Belfius FY 2014

Presentation to analysts and investors

March 2015

Information based on unaudited figures

Highlights

- **Strong performance of Belfius in 2014 in all domains:**
  - **Net income** (Group share) : **EUR 462 m** (up 3,7% yoy), with excellent growth of net income of the Franchise to EUR 580 m (up 25% yoy)
  - Very **good commercial results** from a growing franchise again
  - **Integrated bank-insurance strategy** a clear benefit to the group
  - Successful cost control program resulting in **improving operational efficiency** :
    - **C/I-ratio of Franchise** from 72% in 2013 to **65%** in 2014
  - Solid solvency position: **fully loaded CET 1 ratio** end 2014 at **13.2%**, up 171 bps vs Dec. 13
  - Successful funding plan leading to a **solid LCR ratio of 122%** and a **liquid asset buffer of EUR 36 bn** end 2014
  - **Further material de-risking** executed in 2014 : **end of Side targeted in 2016**
    - EUR 2.5 bn tactical de-risking executed in 2014 with a net P&L impact of EUR -41 m
    - Final de-risking validated by the Board, bringing Legacy to its end state over the next two years, an end state showing a risk profile in line with the Core-Franchise risk profile
  - **Ending** of material **funding to Dexia** since mid Febr. 2015
  - Since 1/1/2015**, Belfius is no longer submitted to EU-restrictions**
  - Since 2013, **Net Asset Value** increased with EUR 1.3 bn to reach EUR 7.9 bn by end 2014
- As such, **Belfius has created value for all stakeholders** since its inception end 2011, foremost based on its focus on its simple but valuable business model, operating in a still challenging macro-economic environment

Belfius

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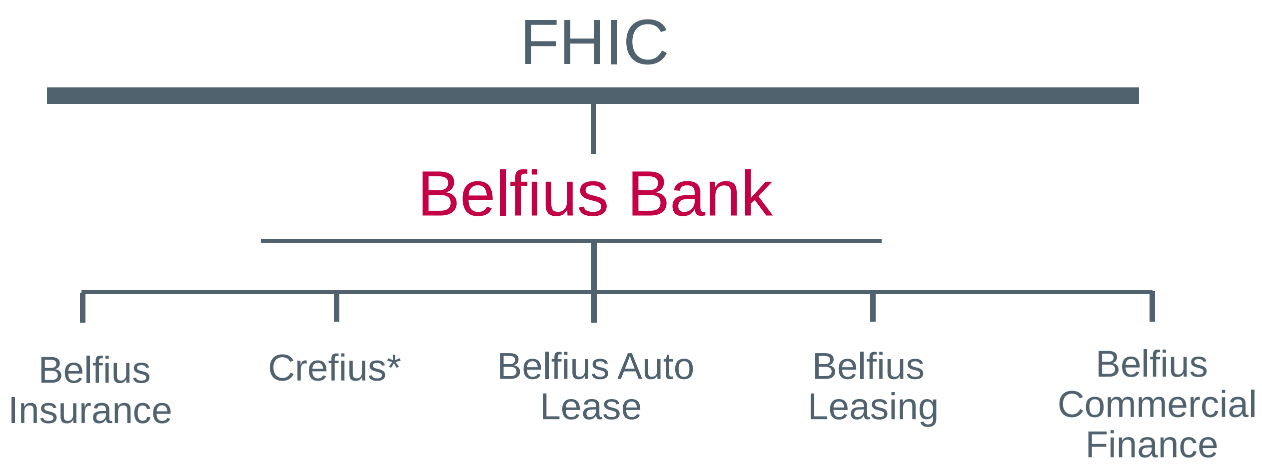
Part 1

BELFIUS AT A GLANCE

Belfius at a glance

A bank … with one sole shareholder



- Since October 2011, the Belgian federal state, through the Federal Holding and Investment Company (FHIC) has been the sole shareholder of the bank
- In March 2012, Belfius was launched as the new name of the bank-insurer
- Since its acquisition by the Belgian federal state, Belfius has achieved to demonstrate a strong stand-alone franchise value, has been able to unwind successfully from its previous shareholder and to continuously improve its risk profile

** Active in the granting and management of mortgage loans*

Belfius at a glance

An integrated Belgian bank-insurer

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

2014 FIGURES

Commercial Franchise

Retail & Commercial
- EUR 34 bn loans to customers
- EUR 96 bn AUM

Public / Social & Corporate
- EUR 42 bn loans to customers
- EUR 27 bn AUM

Insurance
- EUR 20 bn life reserves
- EUR 2.2 bn premiums

Side

Bond portfolio
- EUR 9.5 bn outstanding
- 13.9 years average life

Credit guarantees
- EUR 6.5 bn outstanding
- 8.3 years average life

Funding to Dexia
- EUR 10.6 bn outstanding end 2014 (reduced to almost zero by mid Febr. 2015)

STRATEGY

Further develop commercial franchise towards a local relationship bank-insurer in two client markets

- **Retail and Commercial Business**
- **Public and Wholesale Business**

Managed in run-off without affecting commercial franchise

Belfius

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Part 2

VALUABLE COMMERCIAL FRANCHISE

Valuable commercial franchise

Retail and Commercial Business - description

Retail, Private & Business clients

3.5m

746

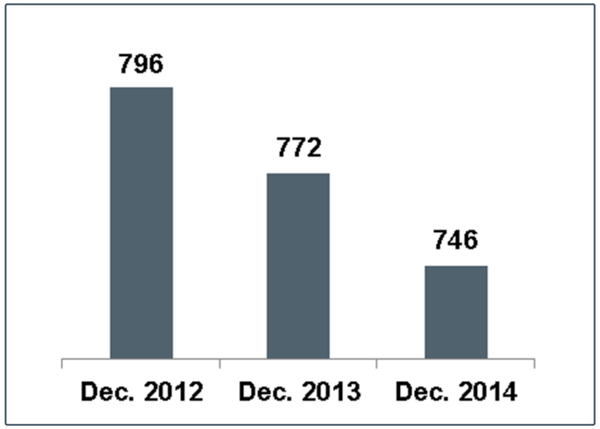
Belfius serves 3.2 million individuals & private customers and 0.3 million business clients (self-employed, SME's) combining personal advice through a network of 746 branches and state of the art applications in internet and mobile banking

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

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

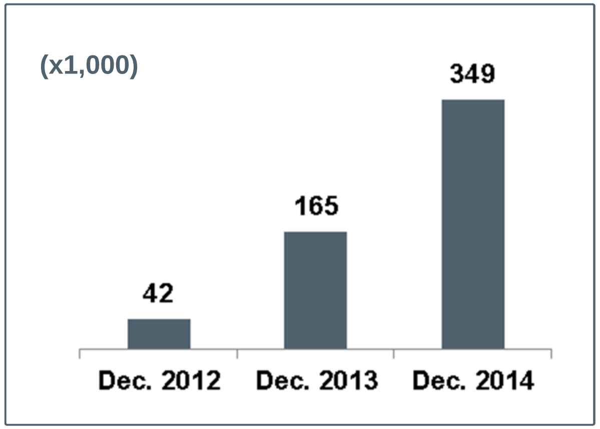
Belfius' distribution offering in line with customer behavorial change

 # bank branches



- ***In the branches, clients are more and more directed to highly valued personal advice***
- ***With more than 349k active users, Belfius demonstrates its leading edge in the mobile and digital offer***
- ***The bank's online portal services 0.9m active users, which represents 5.8m interactions each month***

 # mobile users



Belfius

Valuable commercial franchise

Retail and Commercial Business

Belfius' strategy

Sharpen Belfius' brand positioning

High digital touch and best personal advice Anytime, Anywhere, Anyhow within segmented approach

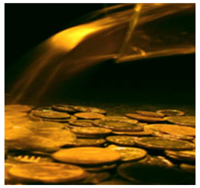
Omni-channel & multi-brand strategy in insurance business

Client satisfaction to 95% for all active clients

Increase overall revenues

Equipment rates

Improve Margins



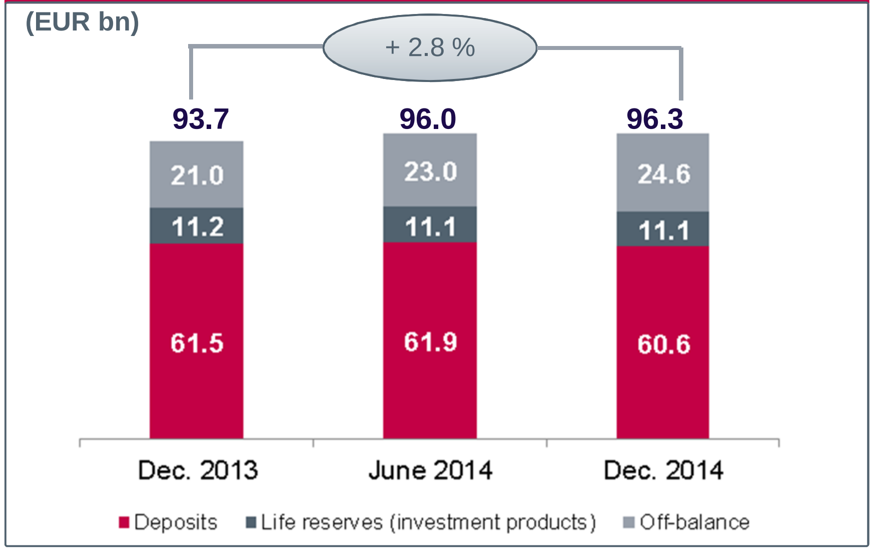
Acquisition

Further optimize total cost base line

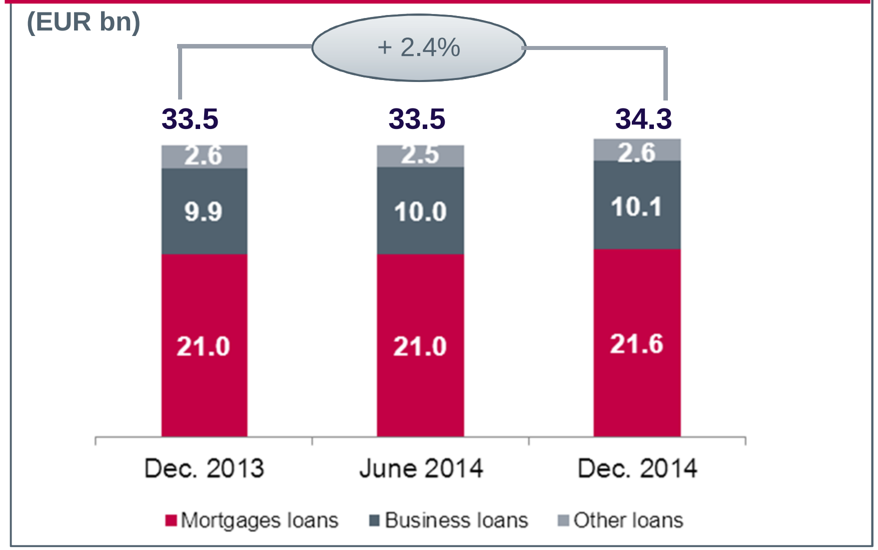
Valuable commercial franchise

Retail and Commercial Business - activity figures (1/2)

Outstanding savings & investments



Outstanding loans



- **RCB Franchise** is showing excellent dynamics & financials
- Total assets under management stood at EUR 96.3 bn, up EUR 2.6 bn compared to Dec. 13
  - Off-balance-sheet products increased strongly by EUR 3.6 bn following client preference towards & good performance of Belfius in mutual funds, mandates and Branch 44
  - On balance-sheet deposits decreased by EUR 0.9 bn in 2014, due to general market shift from maturing deposits to off-balance-sheet products
  - Life reserves (investment products) remained stable thanks to Belfius' unique Branch 44 concept
- Outstanding loans increased by EUR 0.8 bn in 2014, growth coming from mortgage loans (EUR 0.6 bn) and business loans (EUR 0.2 bn)

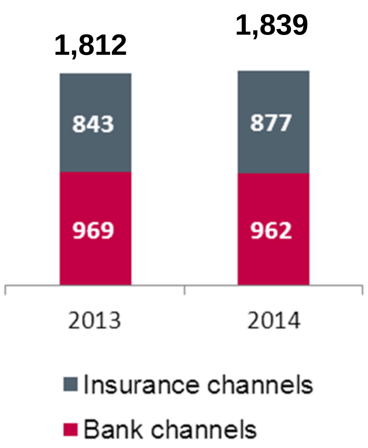
Valuable commercial franchise

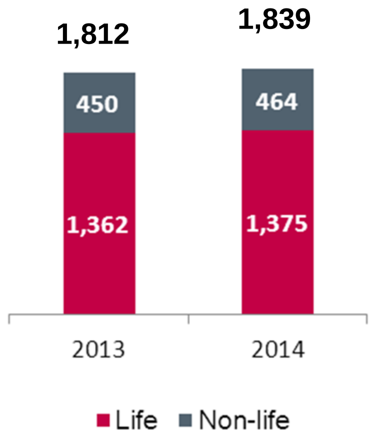
Retail and Commercial Business - activity figures (2/2)

Insurance sales and reserves

Insurance premiums

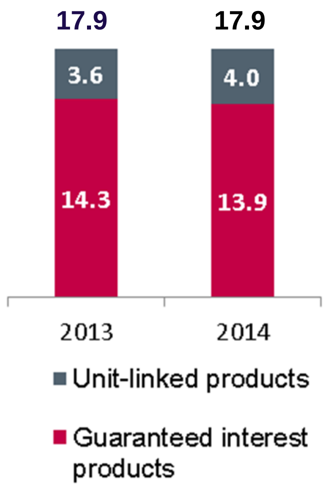
(EUR m)





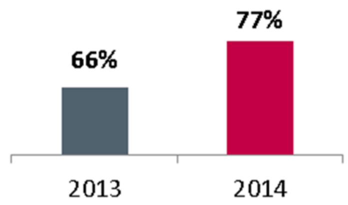
Life reserves[1]

(EUR bn)

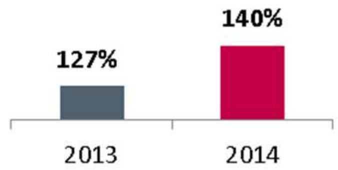


Cross sell with mortgages

Property insurance



Credit linked life insurance



- **Insurance premiums** to RCB-clients went up 1.5%
  - Despite low interest rates, **life insurance premiums** increased with 1% in 2014, thanks to good Branch 44 production (~ EUR 0.5 bn)
  - **Non-Life insurance premiums** went up 3% in 2014, thanks to the bancassurance strategy and increased cross selling activities especially with mortgages loans
- **Life reserves** stood at EUR 18 bn, stable compared to December 2013, with growth in less capital intensive united-linked products
- Mortgage-related **cross sell ratio's** continue to increase, testimonial of good bancassurance development

[1] *including EUR 11 bn life reserves under investment product format*

Belfius

Valuable commercial franchise

Public and Wholesale Business - description

12k

Public and Social clients

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

6k

Corporate clients

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

Crucial role in economic activity in Belgium

Either through loan financing

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

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

Or in accompanying entities issuing public debt

- **Strong debt capital markets activities (DCM)**
- **Participation market share of more than 80% for public & semi-public sector issues**
- **Total DCM – volume** end of December 2014: **EUR 5.9 bn**

Valuable commercial franchise

Public and Wholesale Business

Belfius' strategy

Strengthening market leadership in Public & Social Banking

Unlocking the potential of a unique positioning in corporate banking (B2G)

↑ Client satisfaction to 95% for all active clients

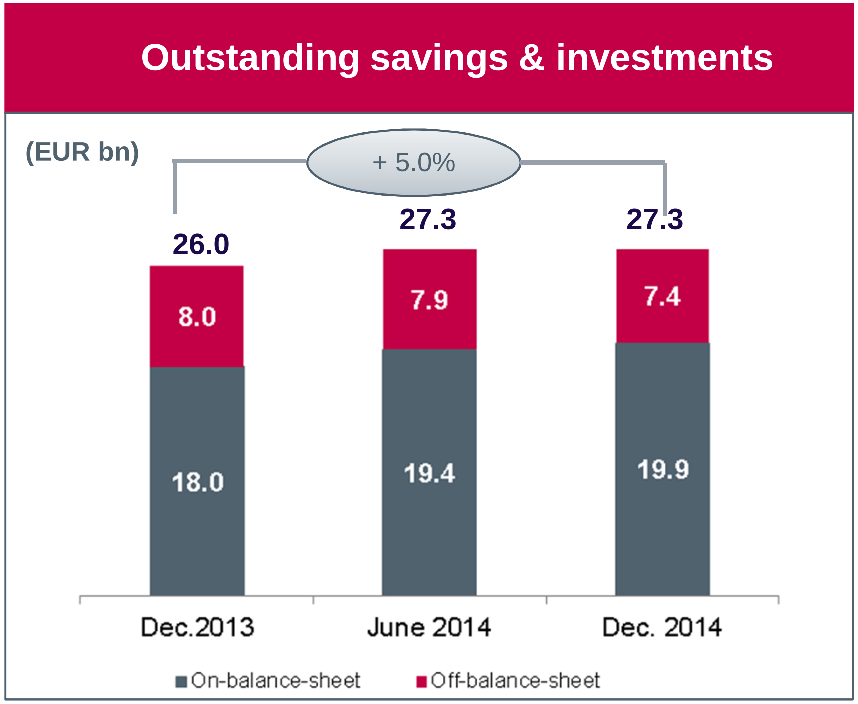
Increase overall profitability

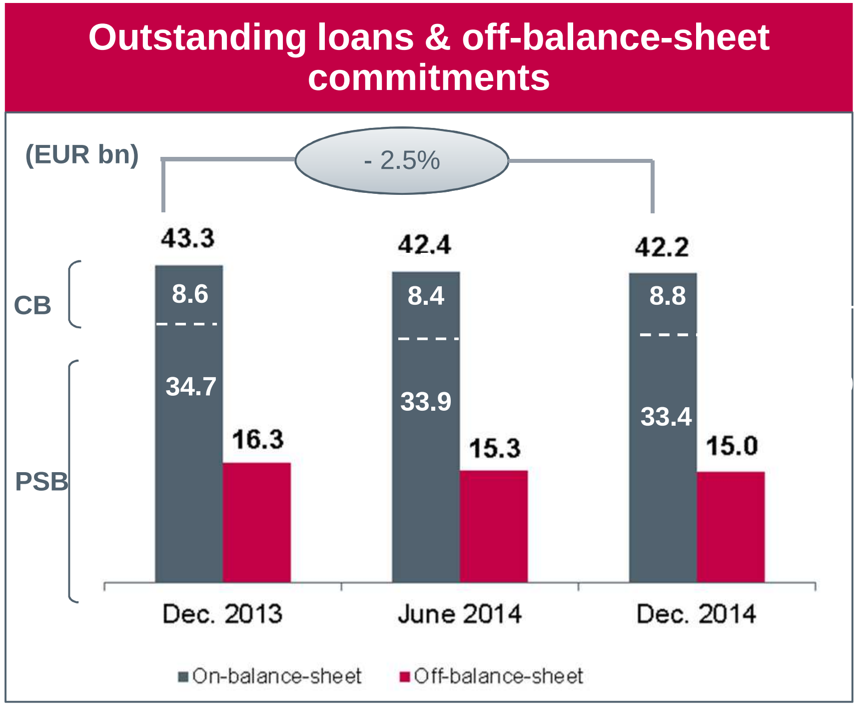
Increased focus on cross-selling

- **Increasing customer equipment rates**
- **Bank/insurance model for PWB**
- **Increasing commercial focus on fee business**

Valuable commercial franchise

Public and Wholesale Business - activity figures





- Belfius remains the **preferred partner of Public & Social Profit sector in Belgium**
- Total assets under management stood at EUR 27.3 bn, up EUR 1.3 bn compared to Dec. 13
- Outstanding loans in PSB* are decreasing mainly due to relatively low demand, renewed interest from competitors for the PSB sector and the increase of alternative financing (a.o. desintermediation, where Belfius is market leader for PSB)
- Outstanding loans in CB* are remaining stable
- Off B/S commitments are stabilizing at current levels
- Total insurance sales to PWB clients stood at EUR 355 m in 2014 (o/w 71% in life insurance policies), up 3% compared to 2013

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

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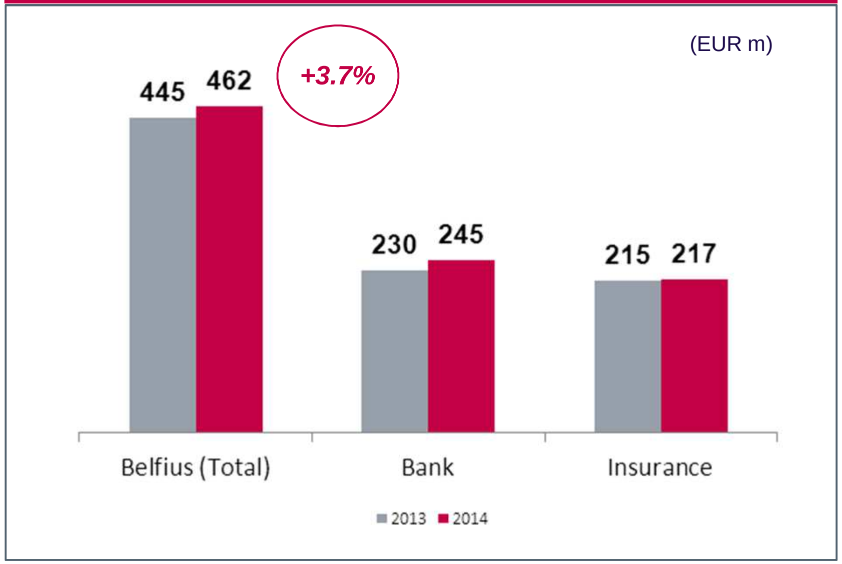
Part 3

SOLID FINANCIALS

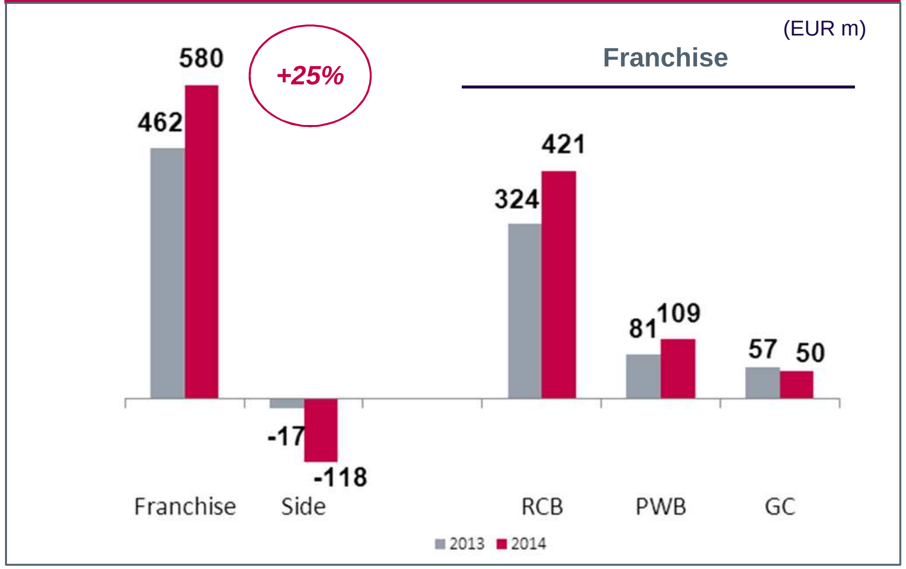
Solid financials

Growing net income group share

Breakdown Bank / Insurance



Breakdown Franchise / Side



- 2014 **Belfius Net income** stood at EUR 462 m compared to EUR 445 m in 2013, up 3.7%
  - Net income of the bank stood at EUR 245 m, while the insurer contributed EUR 217 m
- 2014 **Franchise Net income** strongly increased to EUR 580 m, up 25%, mainly thanks to excellent income dynamics and strict cost control management
  - **RCB** Net income amounted to EUR 421 m, up 30 %
  - **PWB** Net income amounted to EUR 109 m, up 34 %
- Net income of **Side** activities stood at EUR - 118 m, mainly due to sustained tactical de-risking and fair value adjustments (CVA, FVA) on derivatives

Solid financials

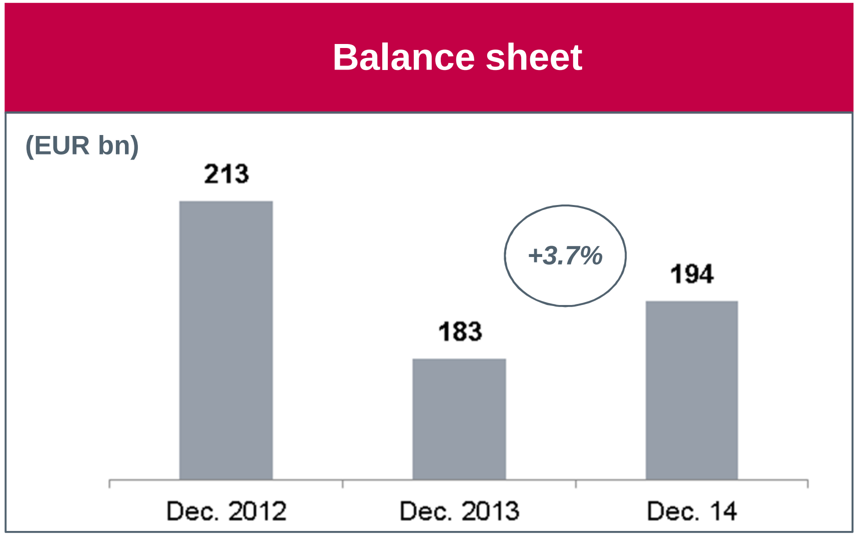
Positive evolution of most components of the statement of income

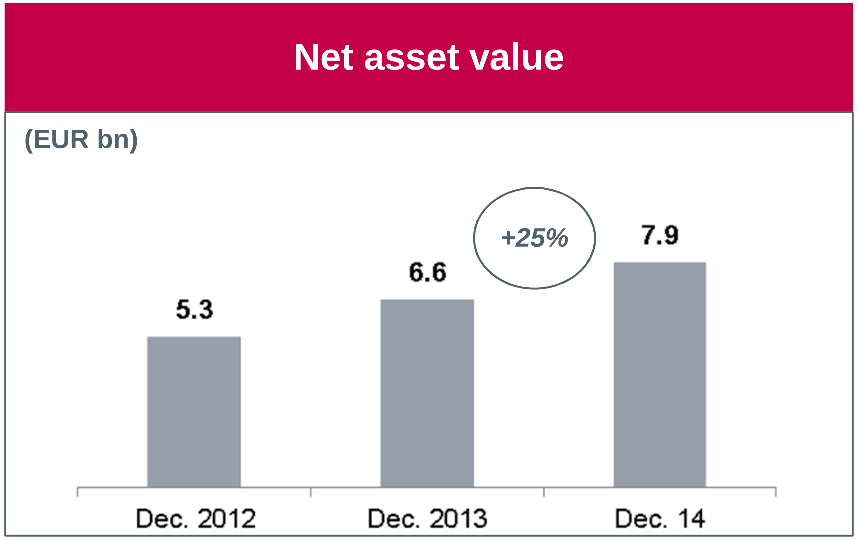
(EUR m)	2013	2014	Evolution
Income	**1,834**	**2,071**	**12.9%**
Of which			
Net interest income	*1,917*	*2,051*	*7.0%*
Net fee and commission income	*375*	*447*	*19.4%*
Technical margin on insurance activities	*-404*	*-296*	*-26.7%*
Net income on investments and from fin. instruments at fair value & other income	*-54*	*-131*	*x 2.4*
Expenses	**-1,424**	**-1,448**	**1.7%**
Gross operating income	**410**	**623**	**51.9%**
Cost of risk	109	-59	n.s.
Impairments on (in)tangible assets	-1	-5	n.s.
Pre-tax income	**518**	**560**	**8.1%**
Tax expenses	-73	-100	37.3%
Net income after taxes	**445**	**460**	**3.3%**
Non-controlling interests	0	2	n.s.
Net income group share	**445**	**462**	**3.7%**
Cost to income ratio	***77.6%***	***69.9%***	
Return on Equity	***6.1%***	***6.0%***	

- **Net income** of EUR 462 m, up 3.7%
- **Income** at EUR 2,071 m, up 12.9%
  - Further improvement of the net interest income (+7%) also thanks to steadily increasing underlying interest margin on commercial book
  - Net fee income strongly increased (+19%) as a result of higher off-balance investments by clients and growth in mandates & bancassurance
  - Income on investments and from financial instruments mainly impacted by de-risking & fair value adjustments (CVA, FVA) on derivatives.
- **Expenses** slightly increased by 2%
  - Underlying costs down by 5% showing strict implementation of cost control program
- Continued low level of **cost of risk** confirming the overall good quality of assets
- **C/I ratio** improved to 69.9% compared to 77.6% in 2013
  - Underlying C/I ratio at 64%

Solid financials

Slight growth in balance sheet, continuous increase of NAV





- **Balance sheet**
  - Total balance sheet increased to EUR 194 bn, mainly due to an increase of the fair value of derivatives & assets classified under AFS and collaterals resulting from these higher MTM, as a result of lower interest rates
- **Net asset value**
  - Total shareholders’ equity further increased to EUR 7.9 bn, thanks to the net income for the period and the further improved AFS reserve following lower yields and better credit spreads on bonds

Solid financials

Strongly increasing Franchise results

(EUR m)	2013	2014	Evolution
Income	**1,959**	**2,221**	**13.4%**
Of which			
Net interest income	*1,844*	*1,974*	*7.0%*
Net fee and commission income	*371*	*447*	*20.4%*
Expenses	**-1,408**	**-1,434**	**1.9%**
Gross operating income	**551**	**787**	**42.8%**
Cost of risk	-58	-67	16.2%
Impairments on (in)tangible assets	-1	-5	n.s.
Pre-tax income	**492**	**715**	**45.2%**
Tax expenses	-30	-137	x 4.6
Net income after taxes	**462**	**578**	**25.1%**
Non-controlling interests	0	2	n.s.
Net income group share	**462**	**580**	**25.4%**
Cost to income ratio	***71.9%***	***64.6%***	
RONRE*	***10.5%***	***11.5%***	

- **Franchise net income** at EUR 580m, up 25.4% vs 2013
- **Income** at EUR 2,221 m, up 13.4% thanks to
  - Steadily improving interest income (+7%)
  - Strong increase in fee income (+20%) in line with increased client interest in off B/S products
  - *To note: 2013 income was positively influenced by capital gain on profit shares (EUR 61 m)*
- **Expenses** increased (2%) but 2013 figures were positively impacted by reversals linked to the implementation of the social plan
  - Underlying costs decreased by 5%
- Continued low level of **Cost of risk** confirming the overall good quality of the commercial assets
- **C/I ratio** improved to 64.6% compared to 71.9% in 2013
- **RoNRE** increased to 11.5%

** RoNRE : Return on Normative Regulatory Equity*

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Solid financials

Increasing RCB results

(EUR m)	2013	2014	Evolution
Income	**1,643**	**1,766**	**7.5%**
Of which			
Net interest income	*1,564*	*1,528*	*-2.3%*
Net fee and commission income	*339*	*414*	*22.2%*
Expenses	**-1,166**	**-1,109**	**-4.9%**
Gross operating income	**476**	**656**	**37.8%**
Cost of risk	-73	-56	-23.9%
Impairments on (in)tangible assets	-2	0	n.s.
Pre-tax income	**400**	**600**	**49.9%**
Tax expenses	-77	-179	x 2.3
Net income after taxes	**323**	**421**	**30.1%**
Non-controlling interests	0	0	n.s.
Net income group share	**324**	**421**	**30.1%**
Cost to income ratio	***71.0%***	***62.8%***	
RONRE*	***13.2%***	***17.7%***	

- **RCB net income** of EUR 421 m, up 30.1% vs 2013
- **Income** at EUR 1,766 m, up 7.5% thanks to
  - Limited decrease in interest income (-2%) due to the switch from B/S to off B/S products
  - Strong increase in fee income (+22%) in line with increased client interest in off-balance-sheet products
  - Insurance business with RCB clients generates around one third of RCB income
- **Expenses** decreased by 5%
- **Cost of risk** remains low
- **C/I ratio** improved to 62.8% compared to 71.0% in 2013
- **RoNRE** increased to 17.7%

** RoNRE : Return on Normative Regulatory Equity*

Solid financials

Increasing PWB results

(EUR m)	2013	2014	Evolution
Income	**348**	**392**	**12.7%**
Of which			
Net interest income	*381*	*392*	*3.0%*
Net fee and commission income	*39*	*39*	*n.s.*
Expenses	**-219**	**-210**	**-3.8%**
Gross operating income	**130**	**182**	**40.5%**
Cost of risk	11	-21	n.s.
Impairments on (in)tangible assets	-3	0	n.s.
Pre-tax income	**137**	**161**	**17.2%**
Tax expenses	-57	-52	-7.4%
Net income after taxes	**81**	**109**	**34.4%**
Non-controlling interests	0	0	n.s.
Net income group share	**81**	**109**	**34.4%**
Cost to income ratio	***62.8%***	***53.6%***	
RONRE*	***10.0%***	***12.6%***	

- **PWB net income** of EUR 109 m, up 34.4% vs 2013
- **Income** at EUR 392 m, up 12.7% thanks to
  - Interest income went up 3% thanks to steadily improving margins on commercial book
  - Fee income remains stable vs 2013
  - Insurance business with PWB clients generates around 12 % of PWB income
- **Expenses** decreased by 4%
- **Cost of risk** remains low
- **C/I ratio** improved to 53.6% compared to 62.8% in 2013
- **RoNRE** improved to 12.6%

** RoNRE : Return on Normative Regulatory Equity*

Belfius

Solid financials

Impact of Side in line with former guidance

(EUR m)	2013	2014
Income	**-124**	**-150**
Expenses	**-17**	**-14**
Gross operating income	**-141**	**-164**
Cost of risk	167	9
Impairments on (in)tangible assets	0	0
Pre-tax income	**26**	**-155**
Tax expenses	-43	37
Net income after taxes	**-17**	**-118**
Non-controlling interests	0	0
Net income group share	**-17**	**-118**

- **Side net income** amounted to EUR - 118 m
- **Income** impacted by B/S decrease (lower outstanding volumes) under the tactical de-risking programme and by other reported items (non-underlying) such as fair value adjustments in line with refined market evolutions
  - *To note : 2013 income was impacted by positive other reported income from de-risking policy*
- **Expenses** decreased with EUR 3 m
- **Cost of risk** impacted by reversals of provisions
  - *To note : 2013 cost of risk was impacted largely impacted by reversals of provisions*

Contents

Part 4

ROBUST SOLVENCY & LIQUIDITY

Robust solvency & liquidity

Solvency position continues to show increased robustness

- **Further increase of the Solvency ratios in 2014**
  - Fully-loaded Basel III **CET 1 ratio** stood at **13.2%,** up 171 bp, due to increase of common equity capital (78bp) and strong decrease of weighted risks (93bp)
  - Phased-in Basel III CET 1 ratio at 14.7%, up 94 bp
  - Important decrease (-6.5%) of weighted risks stemming a.o. from switch from riskweight to capital deduction of certain ABS-positions and additional tactical de-risking
  - Solvency II ratio Belfius Insurance amounted to 248% (**)

** According to : (i) Danish compromise : 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 and (ii) prudential filter for negative AFS reserve on sovereign portfolio for up to 5% of such portfolio*

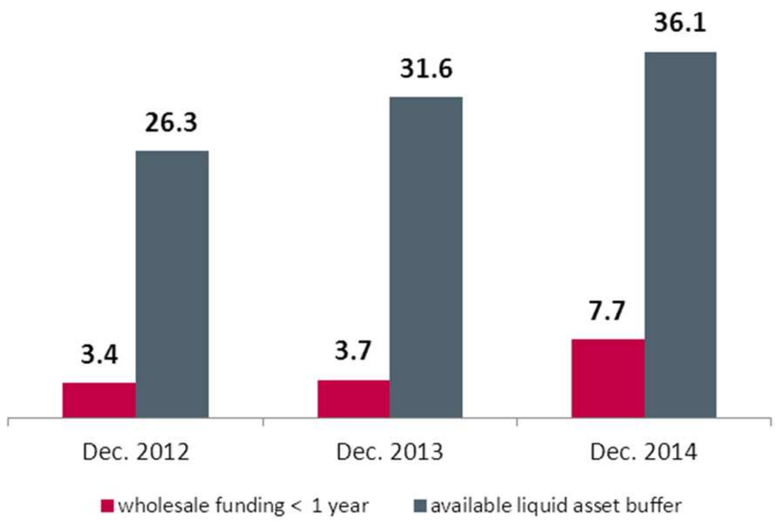
 *** Before pay-out of dividend*

Robust solvency & liquidity

Liquidity profile of Belfius continues to benefit from executed strategy

- Execution of the funding plan leads to further improvement of the **liquidity profile,** despite a challenging interest rate environment, leading to an increase of our net collateral needs
  - The bank remains **LCR* compliant** : 122% as of December 2014
  - The bank has an **available liquid asset buffer** of EUR 36.1 bn as of 31 December 2014, almost 5 times the wholesale funding maturing within 1 year

(EUR bn)



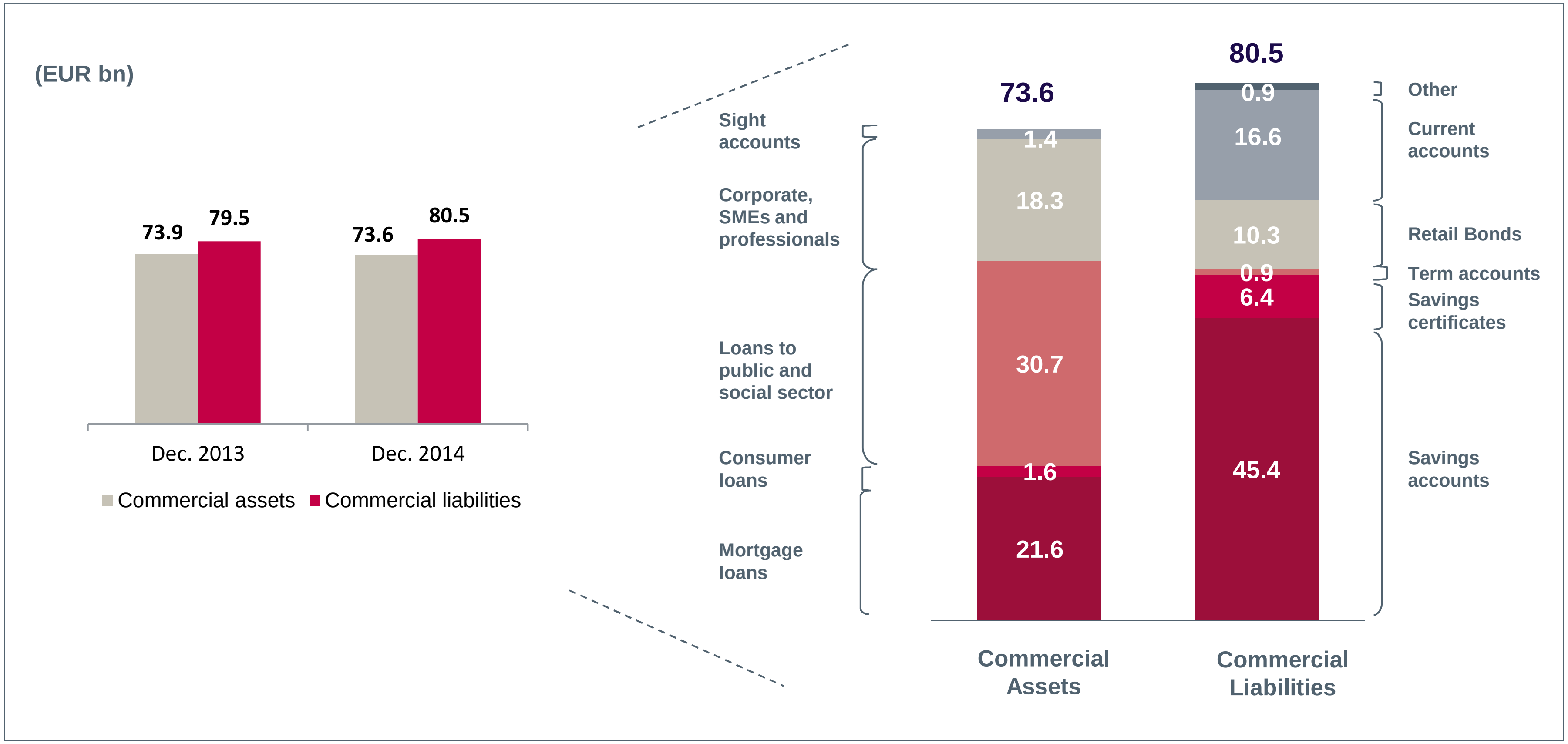
The **wholesale funding < 1 year** refers to the unsecured money market & LT wholesale funding maturing within 1 year

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

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

Robust solvency & liquidity

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



- The **commercial balance sheet** shows an increasing excess of funding of EUR 6.9 bn in 2014 versus EUR 5.6 bn in 2013, even despite the shift to more off B/S products in RCB
- **Loan-to-deposit ratio** moved to 92% end 2014 compared to 93% end 2013

Belfius

Robust solvency & liquidity

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

- **The highlights of the Belfius' funding plan are :**
  - Belfius issued the first Belgian Mortgage covered bonds *(Nov. 2012)*
  - Belfius strongly builds up its "Covered bond curve" with currently 6 benchmarks outstanding
  - Belfius is also an active issuer in private placements of covered bonds and senior unsecured issues
  - Belfius set up an ECP programme *(Jan. 2013)* and CD & EMTN programme
  - Belfius issued an inaugural senior unsecured benchmark *(Sept. 2013)* and has started to build up its "Senior unsecured curve" with 2 benchmarks outstanding
  - Belfius continues to develop new formats, e.g. Schuldscheins, Namenschuld-verschreibung (N-Bonds), …
  - Belfius issued the first Belgian Public covered bonds *(Oct. 2014)* followed by a second Public Pandbrieven benchmark

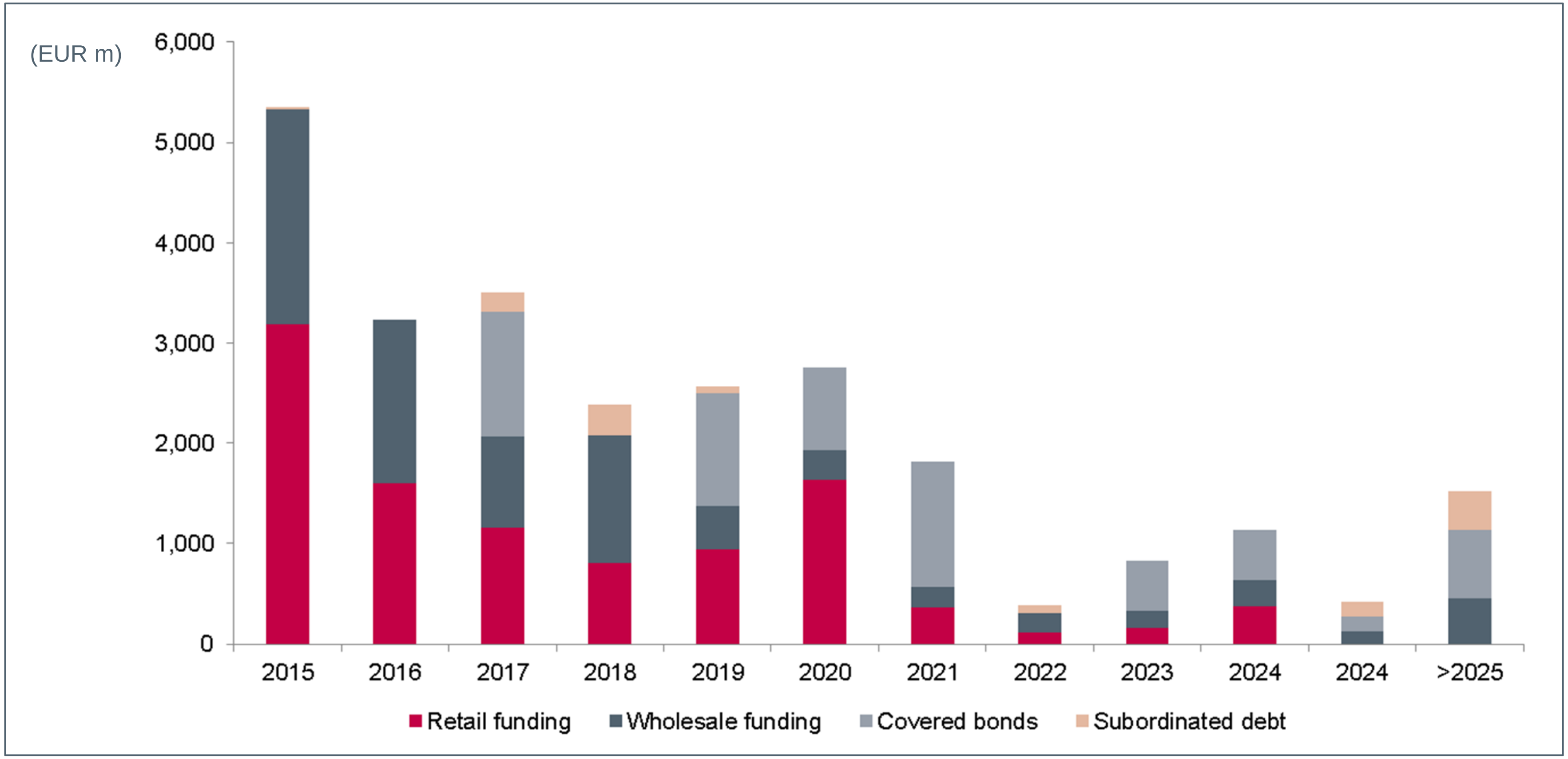
Robust solvency & liquidity

Belfius various issuing programmes

	Outstanding End February 2015	**Issuer**	**Listing**
Belfius Euro Commercial Paper Programme (Institutional)	EUR 1.6 bn *(end 2014 : EUR 960 m)*	Belfius Financing Company with guarantee of Belfius Bank	Not listed
Belfius CD Programme (Institutional)	EUR 2.7 bn *(end 2014 : EUR 2.7 bn)*	Belfius Bank	Not listed
Belfius Mortgage Pandbrieven Programme (Institutional)	EUR 5.5 bn *(end 2014 : EUR 4.5 bn)*	Belfius Bank	Euronext Brussels
Belfius Public Pandbrieven Programme (Institutional)	EUR 1.75 bn *(end 2014 : EUR 1.75bn)*	Belfius Bank	Euronext Brussels
EMTN Programme (Institutional)	EUR 5.1 bn *(end 2014 : EUR 4.7 bn)*	Belfius Bank	Luxembourg Stock Exchange
Belfius Notes Issuance Programme (Retail)	EUR 10 bn *(end 2014 : EUR 10 bn)*	Belfius Bank, and Belfius Financing Company with guarantee of Belfius Bank	Not listed

Robust solvency & liquidity

Redemption profile of medium/long term funding securities (*)



- **Institutional funding needs of Belfius are rather limited** and well spread over coming years
- Retail funding issues can be considered as rolling over in a natural way

(*) As at December 2014

Robust solvency & liquidity
Ratings

Ratings of Belfius Bank as at 1 March 2015

	Long-term rating	Outlook	Short-term rating
Fitch	A-	Negative	F1
Moody's	Baa1	Negative	Prime-2
Standard & Poor's	A-	Negative	A-2

Contents

Part 5

SOUND RISK PROFILE, TOWARDS END-STATE SIDE

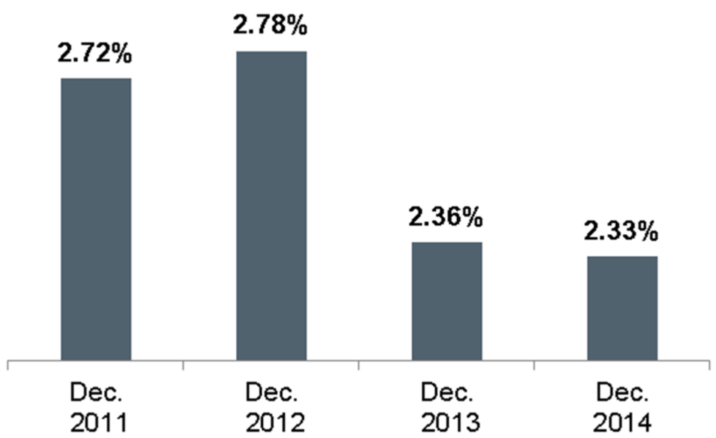
Sound risk profile, towards end-state Side

Continued strong asset quality indicators

Asset quality ratio	Coverage ratio

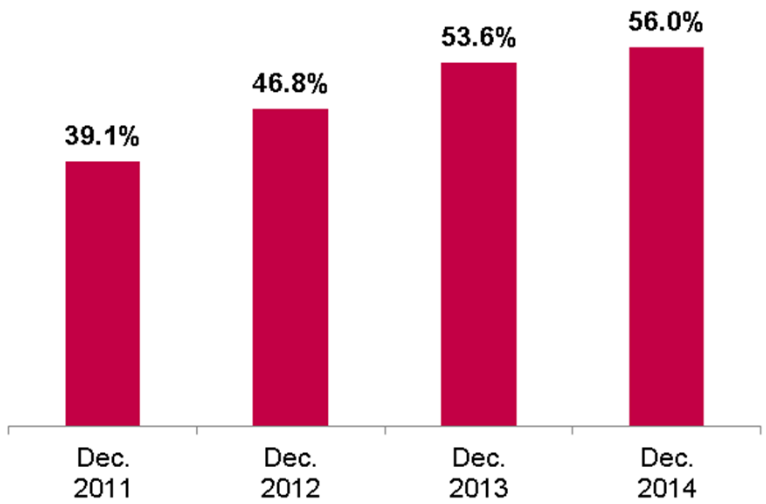
Asset quality ratio

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



Coverage ratio

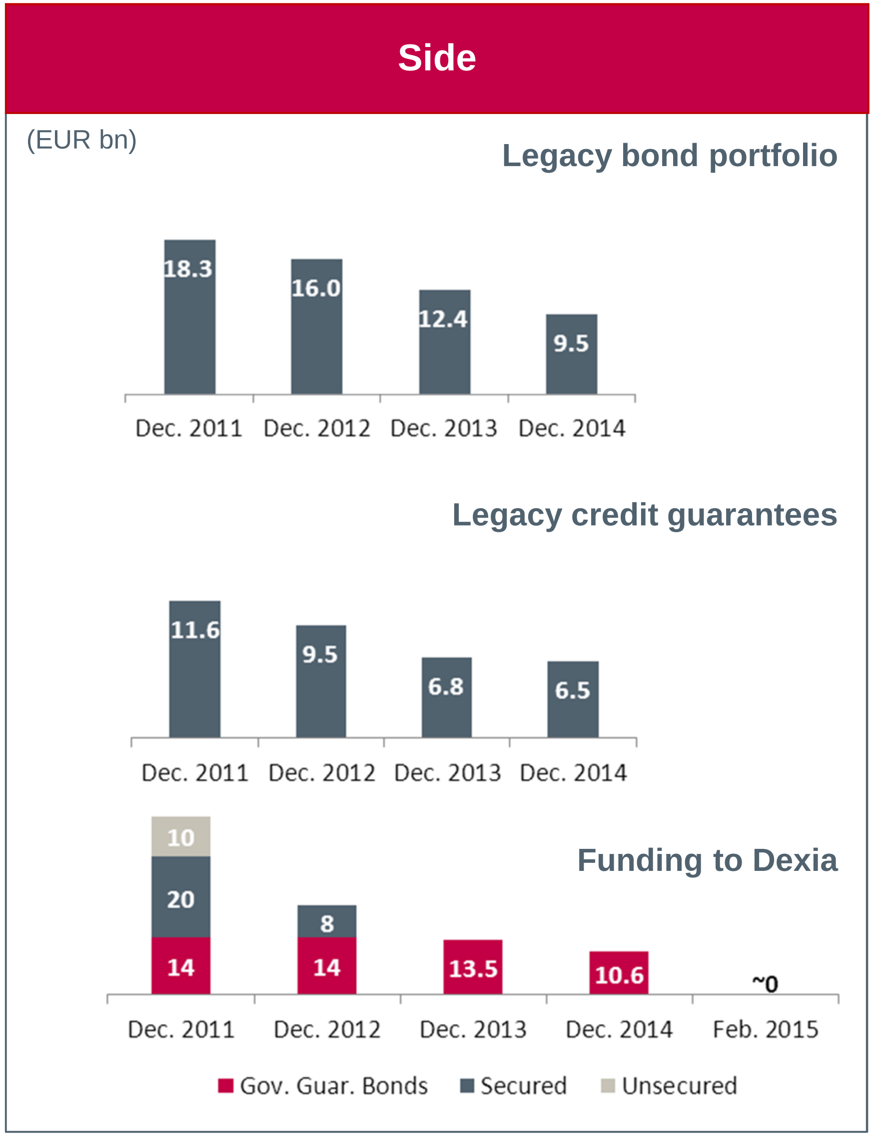
$$\frac{\text{Specific Impairments}}{\text{Impaired loans and advances to customers}}$$



- Despite still challenging economic environment, **asset quality ratio further improves**
- **Coverage ratio** continues to increase (FY 2014 at 56.0%) and compares very favourably to EU-market averages

Sound risk profile, towards end-state Side

Excellent de-risking track record



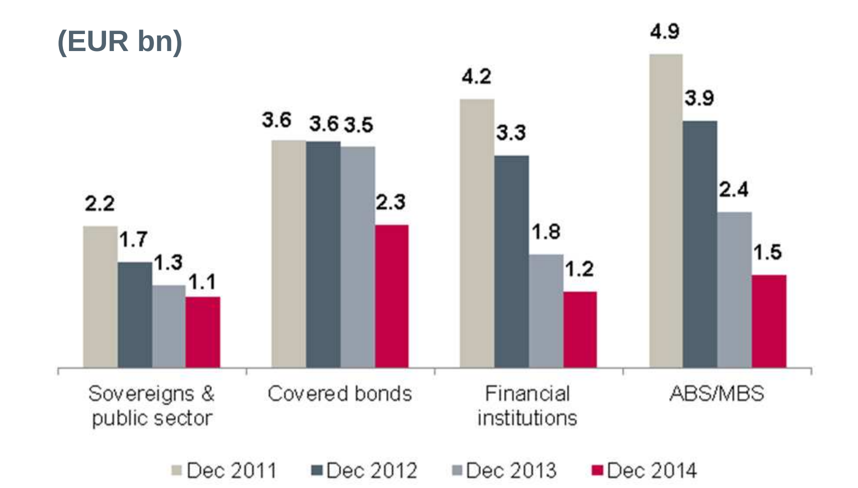
- Since 2011, Belfius has implemented a tactical de-risking plan alongside its focus on the development of its commercial activities
- **Legacy bond portfolio**
  - Since 2011 the legacy bond portfolio has decreased by EUR 8.8 bn (or 48%) of which two-third due to tactical de-risking and one third of natural amortizations
- **Legacy credit guarantees***
  - Since 2011 the legacy credit guarantees portfolio has reduced by EUR 5.1 bn (or 44%)
- **Funding to Dexia**
  - Since 2011 the funding to Dexia decreased from EUR 44 bn (of which EUR 10 bn unsecured) to EUR 10.6 bn by the end of 2014
  - The remaining amount of government guaranteed bonds (GGB's) has been paid back at the beginning of 2015
  - As of mid Febr. 2015 the funding to Dexia stands at approx. at EUR 60 m

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

Sound risk profile, towards end-state Side

Tactical de-risking in Legacy bond portfolio

Evolution of outstanding by type of counterparty



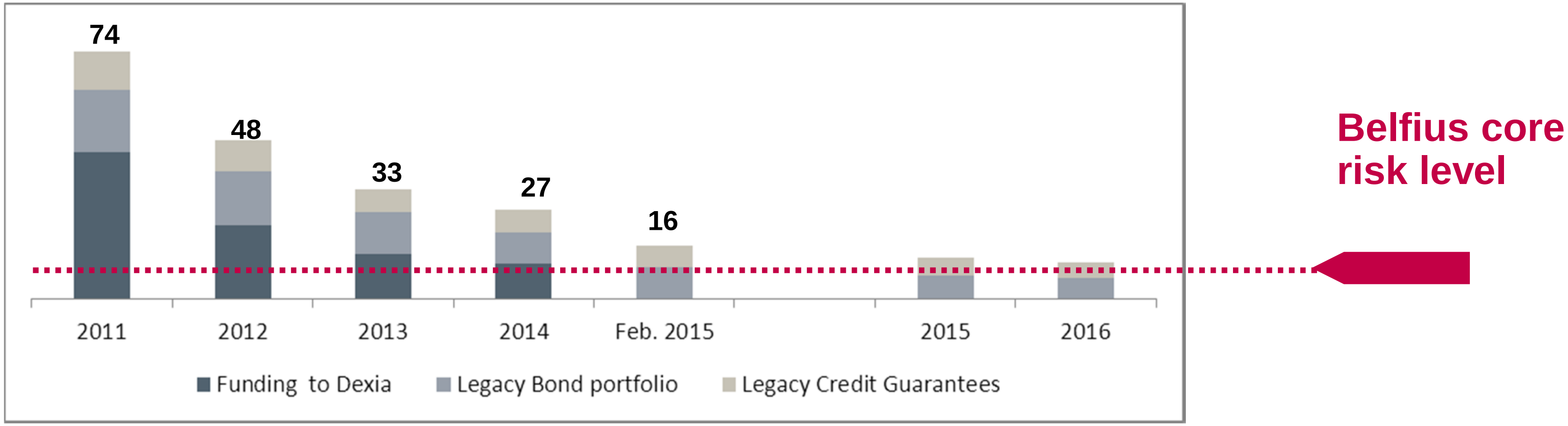
Impact tactical de-risking in Legacy bond portfolio

- **Since 2011, the Legacy bond portfolio has almost been decreased by half (48%) or EUR 8.8 bn** of which two-third due to tactical de-risking and one third of natural amortizations.
- The tactical de-risking has been mainly executed in the asset categories financial institutions (-72%), asset-backed securities (-70%), international sovereigns & public sector (-50%) and covered bonds (-38%)
- EUR 2.5 bn tactical de-risking executed in 2014, of which EUR 2.2 bn in Legacy bond portfolio

Belfius

Sound risk profile, towards end-state Side

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



- **Belfius inherited large Legacy portfolios** from Dexia in 2011
- Belfius has in the past 3 years **significantly reduced these Side portfolios, towards a risk profile that is manageable for its scope**
- In light of Belfius' view on a lower risk profile for itself and the financial sector, Belfius **will continue further tactical de-risking**, **to bring the Side portfolio** to a risk level **in line with our Core Franchise risk profile**
- Once that achieved**,** the **remaining portfolio** can be **integrated in the standard ALM of Belfius**

Belfius

Sound risk profile, towards end-state Side

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

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

Belfius

Contents

Part **6**

WELL POSITIONED FOR THE FUTURE

Wrap up

- **2014 : Strong overall performance of Belfius in all domains**
  - Excellent growth of net income of the **commercial Franchise** to **EUR 580 m** (up 25%)
  - Well established cost control program brings **C/I-ratio of Franchise** to **65%**
  - Net results, tactical de-risking and AFS-improvements lead to a **Fully loaded CET 1 ratio** of **13.2%**
  - Successful funding plan brings **LCR ratio** to **122%** & results in a **liquid asset buffer** of **EUR 36 bn**
  - After **further material de-risking** executed in 2014, Belfius works towards an **end-state of its Legacy**
  - Strong performance translates into **Net Asset Value** increase by EUR 1.3 bn to reach **EUR 7.9 bn**
- As such, **Belfius has created value for all stakeholders** since its inception end 2011, and this in a challenging macro-economic environment, that still reigns as of today (f.i. low rates leading to mortgage prepayments and collateral cost; increasing bank taxes; ever more stringent regulation)
- **Belfius 2016** :
  - A sound, sustainable Belgian bank-insurer, active over the whole country and focused on operational profits
  - A customer centric bank-insurer, through client satisfaction & operational efficiency
  - A continued high level of expertise in finance and risk

Contents

Appendix 1

Adjusted analytical segmentation (1/2)

As from 2014, the **segmentation** of Belfius is the following:

- **Franchise**
  - **Retail and Commercial Business** (RCB) manages the commercial relationships (bank & insurance) with individual customers and with small and medium sized enterprises
  - **Public and Wholesale Business** (PWB) manages the commercial relationships (bank & insurance) with the public authorities, the social sector and the corporate clients
  - **Group Center** manages the interest rate risk and the liquidity risk of the bank
- **Side**
  - **Side** contains the Legacy portfolios (bonds & credit guarantees), Dexia and some other smaller run-off activities

In terms of **capital allocation**

- Capital is allocated to **Side** so that its CET 1 ratio (fully loaded) is equal to 13%
- Capital is allocated to **Franchise** so that its CET 1 ratio (fully loaded) is equal to 10.5%
- **Group Center** manages the excess (or shortfall if any) of the core shareholders equity compared to the allocated one

Appendix 1

Adjusted analytical segmentation (2/2)

Following the new analytical segmentation, the 2013 pro forma net income results are as follows :

2013 PF	BELFIUS	Franchise	RCB	PWB	GC	INS	*Side*
Net income							
(in EUR m)							
Net income as published (old segmentation)	**445**	**508**	**47**	**77**	**169**	**215**	**-63**
methodology changes		*-46*	*48*	*14*	*-107*		*46*
Insurance			229	-10	-4	-215	
Net income new segmentation	**445**	**462**	**324**	**81**	**58**		**-17**

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Appendix 2

Consolidated balance sheet – Assets

(EUR m)	31/12/2013	31/12/2014	Evolution
Loans and advances	**119,291**	**120,630**	**1,339**
To banks and central banks	*31,569*	*33,472*	*1,902*
To customers	*87,722*	*87,158*	*-564*
Portfolios	**33,586**	**34,022**	**436**
Financial investments (HTM)	*0*	*2,835*	*2,835*
Financial investments (AFS)	*28,074*	*25,087*	*-2,987*
Financial assets at FV through P&L	*5,512*	*6,100*	*588*
Derivatives	**23,190**	**31,130**	**7,940**
Other	**6,710**	**8,625**	**1,915**
Total assets	**182,777**	**194,407**	**11,630**

- The increase of **assets** with EUR 11.6 bn *(or* +6.4%) is a combination of
  - an increase of loans and advances to banks and central banks (EUR 1.3 bn) mainly due to higher reverse repo activity
  - slightly lower loans to customers
  - a decrease of financial investments (AFS) following reclassification of a.o. Italian government bonds to financial investments (HTM)
  - an increase (EUR 7.9 bn) of the fair value of the derivatives due to the general interest rate decrease

Appendix 3

Consolidated balance sheet – Liabilities without equity

(EUR m)	31/12/2013	31/12/2014	Evolution
Total deposits	**90,861**	**87,922**	**-2,939**
Banks and central banks	*29,236*	*21,408*	*-7,828*
Customers	*61,625*	*66,514*	*4,889*
Total debt securities	**36,538**	**39,166**	**2,628**
Debt securities	*27,184*	*29,113*	*1,929*
Debt securities at FV through P&L	*8,461*	*9,167*	*706*
Subordinated Debt	*893*	*886*	*-7*
Derivatives	**28,602**	**38,165**	**9,563**
Provisions	**18,103**	**18,524**	**421**
Other	**2,052**	**2,704**	**652**
Total liabilities	**176,156**	**186,481**	***10,325***

- The increase of **liabilities** with EUR 10.3 bn *(or + 5.9%)* is a combination of
  - lower deposits from banks and central banks (EUR -7.8 bn)
  - an increase of customer deposits (EUR 4.9 bn)
  - an increase of debt securities (EUR 2.6 bn), mainly resulting from new bond issues
  - an increase (EUR 9.6 bn) of the fair value of derivatives due to the general interest rate decrease

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Appendix 4

Consolidated balance sheet – Accounting equity

(EUR m)	31/12/2013	31/12/2014	Evolution
Core shareholders' equity	**7,343**	**7,804**	**461**
Subscribed capital + additional paid in capital	*3,667*	*3,667*	*0*
Reserves + retained earnings	*3,231*	*3,676*	*445*
Net income for the period	*445*	*462*	*17*
Gains and losses not recognised in the statement of income	**-738**	**119**	**857**
Reserve AFS (Available for Sale)	*-869*	*19*	*888*
Reserve CFH (Cash flowhedge) + other	*1*	*-10*	*-11*
Remeasurement of Defined Benefit plan	*130*	*98*	*-32*
Discretionary participation features	*0*	*12*	*12*
Total shareholders' equity	**6,605**	**7,924**	**1,319**
Other	**16**	**3**	**-13**
Total equity	**6,621**	**7,927**	**1,306**

- The increase of **total equity** in 2014 with EUR 1.3 bn is due to
  - the net profit of EUR 462 m reported in 2014
  - further improvement of the AFS reserve by 0.9 bn following lower interest rates and better credit spreads

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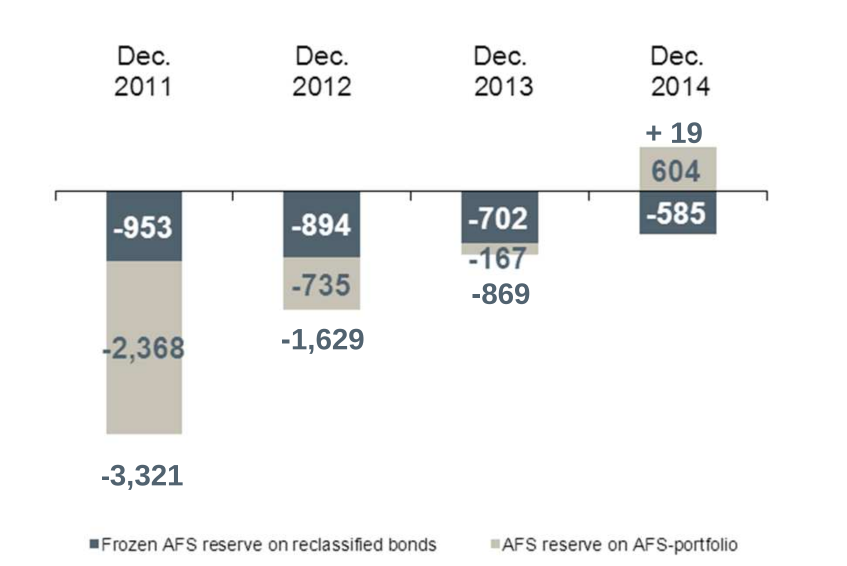
Appendix 5

Focus on AFS reserve*

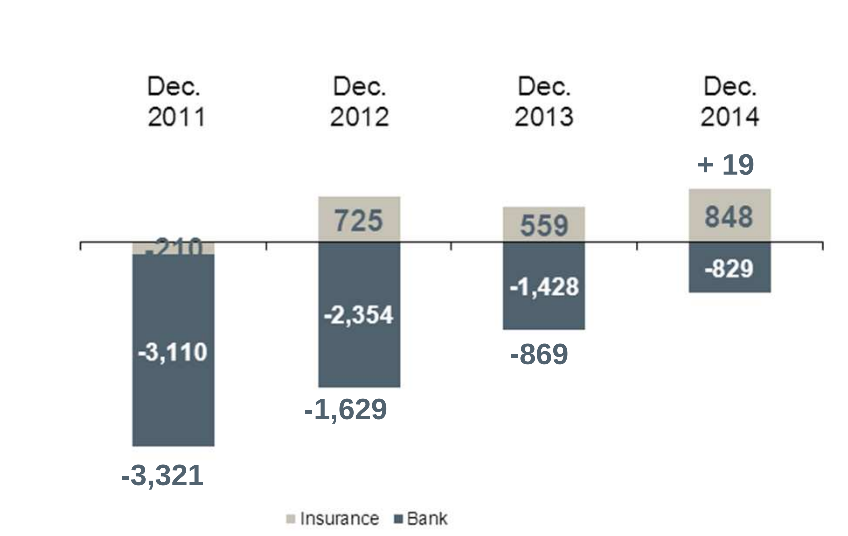
Breakdown Frozen AFS / AFS

(EUR m)



Breakdown Bank / Insurance

(EUR m)



- Total AFS reserve stood at EUR + 19 m as at December 2014, a further improvement with EUR 0.9 bn since December 2013, due to the impact of tactical de-risking and the positive market evolutions
- After three years of negative AFS reserves, the AFS reserve became positive by the end of 2014. Since 2011, the AFS reserve has improved with EUR 3.3 bn

(*) After tax

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Appendix 6

Focus on regulatory capital

	Basel III Phased-in		Basel III Fully Loaded	
	1 Jan. 2014 PF	Dec. 2014	Dec. 2013 PF	Dec. 2014
Core shareholders' equity	**7,343**	**7,805**	**7,343**	**7,805**
Elimination of Belfius Insurance (*)	*319*	*97*	*319*	*97*
Core regulatory equity	**7,662**	**7,902**	**7,662**	**7,902**
Gains and losses not recognised in the statement of income	-119	-38	-1,041	-532
Remeasurement Defined Benefit Plan	125	99	125	99
AFS reserve	-1,411	-815	-1,411	-815
Transitory measures & filter on govies	1,167	678	245	184
Items to deduct	**-262**	**-589**	**-489**	**-822**
Deferred tax assets	-284	-291	-284	-291
Transitory measures	227	233	0	0
Other	-205	-531	-205	-531
Common equity Tier 1 - CET 1	**7,282**	**7,276**	**6,132**	**6,548**
Tier 2 - Capital instruments	664	666	489	477
Other	25	39	25	39
Total regulatory capital	**7,970**	**7,981**	**6,646**	**7,063**

(*) 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"

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Appendix 7

Focus on Weighted Risks

(EUR bn)	Basel III Phased-in (CRR) 1 Jan. 2014 PF	Basel III Phased-in (CRR) Dec. 2014	Basel III Fully Loaded (CRR) Dec. 2013 PF	Basel III Fully Loaded (CRR) Dec. 2014
Market risk	1.4	1.1	1.4	1.1
Operational risk	2.5	2.7	2.5	2.7
Credit risk	42.9	39.6	43.2	39.5
Danish compromise (*)	6.1	6.1	6.1	6.1
Total Weighted Risks	**52.9**	**49.5**	**53.2**	**49.5**

(*) *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"*

Appendix 8

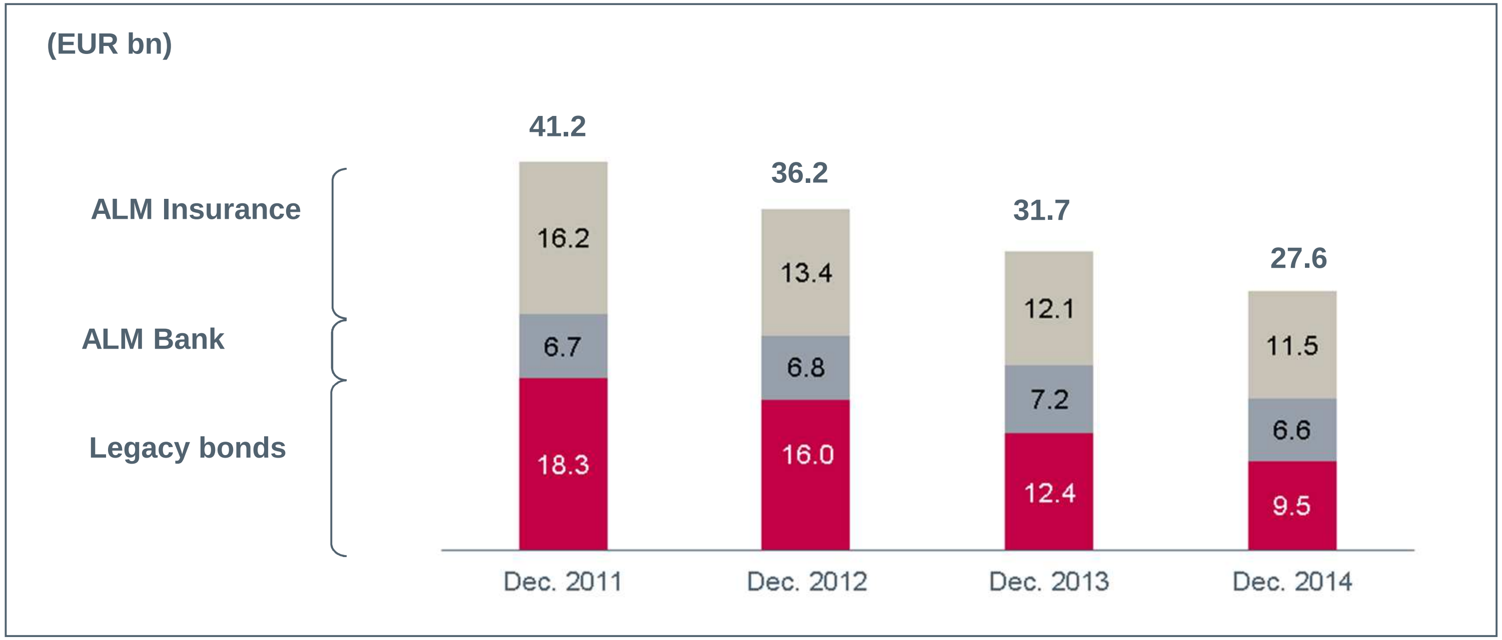
Focus on capital ratios

	Basel III Phased-in		Basel III Fully Loaded	
	1 Jan. 2014 PF	Dec. 2014	Dec. 2013 PF	Dec. 2014
Common equity Tier 1 - CET 1 (EUR m)	7,282	7,276	6,132	6,548
Total regulatory capital (EUR m)	7,970	7,981	6,646	7,063
Total Weighted Risks (EUR bn)	52.9	49.5	53.2	49.5
CET 1 ratio	13.8%	14.7%	11.5%	13.2%
Total capital ratio	15.1%	16.1%	12.5%	14.3%

(*) *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"*

Appendix 9

Investment portfolio – Total (1/2)



- Total fixed income investment portfolio consists of three parts: the Legacy bond portfolio, the ALM Bank portfolio and the ALM Insurance portfolio
- **Investment portfolio** stood at EUR 27.6 bn as at 31 December 2014, a reduction of EUR 4.1 bn (or -13%) vs 2013. Since 2011, the total investment portfolio has been reduced by EUR 13.6 bn (or -33%) mainly due to the further tactical de-risking within the legacy bond portfolio and the natural amortization of the portfolios.

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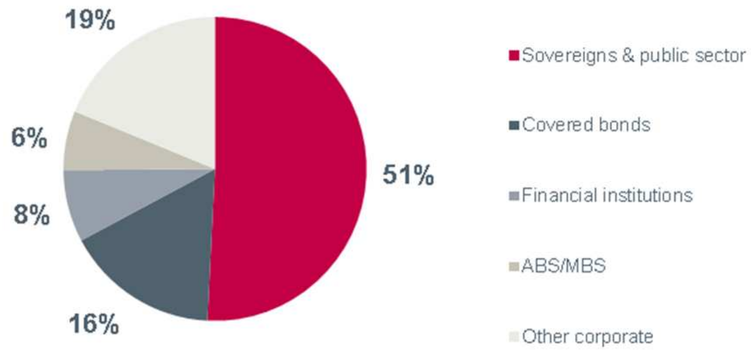
Appendix 10

Investment portfolio – Total (2/2)

Breakdown by type of counterpart

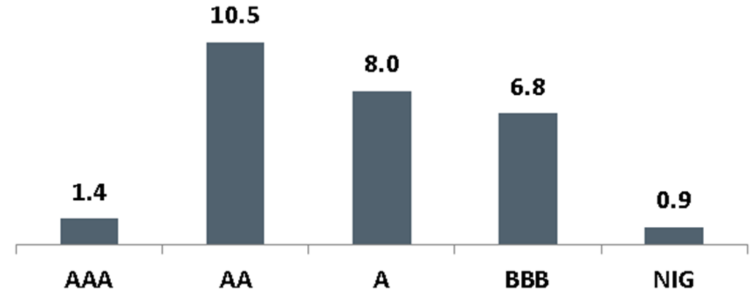
EUR 27.6 bn (as at 31 December 2014)



Breakdown by rating

(EUR bn)

Average rating: A -



NIG – Non Investment Grade

- The investment portfolio is well diversified
- The investment portfolio remains of good quality:
  - 97% of the portfolio is Investment Grade
  - The average rating stood at A -
- Expected average life: 11.6 years

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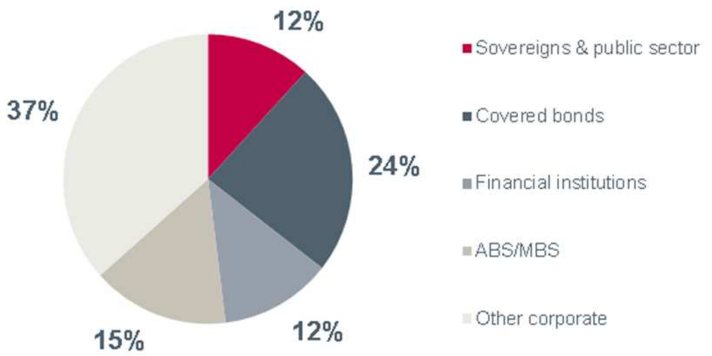
Appendix 11

Investment portfolio – Legacy bond portfolio

Breakdown by type of counterpart

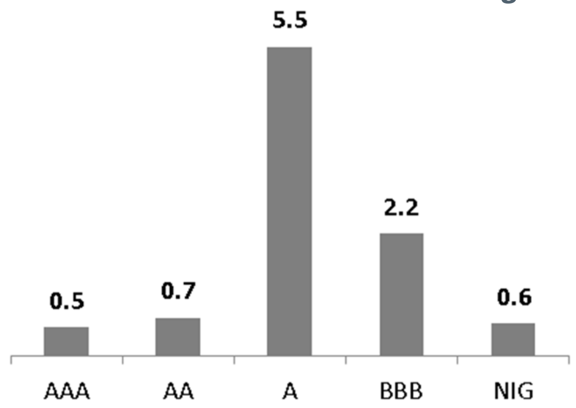
EUR 9.5 bn (as at 31 December 2014)



Breakdown by rating

(EUR bn)

Average rating: A -



NIG – Non Investment Grade

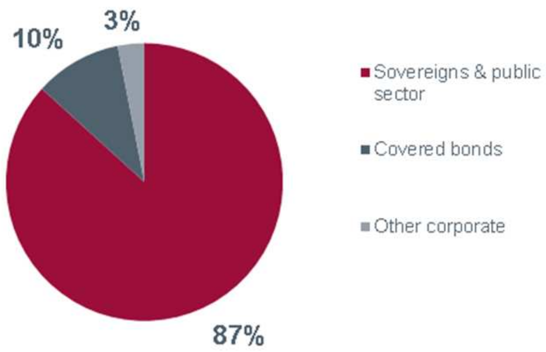
- Legacy portfolio stood at EUR 9.5 bn as at 31 December 2014, a reduction of EUR 2.9 bn (or 24%) compared to December 2013, mainly due to further tactical derisking (EUR 2.2 bn)
- The Legacy bond portfolio remains of good quality by the end of 2014
  - 94% of the portfolio is Investment Grade (against 92% by the end of 2013)
  - The average rating stood at A -
- Expected average life: 13.9 years

Appendix 12

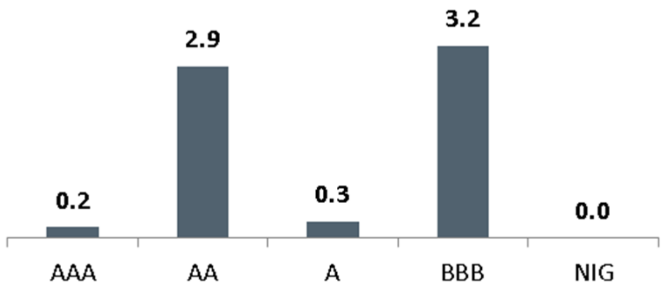
Investment portfolio – ALM Bank

Breakdown by type of counterpart	Breakdown by rating

EUR 6.6 bn (as at 31 December 2014)



(EUR bn) ***Average rating: A***



NIG – Non Investment Grade

- ALM Bank portfolio stood at EUR 6.6 bn as at 31 December 2014, compared to EUR 7.2 bn as at 31 December 2013
- The ALM bank portfolio is of good quality
  - 99.5% of the portfolio is Investment Grade by the end of 2014
  - The average rating stood at A
- Expected average life: 12.5 years

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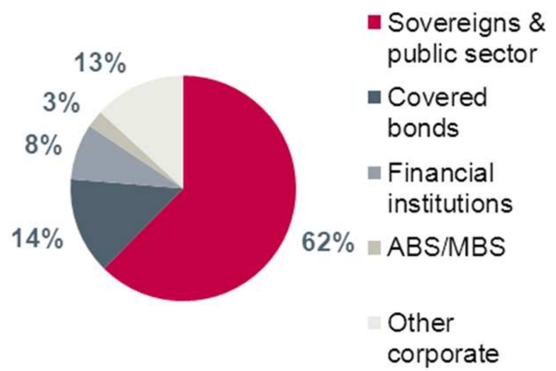
Appendix 13

Investment portfolio – ALM Insurance

Breakdown by type of counterpart

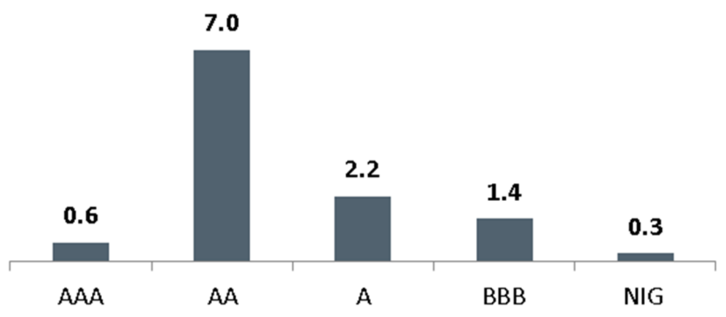
EUR 11.5 bn (as at 31 December 2014)



Breakdown by rating

(EUR bn)

Average rating: A -



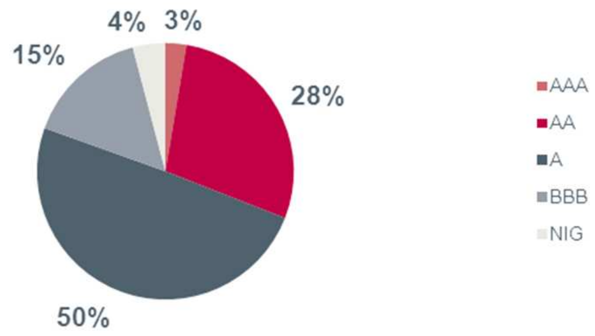
NIG – Non Investment Grade

- ALM Insurance portfolio stood at EUR 11.5 bn as at 31 December 2014 compared to EUR 12.1 bn as at December 2013
- The ALM Insurance portfolio remains of good quality:
  - 98% of the portfolio is investment grade (against 97% by the end of 2013)
  - The average rating stood at A -
- Expected average life: 9.2 years

Appendix 14
Legacy credit guarantees

Breakdown by type of counterpart

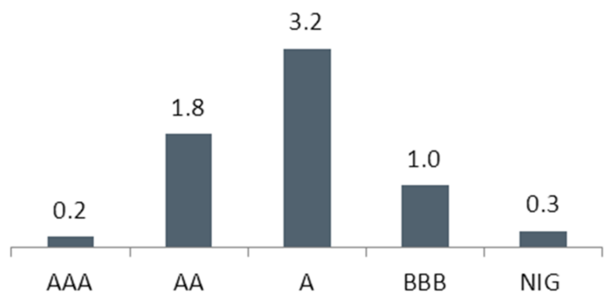
EUR 6.5 bn (as at 31 December 2014)



Breakdown by final rating

(EUR bn)

Average rating: BBB +



NIG – Non Investment Grade

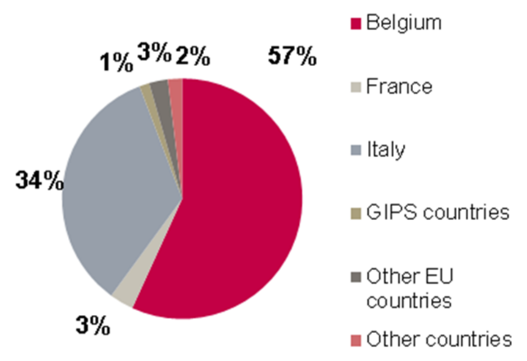
- Legacy credit guarantees portfolio stood at EUR 6.5 bn as at 30 December 2014, compared to 6.8bn as at December 2013
- Legacy credit guarantees portfolio is of good quality :
  - 96% of the portfolio is Investment Grade by the end of 2014
  - The average rating stood at BBB +
- Expected average life: 8.3 years

Appendix 14

Outstanding exposure on government bonds

(EUR m)	31/12/2012	31/12/2013	31/12/2014
Belgium	8,705	8,095	8,732
France	484	410	498
Italy	4,760	4,698	5,251
GIPS countries	97	100	204
Other EU countries	655	467	389
Other countries	328	296	294
Total	**15,029**	**14,066**	**15,368**

Breakdown as at 31 December 2014



- Total government bond portfolio stood at EUR 15.3 bn as at 31 December 2014
- Italian government bonds slightly up (EUR 0.6 bn) compared to December 2013 due to the positive fair value revaluations because of decreasing market yields
- Belgium represents 57% of the total portfolio

Note: Figures are based on Maximum Credit Risk Exposure (MCRE). In case of bonds classified in the available-for-sale category, the MCRE corresponds to the fair value, after deduction of specific provisions (if any).

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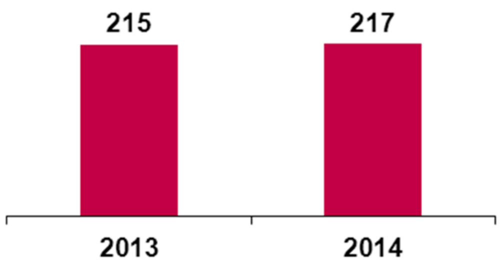
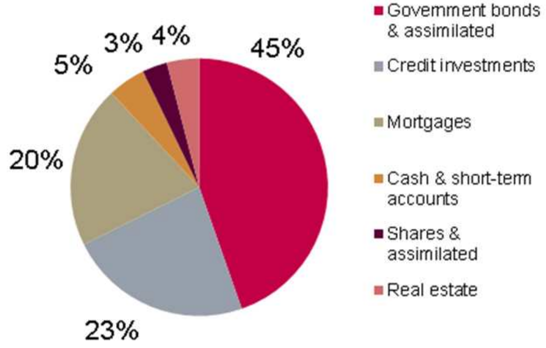
Appendix 15

Focus on insurance results

Net profit	Diversified asset allocation (*)	Key ratio's (*)

(EUR m)





Cost/outstanding ratio Life : 0.3%

Cost/premium ratio Non-Life : 18.4%

Underlying combined ratio : 96.4%

Customer satisfaction : 95%

- Continued focus on integrated bank-insurance approach
  - Net profit stood at EUR 217 m in 2014
  - Solvency I - ratio stood at 205% & Solvency II - ratio at 248%

- Prudent investment strategy of the asset portfolio
  - Well-diversified asset allocation
  - Financial return on average life outstanding > 4%

- Most efficient insurer on the Belgian market enjoying high customer satisfaction

** As at 31 December 2014*

Belfius

Appendix 16

Belfius Insurance – Consolidated balance sheet

(EUR m)	31/12/2013	31/12/2014	Evolution
Total assets	**25,795**	**27,003**	**1,208**
of which			
Loans and advances due from banks	873	1,439	566
Financial investments	13,523	14,014	491
Financial assets measured at fair value through profit and loss	3,647	4,074	427
Mortgage and other loans	6,782	6,517	-265
Investment property	416	392	-24
Other assets specific to insurance companies	274	313	39
Total liabilities	**24,194**	**24,933**	**739**
of which			
Due to banks	1,925	1,591	-334
Technical provisions for insurance companies	17,645	18,051	406
Financial liabilities measured at fair value through profit and loss	3,647	4,074	427
Other liabilities specific to insurance companies	222	214	-8
Total equity	**1,601**	**2,070**	**469**
of which			
Core shareholders' equity	1,012	1,203	191
Gains and losses not recognized in the statement of income	573	852	279
Non-controlling interests	16	3	-13
Discretionary Participation Feature	0	12	12

Appendix 17

Belfius Insurance – Consolidated statement of income

(EUR m)	2013	2014
Income	**446**	**506**
Net technical income	*-404*	*-296*
Financial income	*852*	*797*
Other income	*-2*	*5*
Expenses	**-219**	**-215**
Gross operating income	**226**	**291**
Cost of risk	*12*	*-4*
Pre-tax income	**238**	**287**
Tax expenses	*-26*	*-68*
Net income after taxes	**212**	**219**
Non-controlling interests	*0*	*2*
Net income group share	***212***	***220***
of which contribution to consolidated results Belfius Bank	***215***	***217***

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Contacts

Chief Financial Officer
Johan Vankelecom

Head of Public & Wholesale Banking and Financial Markets
Dirk Gyselinck

Financial Communication
Peter De Baere: peter.debaere@belfius.be
Caroline Dumont de Chassart : caroline.dumontdechassart@belfius.be

Financial Institutions
Karl Thirion: karl.thirion@belfius.be
Bruno De Decker: bruno.dedecker@belfius.be

Treasury & Long term Funding and Investment Portfolio
Jean-François Deschamps: jean-francois.deschamps@belfius.be

Money Market
Werner Driscart: werner.driscart@belfius.be
Reuter Dealing : BELF
Bloomberg: REPO BELFIUS

Long Term Funding
Ellen Van Steen: ellen.vansteen@belfius.be

Asset Based Solutions
Bart Verwaest: bart.verwaest@belfius.be

Financial Markets Services
Ronny Neckebroeck: ronny.neckebroeck@belfius.be

Capital Markets Services
Sofie De Loecker: sofie.deloecker@belfius.be
Bloomberg: BELF

Info: financialcommunication@belfius.be

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