

Brussels, 24 May 2012

## **Belfius' reaction to the rating action of Moody's**

Moody's today announced its decision to downgrade by one notch the rating of Belfius Bank to Baa1 with a stable outlook for the long-term rating and Prime-2 for the short-term rating.

In its press release, Moody's indicates clearly that:

- the disentangling operations from the Dexia Group are progressing;
- Belfius has managed to preserve its core franchise in Belgium with respect to its core businesses;
- Belfius is capable of returning to an overall risk profile consistent with those businesses.

Nonetheless, Moody's forecasts that the restructuring process may take more time than initially expected, particularly in view of the current unfavourable macro-economic and financial environment.

Finally, Moody's underlines that Belfius benefits from a high degree of systemic support.

Belfius Bank believes that this rating action should be viewed in the wider context of the overall actions currently being applied to European banks by Moody's. Belfius underlines that it has made significant progress in recent months in the following key fields.

**1. PROFITABILITY:** In the first quarter 2012, Belfius reported a net income Group share of EUR 397 million, partly due to some important one-off items. This result has strengthened the bank's core shareholders' equity and allows for a further improvement of the risk profile.

**2. EXPOSURE TO PIIGS:** Belfius has in recent months substantially reduced its concentration risk on certain PIIGS countries. Accordingly, outstanding Spanish government bonds have been reduced to nil, and outstanding Portuguese and Greek government bonds to EUR 100 million and EUR 80 million respectively. In total, EUR 2.4 billion of assets from the investment portfolio have been disposed of.

**3. LIQUIDITY POSITION:** An internal securitization of loans to small and medium-sized enterprises has recently enabled Belfius to improve its liquidity profile by EUR 2.2 billion. The bank, in addition, is continuing to reduce the financing granted to the Dexia Group: as at the end of March 2012, unsecured cash exposure was down to almost zero, which also helped enhance the liquidity position.

Finally, on 17 April last, Belfius submitted its file to the European Commission. The sustainable future and profitability of the bank have been clearly demonstrated from this file.

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