Belfius 1H 2012 Reporting

September 2012

1H 2012 Reporting

Highlights

- **Rebranding** of Belfius is on track, in line with foreseen budget and with excellent brand image results
- **EC file** submitted in April 2012; Q&A finalized; awaiting final decision
- **Net profit of EUR 252 m for 1H 2012** (EUR 139 m excluding one-off items)
- Substantial gains on liability management enabled **reduction of investment portfolio risk** and **strengthening of the core equity base**
- **Good commercial results** in all commercial business lines against a globally challenging economic background
- Further **decrease of exposure to the Dexia Group**: remaining secured/ guaranteed exposure amounting to EUR ~ 28 bn
- Further **improvement of the liquidity profile**

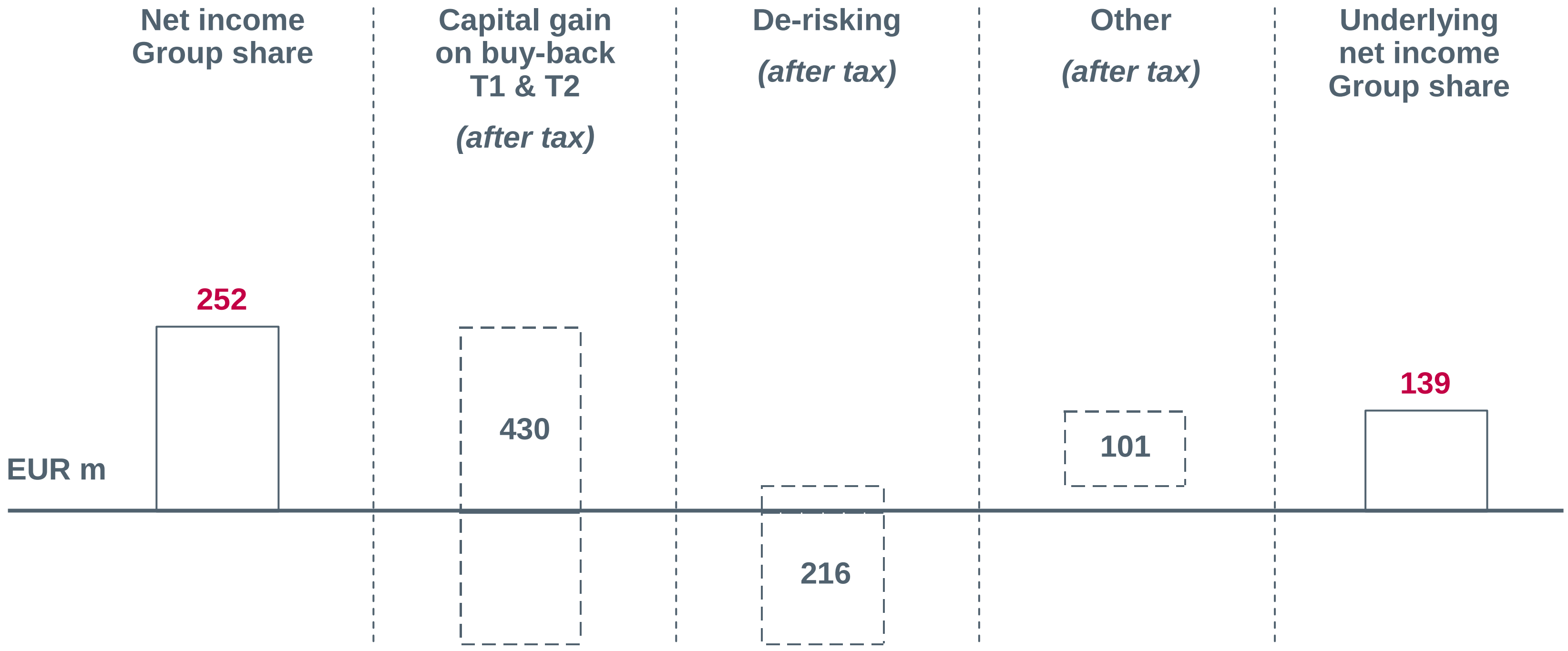
1H 2012 Reporting
Consolidated statement of income

(EUR m)	1H 2011	1H 2012	Δ 1H 2012 1H 2011
Income	**615**	**1,358**	**x 2.2**
Of which			
Net interest income	*1,093*	*1,109*	*1.5%*
Net fee and commission income	*184*	*163*	*-11.6%*
Net income on investments	*-550*	*377*	*n.s.*
Technical margin on insurance activities	*-220*	*-239*	*-8.6%*
Other income	*108*	*-51*	*n.s.*
Expenses	**-750**	**-763**	**1.8%**
Gross Operating Income	**-135**	**595**	**n.s.**
Cost of risk	-16	-142	x 8.5
Impairments on (in)tangible assets	-10	0	n.s.
Pre-Tax Income	**-161**	**453**	**n.s.**
Tax expenses	62	-200	n.s.
Net Income after taxes	**-99**	**253**	**n.s.**
Non-controlling interests	1	1	n.s.
Net Income Group Share	**-100**	**252**	**n.s.**

- Belfius Bank back to profitability, with net income Group share of EUR 252 m (EUR 139 m without one-off items)
- 1H 2012 income at EUR 1,358 m
  - Net interest income and net fee and commission income stable at EUR 1.3 bn
  - Important one-off capital gains, partly used for tactical de-risking
- Operating expenses well under control, even in a natural wage drift environment and after integration of staff from the Dexia Group
- Cost of risk of business-lines in line with expectations; some increase in legacy items (to note: 1H 2011 was characterized by a very low provisioning level)

1H 2012 Reporting

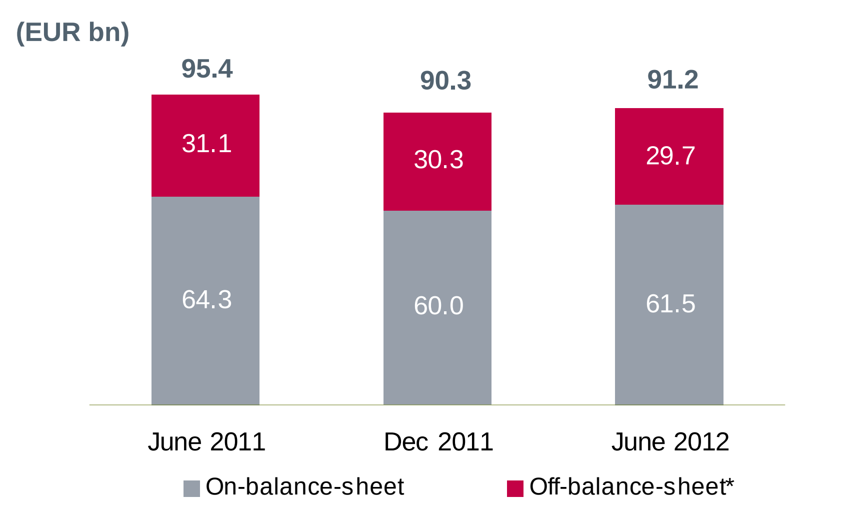
Focus on one-off items



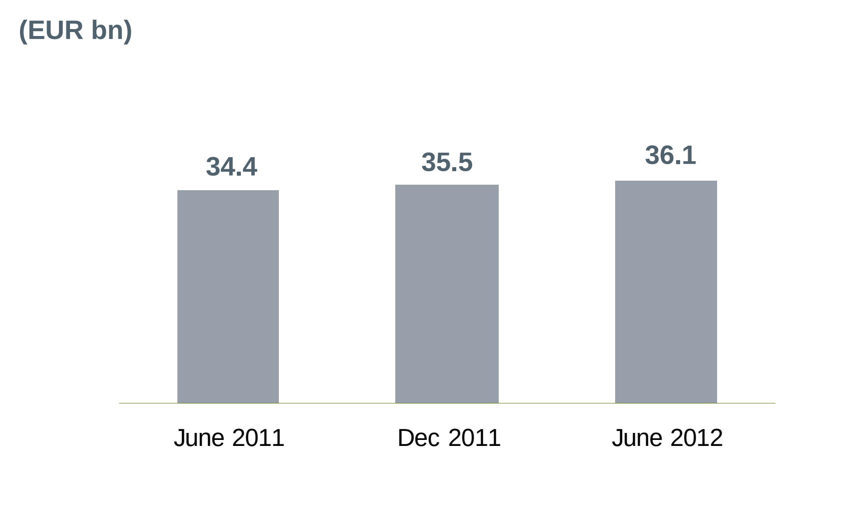
- 1H 2012 reported net income at EUR 252 m
- Profit from buy-backs T1 & T2 (EUR 430 m after tax), partly used for tactical de-risking
  - De-risking mostly in GIIPS and CEE sovereign bonds, both in bank and insurance: EUR -216 m net impact (EUR -182 m for the bank, EUR -34 m for the insurer)
  - "Other" (EUR -101 m net impact) comprises a.o. one-off additional provisioning for Legacy activities (EUR -63 m net impact)
- Excluding one-offs, 1H 2012 underlying net income would have amounted to EUR 139 m

1H 2012 Reporting
Retail and Commercial Banking (1/2)

Outstanding customer investments



Outstanding customer loans



- Funding
  - Total customer investments grew by EUR 0.9 bn over 1H 2012
  - On-balance sheet products increased by EUR 1.5 bn, with an important growth in savings accounts
  - Off-balance sheet products decreased by EUR 0.6 bn, mainly on mutual funds
- Loans
  - Growth in outstanding of customer loans, supported by mortgage loans and business loans

* Includes life insurance reserves

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1H 2012 Reporting
Retail and Commercial Banking (2/2)

(EUR m)	1H 2011	2H 2011	1H 2012	Δ 1H 2012 2H 2011*
Income	**735**	**645**	**653**	**1.3%**
Expenses	**-518**	**-524**	**-523**	**-0.1%**
Gross Operating Income	**217**	**121**	**130**	**7.6%**
Cost of risk	-12	-61	-28	-54.8%
Impairments on (in)tangible assets	-10	-20	0	n.s.
Pre-Tax Income	**196**	**40**	**103**	x 2.6
Tax expenses	-66	-13	-34	x 2.6
Non-controlling interests	0	0	0	n.s.
Net Income Group Share	**130**	**27**	**69**	**x 2.6**

- Compared to 2H 2011, income remained stable
- Expenses were well under control
- Cost of risk and other impairments remained very low, while 2H 2011 was impacted by additional collective provisions and impairments on (in)tangible assets
- As a result, 1H 2012 net income amounted to EUR 69 m

* *Comparison 1H 2012/2H 2011 in order to show the evolution since the separation from Dexia (20 October 2011)*
The comparison with 1H 2011 is not that straightforward due to the separation from Dexia. The lower income for RCB between 1H 2011 and 1H 2012 can be largely explained by outflows in customer investments during the Dexia crisis (those customer investments are being regained day by day, demonstrating resilient franchise) and the low interest rate environment.

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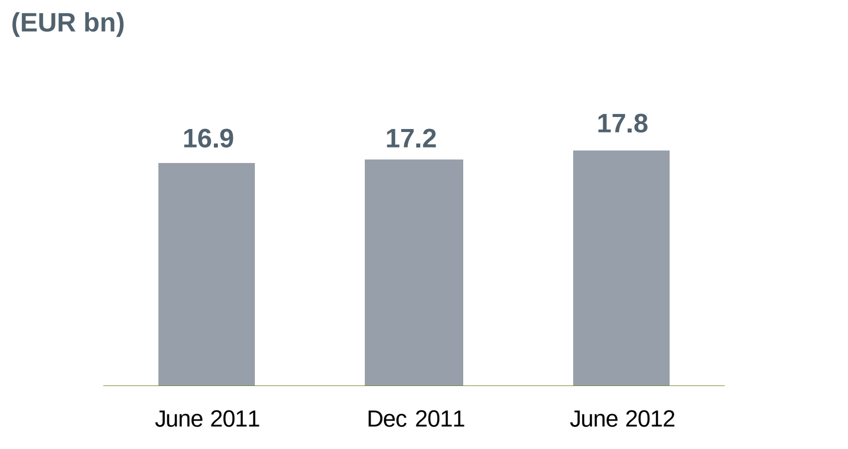
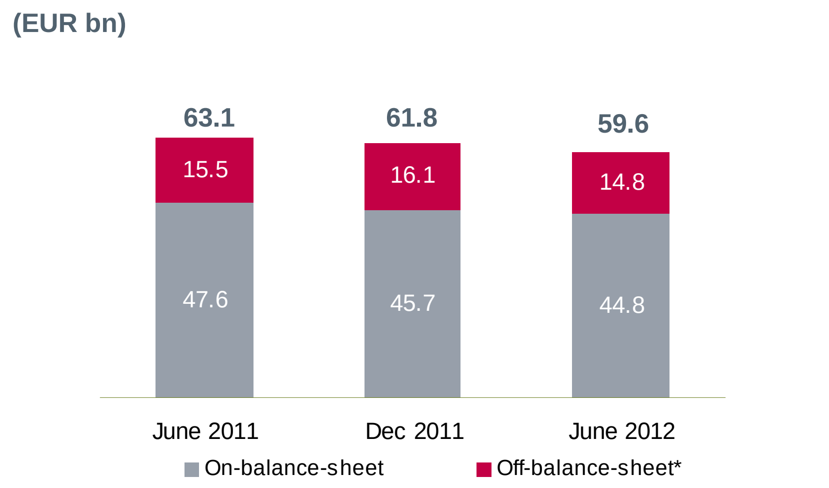
1H 2012 Reporting
Public and Wholesale Banking (1/2)

Outstanding deposits



Outstanding on & off balance sheet commitments



- Funding
  - Strong recovery since separation from Dexia
  - Deposits further increased by 3% in 1H 2012
- Commitments
  - Public and Social Profit outstandings remain flat
  - Total balance sheet and O/B commitments slightly decreased in 1H 2012

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1H 2012 Reporting

Public and Wholesale Banking (2/2)

(EUR m)	1H 2011	2H 2011	1H 2012	Δ 1H 2012 2H 2011*
Income	**219**	**196**	**193**	**-1.4%**
Expenses	**-95**	**-98**	**-97**	**-0.5%**
Gross Operating Income	**123**	**98**	**96**	**-2.4%**
Cost of risk	-3	-42	-8	-81.7%
Impairments on (in)tangible assets	0	0	0	n.s.
Pre-Tax Income	**121**	**56**	**88**	**56.7%**
Tax expenses	-40	-17	-29	68.0%
Non-controlling interests	0	0	0	n.s.
Net Income Group Share	**81**	**39**	**59**	**51.7%**

- Income was stable compared to 2H 2011
- Expenses remained well under control
- Cost of risk stood at a very low level, whereas 2H 2011 was impacted by some additional collective provisions on loans
- As a result, 1H 2012 net income amounted to EUR 59 m

* *Comparison 1H 2012/2H 2011 in order to show the evolution since the separation from Dexia (20 October 2011)*
The comparison with 1H 2011 is not that straightforward due to the separation from Dexia and changes in scope. The lower income for PWB between 1H 2011 and 1H 2012 can be largely explained by outflows in customer investments during the Dexia crisis (those customer investments are being regained day by day, demonstrating resilient franchise) and the low interest rate environment.

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Insurance (1/2)

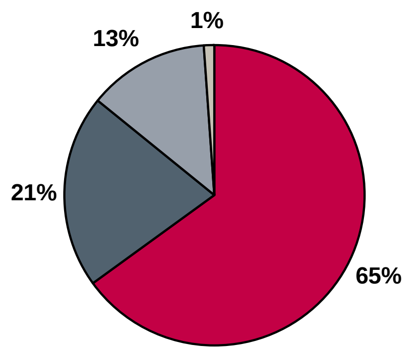
Multi-channel distribution strategy

Bank-insurance		DVV	Corona Direct
RCB	Wholesale		
RCB network in Belgium	Distribution in the public finance, social profit and corporate market	203 exclusive independent agents 340 POS	Internet / Direct Affinity deals
Gross written premiums 1H 2012			
EUR 623 m[1] *90% Life* *10% Non-life*	**EUR 242 m[1]** *75% Life* *25% Non-life*	**EUR 263 m[1]** *43% Life* *57% Non-life*	**EUR 31 m[1]** *30% Life* *70% Non-life*

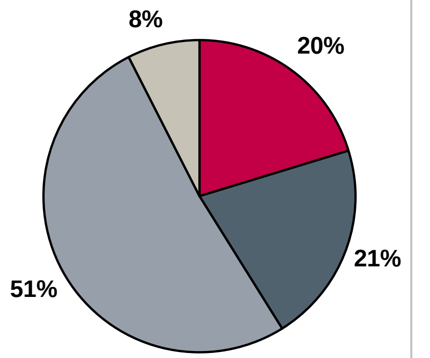
Life insurance reserves June 2012: EUR 19.5 bn

Premium breakdown by channel

Life insurance
Total: EUR 868 m[1]



Non-Life insurance
Total: EUR 291 m[1]



DVV
Corona
Bank-Insurance
Wholesale

[1] *Excluding distribution of third party insurance products*

1H 2012 Reporting

Insurance (2/2)

(EUR m)	1H 2011	2H 2011	1H 2012	Δ 1H 2012 2H 2011*
Income	**102**	**-489**	**122**	**n.s.**
Expenses	**-84**	**-96**	**-86**	**-10.5%**
Gross Operating Income	**18**	**-585**	**36**	**n.s.**
Cost of risk	-17	-28	-22	-19.6%
Impairments on (in)tangible assets	0	0	0	n.s.
Pre-Tax Income	**1**	**-613**	**14**	**n.s.**
Tax expenses	13	187	6	n.s.
Non-controlling interests	1	-1	1	n.s.
Net Income Group Share	**12**	**-425**	**19**	**n.s.**

- Excluding one-off items (mainly impairment on Greek sovereign bonds in 2H 2011 and de-risking losses in 1H 2012) income remained stable compared to 2H 2011
- Costs were stable (to note: 2H 2011 was impacted by brand name provision)
- Cost of risk was impacted by some specific provisions, a.o. on ABS
- As a result, 1H 2012 net income amounted to EUR 19 m

** Comparison 1H 2012/2H 2011 in order to show the evolution since the separation from Dexia (20 October 2011)*

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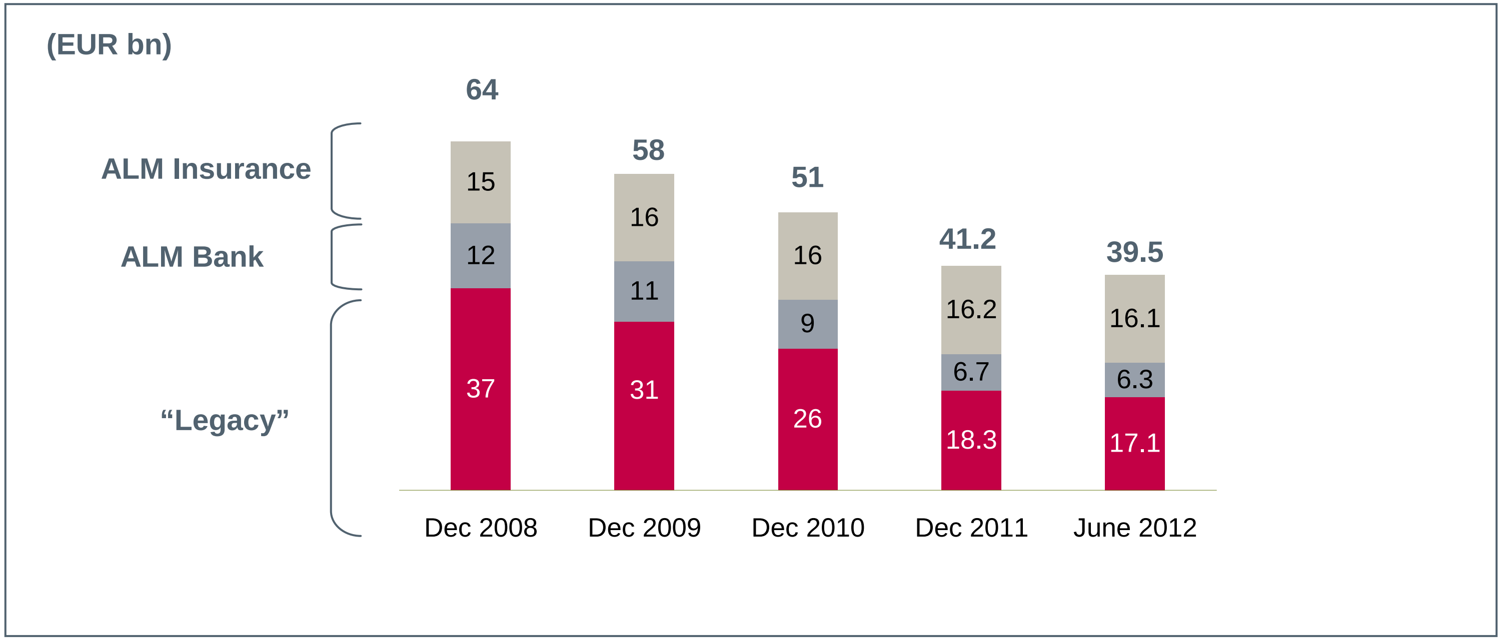
Investment portfolio (1/2)



- Total investment portfolio consists of three parts: the former "legacy" portfolio, the ALM portfolio Bank & Insurance
- Investment portfolio at EUR 39.5 bn as at 30 June 2012, a reduction of EUR 1.7 bn vs December 2011, mainly due to
  - natural amortization of EUR 1.5 bn
  - tactical de-risking of EUR 3.1 bn, of which EUR 2 bn for the bank and EUR 1.1 bn for the insurer
  - reinvestment for EUR 2.9 bn in Belgian government bonds

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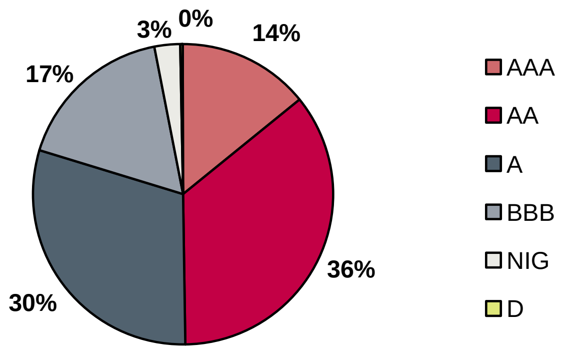
Investment portfolio (2/2)

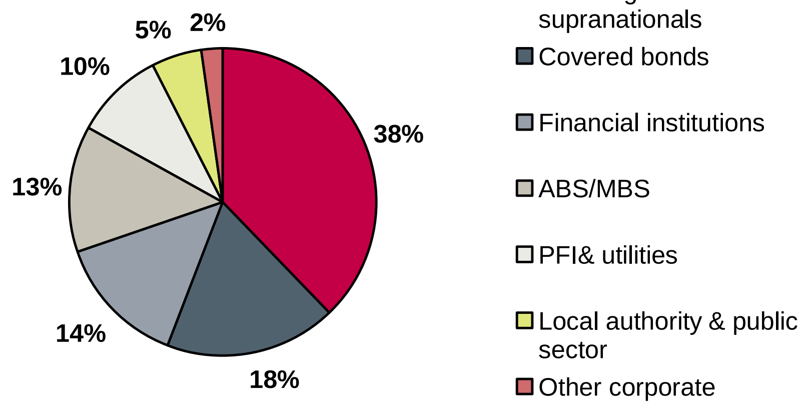
Breakdown by rating

EUR 39.5 bn (as at 30 June 2012)



Breakdown by type of counterpart

EUR 39.5 bn (as at 30 June 2012)



- Investment portfolio well diversified and of good quality
- Portfolio 97% Investment Grade by the end of June 2012 vs 96% by end of March 2012
- Expected average life: 11.4 years
- Gross disinvestments under tactical de-risking amounted to EUR 3.1 bn in 1H 2012

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Outstanding exposure on sovereign GIIPS

(EUR m)	31/12/2010	31/12/2011	30/06/2012	Δ 30/06/2012 31/12/2011
Portugal	**336**	**253**	**73**	**-71%**
Ireland	**326**	**352**	**203**	**-42%**
Greece	**1,810**	**670**	**0**	**-100%**
Spain	**1,225**	**853**	**0**	**-100%**
Subtotal	**3,697**	**2,128**	**276**	**-87%**
Italy	**5,659**	**4,355**	**4,138**	**-5%**
Total	**9,356**	**6,483**	**4,414**	**-32%**

- Total GIIPS exposure stood at EUR 4.4 bn as at the end of June 2012, a significant decrease with 32% compared to Dec. 2011, mainly driven by a 87% reduction of total exposure on Portugal, Ireland, Greece and Spain.
- Exposure on Spanish & Greek government bonds reduced to nil.

Note: the table above presents the credit risk measure MCRE (Maximum Credit Risk Exposure). In case of bonds classified in the available-for-sale category, the MCRE corresponds to the fair value, after deduction of specific provisions.

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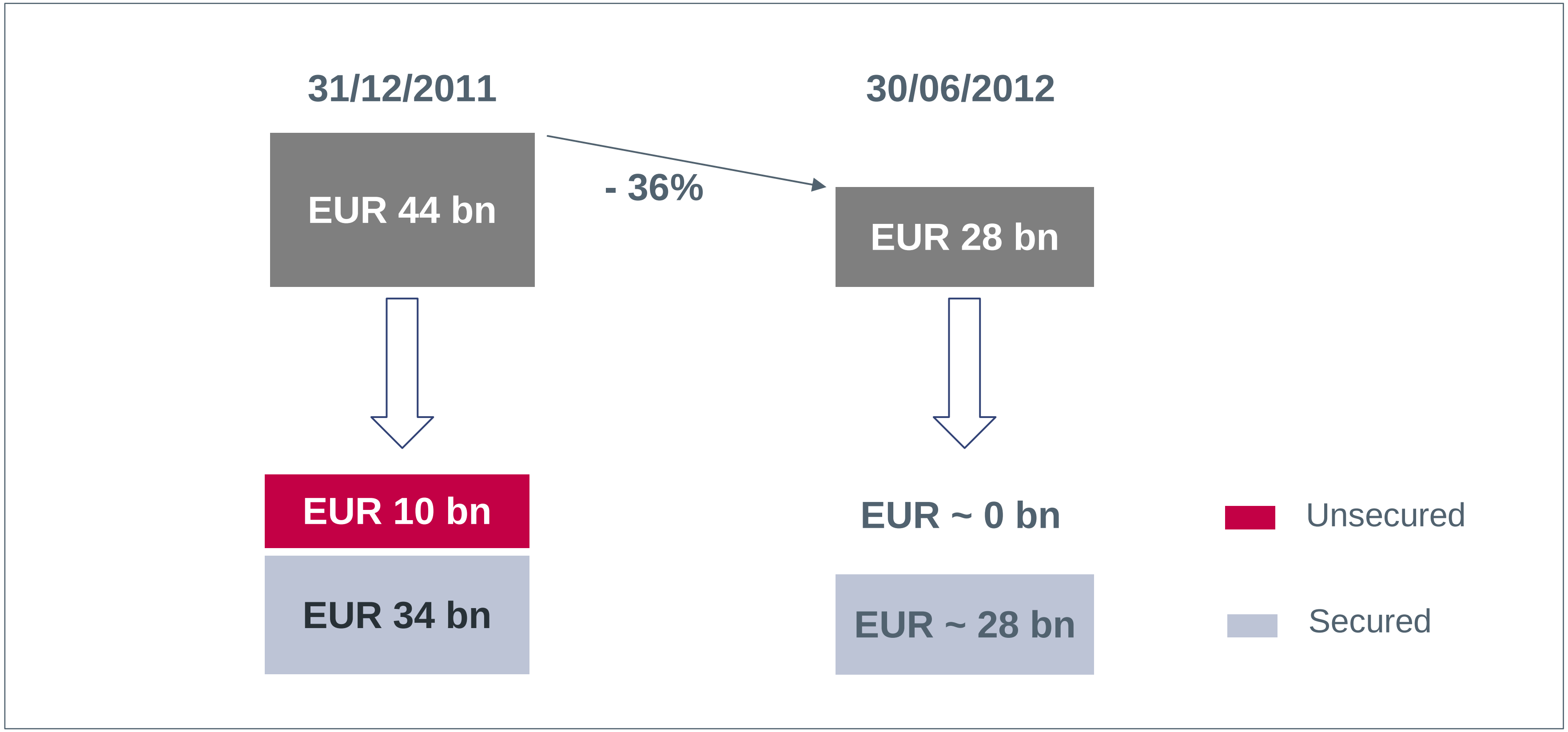
Unsecured exposure to Dexia Group almost 0



- The sale and purchase agreement between the Dexia Group and the Belgian Federal State provided for an accelerated reduction of Belfius net exposure to the Dexia Group.
- An additional agreement at the end of December 2011 provided for an effective accelerated reduction of the unsecured exposure.
- A further run-down of the secured exposure is targeted.

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Consolidated balance sheet - Assets

(EUR m)	30/06/2011	31/12/2011	30/06/2012	Δ 30/06/2012 31/12/2011
Loans and advances	**152,727**	**138,821**	**140,492**	**1,671**
To banks and central banks	*61,496*	*46,888*	*49,767*	*2,879*
To customers	*91,231*	*91,933*	*90,725*	*-1,208*
Portfolios	**37,618**	**50,413**	**37,220**	**-13,193**
Financial assets at FV through P&L	*6,070*	*5,501*	*5,269*	*-232*
Financial investments (AFS)	*31,548*	*44,912*	*31,951*	*-12,961*
Derivatives	**22,918**	**34,933**	**36,744**	**1,811**
Other	**8,365**	**8,342**	**8,573**	**231**
Total	**221,628**	**232,509**	**223,029**	**-9,480**

- The reduction of the assets with EUR 9.5 bn compared to Dec. 2011 is a combination of
  - a sharp reduction (EUR 16.4 bn) of funding granted to Dexia entities*
    (EUR 14.5 bn to banks and central banks and EUR 1.9 bn to customers)
  - an increase (EUR 5.3 bn) of loans to banks & customers
    (EUR 4.5 bn to banks and central banks and EUR 0.7 bn to customers)
  - an increase (EUR 1.8 bn) of the fair value of derivatives

(*) To note: The government-guaranteed bonds (GBB) have been reclassified from Financial investments (EUR 13.6 bn as at 31 December 2011) to Loans and advances to banks (EUR 12.8 bn as at 30 June 2012)

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Consolidated balance sheet - Liabilities, without equity

(EUR m)	30/06/2011	31/12/2011	30/06/2012	Δ 30/06/2012 31/12/2011
Liabilities	**128,537**	**129,680**	**119,751**	***-9,929***
To banks and central banks	*43,875*	*59,415*	*41,342*	*-18,073*
To customers	*84,662*	*70,265*	*78,409*	*8,144*
Debt securities	**40,999**	**38,130**	**35,532**	***-2,598***
Debt securities	*26,441*	*24,362*	*23,314*	*-1,048*
Debt securities at FV through P&L	*12,034*	*11,083*	*10,992*	*-91*
Subordinated Debt	*2,524*	*2,685*	*1,226*	*-1,459*
Derivatives	**26,507**	**41,373**	**43,008**	***1,635***
Provisions	**17,599**	**17,763**	**18,173**	***410***
Other	**2,383**	**2,288**	**2,370**	***82***
Total	**216,025**	**229,234**	**218,834**	***-10,400***

- The decrease of the liabilities with EUR 10.4 bn compared to Dec. 2011 is a combination of
  - a decrease (EUR 18 bn) of liabilities from central banks
  - an increase (EUR 8 bn) of repos & deposits from customers
  - a decrease (EUR 2.6 bn) of debt securities:
    - a decrease in subordinated debt mainly due to the repurchase programs
    - lower outstandings of savings bonds (mainly switch to savings accounts)
  - an increase (EUR 1.6 bn) of the fair value of derivatives

1H 2012 Reporting

Consolidated balance sheet - Equity

(EUR m)	30/06/2011	31/12/2011	30/06/2012	Δ 30/06/2012 31/12/2011
Core shareholders' equity	**7,858**	**6,590**	**6,843**	**253**
Subscribed capital + aditional paid in capital	*3,667*	*3,667*	*3,667*	*0*
Reserves + retained earnings	*4,291*	*4,290*	*2,924*	*-1,366*
Net income for the period	*-100*	*-1,367*	*252*	*1,619*
Gains and losses not recognised in the statement of income	**-2,274**	**-3,331**	**-2,909**	**422**
Reserve AFS (Available for Sale)	*-2,219*	*-3,321*	*-2,885*	*436*
Reserve CFH (Cash flow hedge) + other	*-3*	*-10*	*-24*	*-14*
Reserve AFS linked to Assets Held for Sale	*-52*	*0*	*0*	*0*
Total shareholders' equity	**5,584**	**3,259**	**3,934**	**675**
Other	**19**	**16**	**261**	**245**
Total	**5,603**	**3,275**	**4,195**	***920***

- The increase of total equity with EUR 0.9 bn compared to Dec. 2011 is mainly due to
  - the net profit of EUR 252 m reported in 1H 2012, reinforced by
  - the positive evolution of the AFS reserves, both at bank & insurance side

1H 2012 Reporting

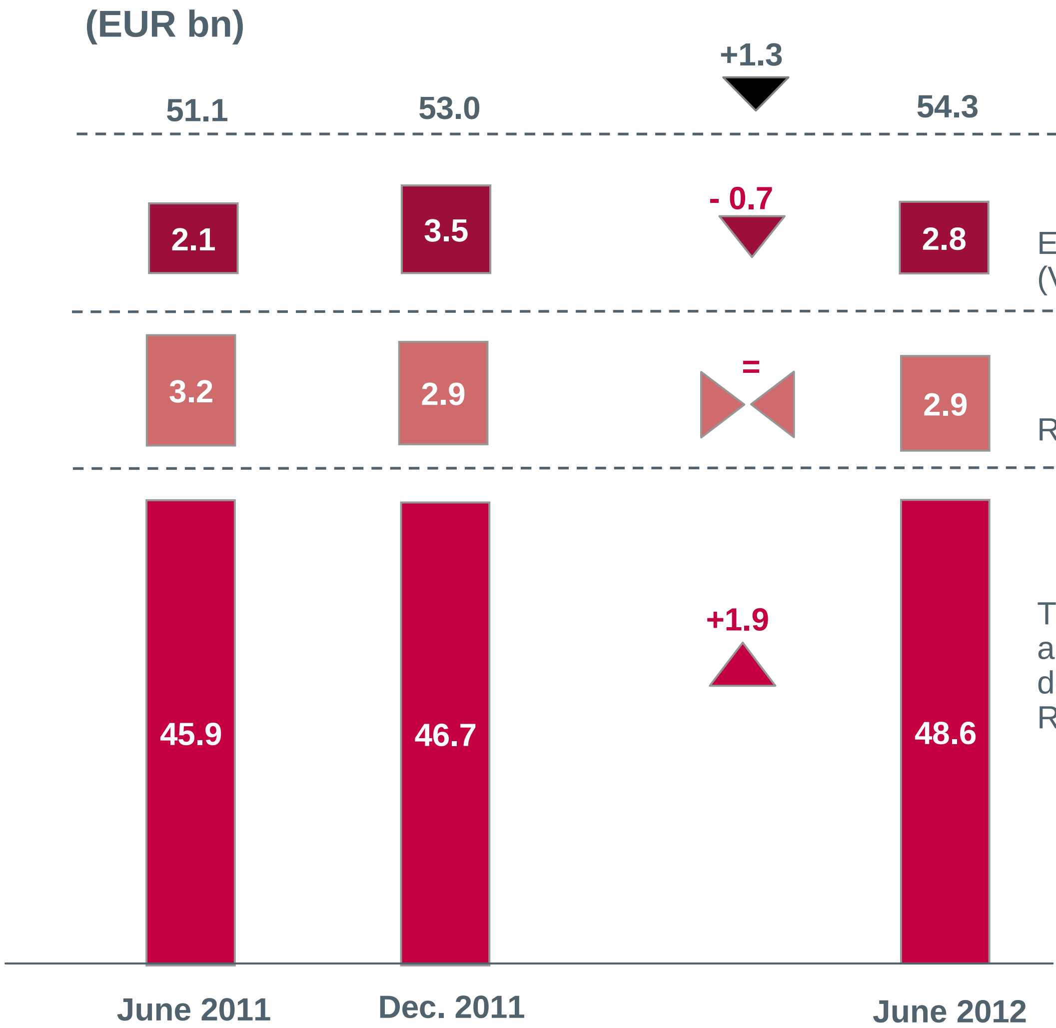
Regulatory equity

(EUR m)	30/06/2011	31/12/2011	30/06/2012	Δ 30/06/2012 31/12/2011
Core shareholders' equity	**7,858**	**6,591**	**6,843**	**252**
Deduction accruals of dividends to be paid	*0*	*0*	*0*	*0*
Prudential filters	*-132*	*-243*	*-111*	*132*
Participations to be deducted & subordinated loans	*-338*	*-111*	*-196*	*-85*
Shortage IRB position	*-38*	*0*	*0*	*0*
Core TIER 1	**7,350**	**6,237**	**6,536**	**299**
Hybrid Tier 1	*499*	*499*	*0*	*-499*
TIER 1	**7,849**	**6,736**	**6,536**	**-200**
Reserve AFS shares (90%)	*53*	*48*	*48*	*0*
Issue Upper Tier 2	*802*	*879*	*432*	*-447*
Issue Lower Tier 2	*1,107*	*1,141*	*891*	*-250*
Shortage (-) / Surplus (+) IRB position	*-38*	*11*	*46*	*35*
Participations to be deducted & subordinated loans	*-338*	*-111*	*-196*	*-85*
TIER 2	**1,586**	**1,968**	**1,221**	**-747**
Insurance companies to be deducted (Equity Method)	*-1,118*	*-710*	*-730*	*-20*
Total equity CAD	**8,317**	**7,994**	**7,027**	**-967**

- Total equity decreased with EUR 967 m due to the buy-back of Tier 1 and some Tier 2 bonds, though it resulted in a partial transformation to higher quality own funds (core equity). Furthermore, Tier 2 relations between Belfius and Dexia entities were unwound

1H 2012 Reporting

Focus on weighted risks



Market Risk

EUR -0.7 bn decrease, mainly on internal model (VaR): risk decrease on IR trading portfolio

Operational Risk

Re-evaluation once a year in December

Credit Risk

The deleveraging efforts on DSA/DCL assets and on securities (-) are offset by downgrading on some ABS and Greek RMBS (+) and by a FX effect (+)

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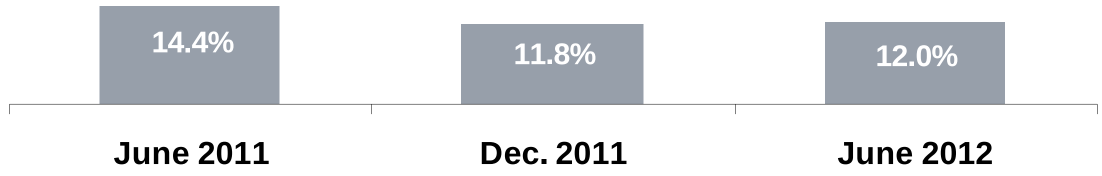
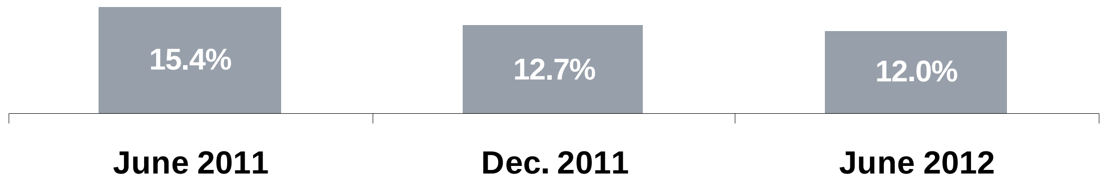
1H 2012 Reporting

Strong solvency ratios

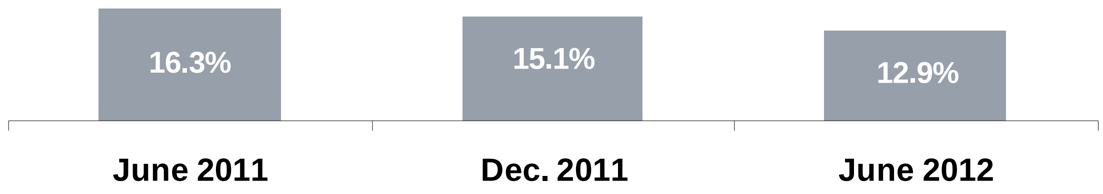
Core Tier 1 ratio (Basel II)



Tier 1 ratio (Basel II)



CAD ratio (Basel II)



- Improving Basel II core tier 1 ratio
- CAD ratio decreased mainly due to repurchase of Tier 2 debt and unwindings of Tier 2 transactions with Dexia

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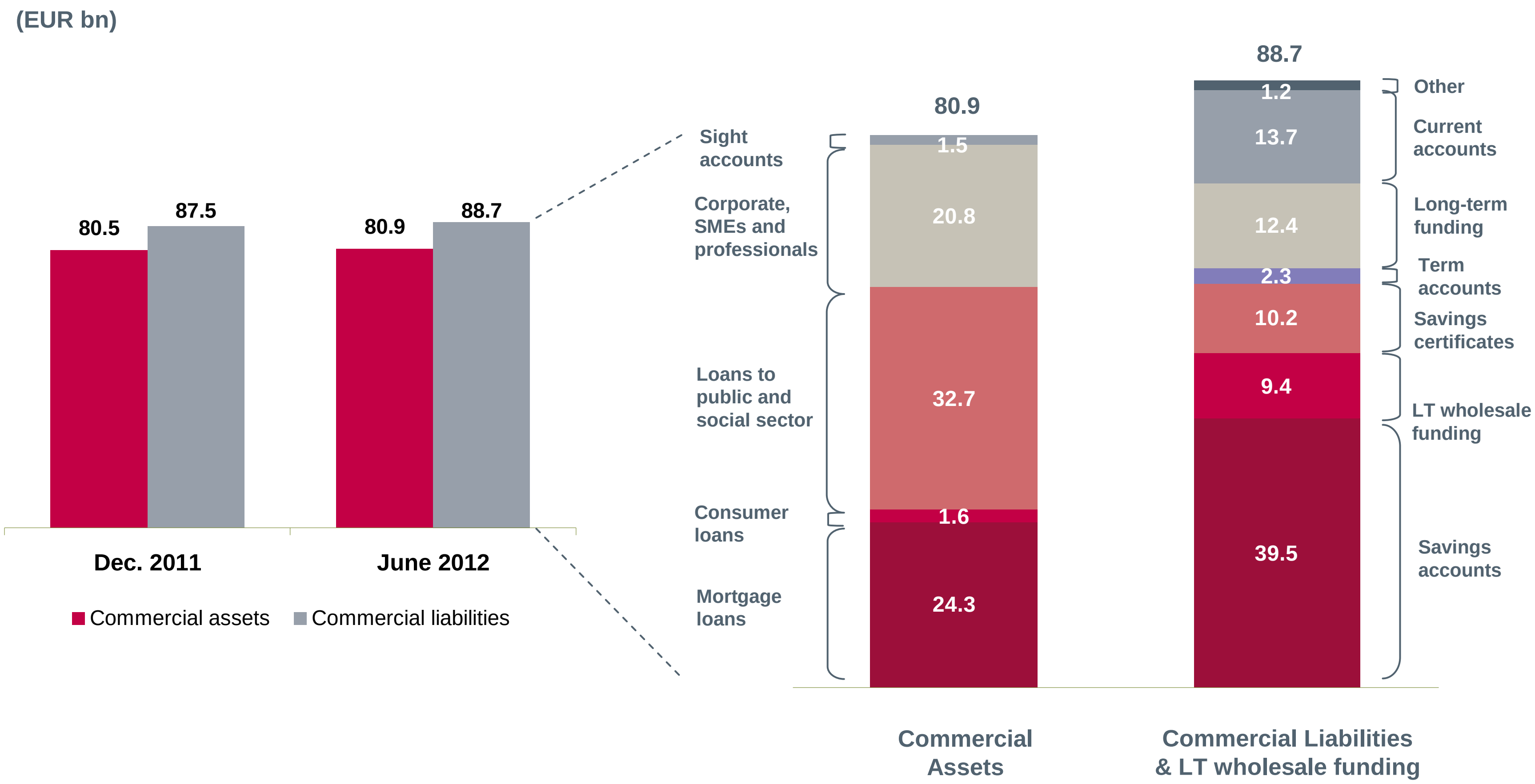
Commercial balance sheet



- The commercial balance sheet shows an increasing excess of funding

Belfius