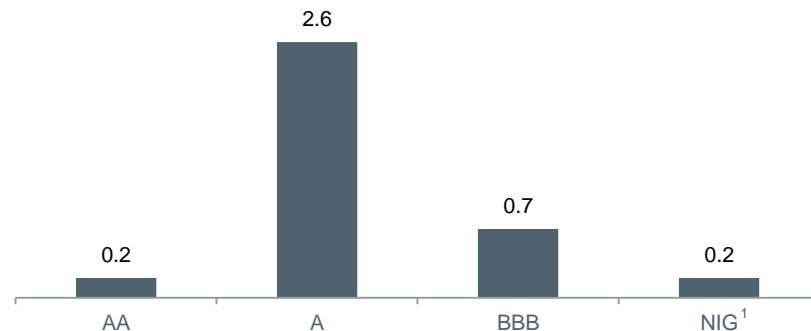
EUR 3.7 bn
31 December 2017



Breakdown by rating

EUR bn

Average rating: A

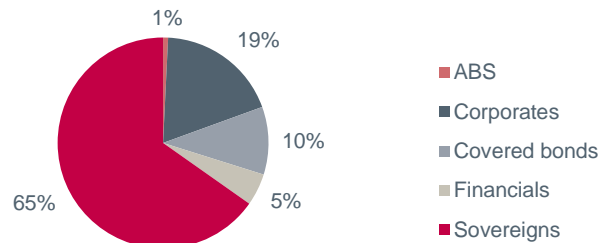


- ALM Bank Yield bond portfolio stood at EUR 3.7 bn as at 31 December 2017, compared to EUR 4.4 bn as at year-end 2016, mainly due the natural amortization of the portfolio and some sales
- The portfolio is of good quality
 - 95% of the portfolio is Investment Grade
 - The average rating stood at A
- Expected average life: 20.8 years

ALM Insurance Bond portfolio

Breakdown by type of counterpart

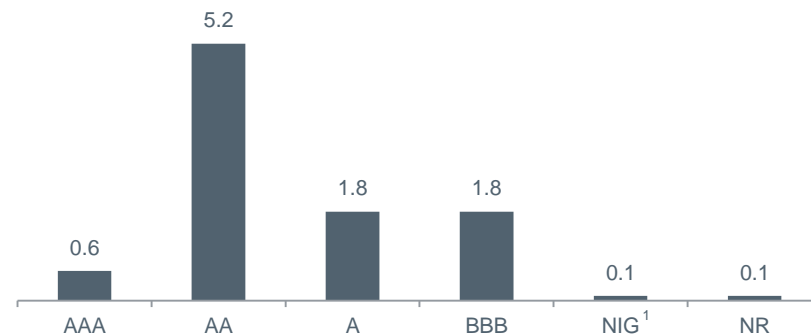
EUR 9.6 bn
31 December 2017



Breakdown by rating

EUR bn

Average rating: BBB+

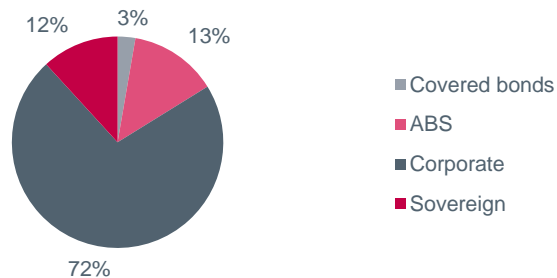


- ALM Insurance fixed income portfolio stood at EUR 9.6 bn as at 31 December 2017, compared to EUR 9.8 bn at year-end 2016
- The ALM Insurance portfolio remains of good quality
 - 98% of the portfolio is investment grade
 - The average rating at BBB+
- Expected average life: 8.6 years

Credit guarantees

Breakdown by type of counterpart

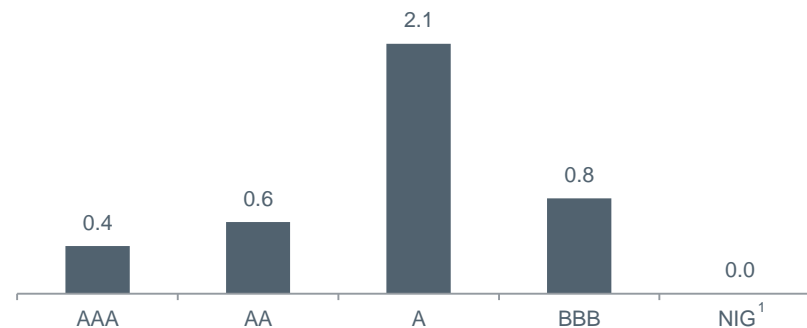
EUR 3.9 bn
31 December 2017



Breakdown by rating

EUR bn

Average rating: A-



- Credit guarantees portfolio stood at EUR 3.9 bn as at 31 December 2017, compared to EUR 5.0 bn at year-end 2016, mainly due to amortizations
- The credit guarantees portfolio is of good quality
 - 100% of the portfolio is Investment Grade
 - The average rating stood at A -
- Expected average life: 10.3 years

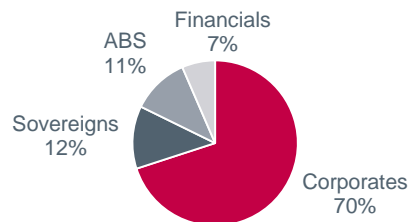
Hedging strategy to manage residual risks

Run-off portfolios

ALM Yield bond portfolio

- 40% inflation linked bonds issued by high quality UK utilities and infrastructure companies (A average rating)
- Part of the portfolio is insured by Assured Guaranty
- Inflation component hedged with inflation linked collateralised swaps

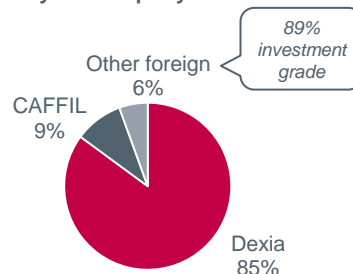
Notional split by type



Derivatives

- 85% notional exposure to Dexia, fully cash collateralised, leading to an EaD (including add-on) of EUR154 million end 2017
- Derivatives with other foreign counterparts and with CAFFIL are uncollateralised (A+ average rating)

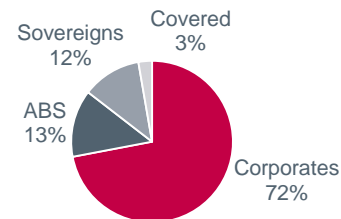
Notional split by counterparty



Credit guarantees

- Mostly reinsured CDS with
 - sold protection to market counterparties with two-sided collateral posting agreement
 - bought equivalent protection with monoline insurers (28% from Assured Guaranty) with one-sided collateral posting agreement

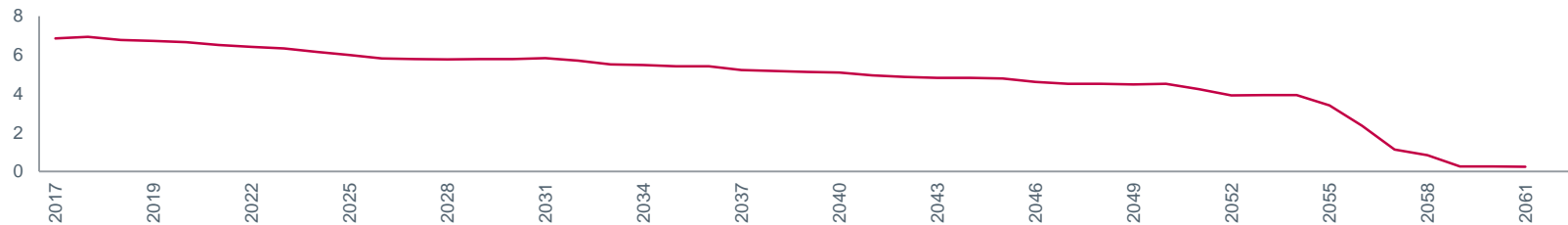
Notional split by type of underlying



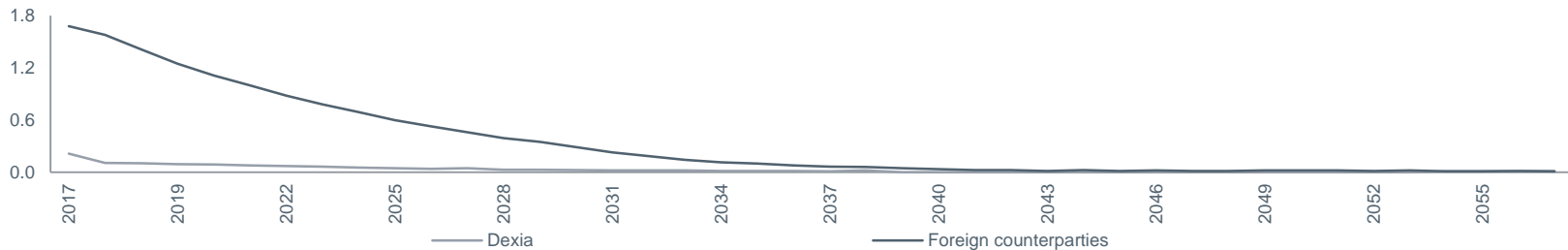
Progressive run-off of GC run-off portfolios in the coming years

Run-off portfolios evolution – EaD; EUR bn

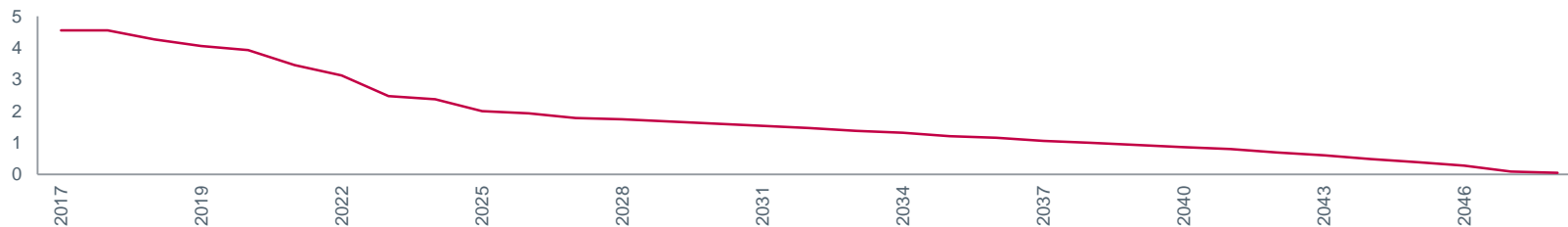
ALM Yield bond portfolio



Derivatives



Credit guarantees



Note: Based on current markets

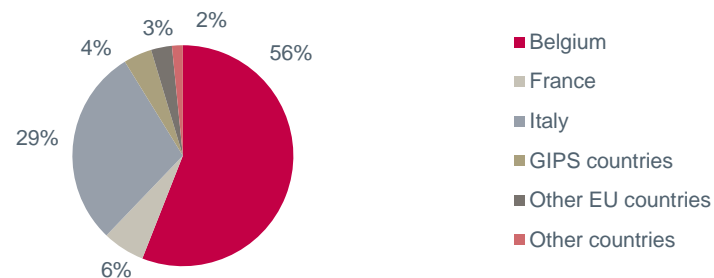


Outstanding exposures on government bonds

Evolution

EUR m	Dec. 2016	Dec. 2017
Belgium	7,953	7,199
France	644	796
Italy	3,838	3,733
GIPS countries	361	535
Other EU countries	367	393
Other countries	218	204
Total¹	13,381	12,860

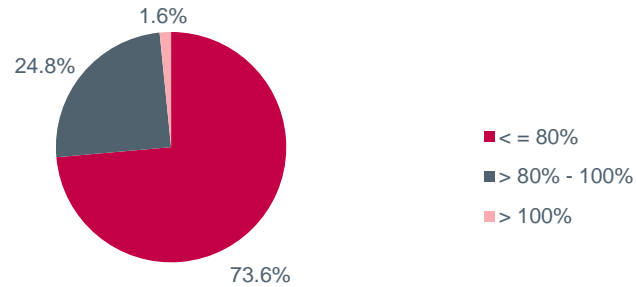
Breakdown as at Dec. 2017



- Total government bond portfolio stood at EUR 12.9 bn¹, down EUR 0.5 bn compared to December 2016
- More than half of the portfolio (56%) remains invested in Belgian government bonds
- In January 2018, the Italian sovereign exposure has been reduced by EUR 1.1 bn¹

Credit risk statistics on mortgage loans

Mortgage loans Belfius Bank Loan-to-value ratio

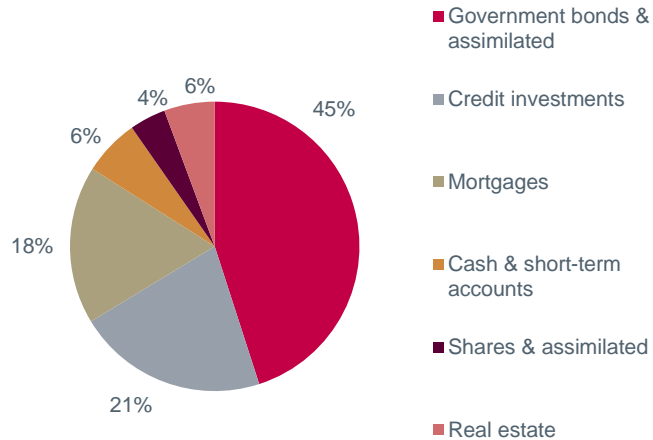


- Very sound LTV-ratio's
 - Average LTV-ratio, based on outstandings (with indexation of real estate prices) stood at 58.1% at end of December 2017
 - The part of the portfolio with an LTV > 100% is only 1.6%

ALM Belfius Insurance

Diversified asset allocation

31 December 2017



- Prudent investment strategy of the asset portfolio with a well-diversified asset allocation
- Efficient insurer on the Belgian market enjoying high customer satisfaction

Duration Gap Life and Non-Life

31 December 2017

	Duration Gap
Total Life	1.28
Total Non-Life	0.04
Total	0.91

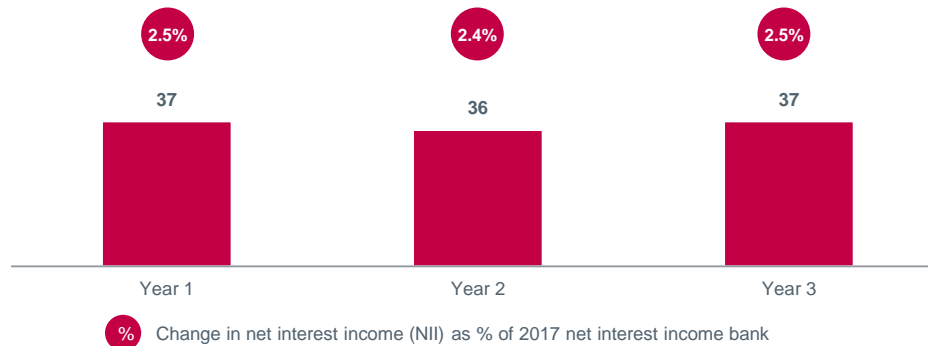
Solvency II ratio sensitivity table

Solvency II Sensitivities FY 2017	Δ SCR (in EUR m)	Δ AFR (in EUR m)	Δ Solvency II ratio (in %)
Base Case	1,128	2,469	219%
Interest rate: Shock +50bps	(55) (5%)	(33) (1%)	227% +8%
Interest rate: Shock -50bps	(4) (0%)	(97) (4%)	211% (8%)
Credit spread: Spread on fixed income (corporate) +50bps	(31) (3%)	(111) (5%)	215% (4%)
Credit spread: Spread on fixed income (government) +50bps	44 4%	(195) (8%)	194% (25%)
Credit spread: Spread on fixed income (government and corporate) +50bps	97 +9%	(306) (12%)	177% (42%)
Credit Spread: No Volatility Adjuster	(19) (2%)	(93) (4%)	214% (5%)
Equity: Downward shock - 30%	(163) (14%)	(411) (17%)	213% (6%)
Real estate: Downward shock -15%	(18) (2%)	(123) (5%)	211% (7%)
UFR: Downward adjustment to 3.2%	(19) (2%)	(100) (4%)	214% (5%)

Belfius sensitivity to rising rates

Bank

NII impact from +50 bps immediate parallel shift in rate curve, EUR m



- Belfius benefits from rising rates with net interest income increasing 3% within one year in case of a +50bps parallel shift in rate curve
- The bank benefits from limited transfer of interest rates to customers while the loan book is rolled over at higher rates
- Should rates rise sharply, rates on non maturing deposits could increase at a faster pace than historical observations.

Notes: NII sensitivity analysis assumes a constant Belfius' balance sheet as of 31-12-2017



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