Belfius Bank & Insurance

Press release

Brussels, 14th March 2013

Net profit of EUR 415 million, substantial increase in total equity and almost EUR 10 billion invested in the Belgian local economy: Belfius Bank & Insurance turns in a fine performance in 2012

Highlights :

In 2012, Belfius Bank & Insurance recorded a net income group share of EUR 415 million (compared with a loss of EUR 1.37 billion in 2011). This profit, which will be used to strength the company's capital base, was achieved through strict cost management and a number of significant capital gains that were allocated in part to the tactical derisking of the historical investment portfolio. Excluding one-off items, the underlying consolidated net profit was EUR 277 million.

As the result of its speedy and successful rebranding efforts, Belfius was able to regain its commercial strength in 2012. Between the end of 2011 and the end of 2012, there was a 10% increase (+EUR 3.1 billion) in savings deposits. Belfius was also able to fully take on its role as a locally based Belgian banking and insurance group that aims to deliver added value to the community. As a result, almost 10 billion EUR was invested in the local economy in 2012 by the granting of loans.

Between the end of 2011 and the end of 2012, Belfius Bank & Insurance increased its total equity substantially to EUR 5.3 billion (EUR 3.3 billion at 31 December 2011).

This improvement was attributable to

- **the reservation of the net profit of EUR 415 million**
- **a reduction in latent losses of EUR 3.3 billion at the end of 2001 to EUR 1.6 billion at the end of 2012 (AFS reserves)**

In addition, loans granted to Dexia (cash exposure) were further dramatically reduced, from EUR 44 billion at the end of December 2011 to EUR 22 billion by the end of December 2012 and again to EUR 15.5 billion at the end of February 2013. Taken in conjunction with the first covered bond issue, this means that the liquidity ratio improved substantially and consequently now complies with the prudential norm. Liquidity management will continue to be cautious.

All of this resulted in the risk profile of Belfius Bank & Insurance improving significantly. Its ratios also improved, as did its solvency position.

Retail & Commercial Banking: customer confidence being restored and commercial dynamic confirmed

Last year Belfius granted EUR 3.1 billion of mortgage loans and EUR 415 million of consumer loans. This brought outstanding mortgage loans and consumer loans at the end of 2012 to 22.8 billion (+2.2% compared with the end of 2011).

Belfius also continued to provide funding for Belgian SMEs, self-employed individuals and the liberal professions (EUR 9.7 billion of outstanding business loans at the end of 2012, up 3% compared with the end of 2011). To help support access to credit for start-up businesses, Belfius signed a major guarantee agreement for EUR 450 million with the European Investment Fund and also supports the angel.me crowdfunding platform.

As a relationship bank seeking to play a practical and useful role in satisfying the evolving needs of its customers, in 2012 Belfius launched in particular the MasterCard Prepaid and a totally new version of its Direct Mobile app (more than 125,000 downloads in two months). Belfius also became the first Belgian bank to equip over 60% of its branches with a free WiFi Internet connection.

Public & Wholesale Banking: good results in a challenging macroeconomic environment

Activity for this business line was satisfactory in 2012, despite the difficult economic climate. Deposits increased further (EUR 19.9 billion at the end of 2012 compared with EUR 17.2 billion at the end of 2011). Notwithstanding reduced demand, total outstanding loans to customers of this business line fell only slightly to EUR 43.6 billion.

In 2012, Belfius's mandate as cashier for the Walloon Region was renewed for the 2013-2017 period. Belfius also fulfils this function for the French-speaking Community, the Brussels Capital Region, the German-speaking Community and many other government institutions. In the area of project financing, last year Belfius participated in the consortium to finance the Northwind offshore windfarm in the North Sea, thereby confirming that it intends to continue playing an active role in the development of green energy in Belgium.

As a privileged partner of both the public and social sector, in 2012 Belfius also conducted numerous studies to provide local councils and hospitals with a frame of reference against which they are able to test their individual financial situations in the face of current challenges.

Insurance: healthy foundations

As an essential component in the Belfius Bank & Insurance group's strategy, Belfius Insurance has succeeded in less than a year in improving its financial situation significantly while at the same time developing a revamped strategy. The foundations of Belfius Insurance are based along four main lines: the appropriate allocation of assets, watertight cost controls, a high level of customer satisfaction and a structural improving of the underlying results.

Belfius Insurance is the fifth-largest operator on the Belgian insurance market, with gross written premiums of EUR 1.8 billion in Life and EUR 0.5 billion in Non-Life in 2012.

Financial results: significant improvement in risk profile and ratios

Over the past year, the risk profile of Belfius Bank & Insurance improved markedly through a significant reduction in the exposure to Dexia (EUR 15.5 billion at the end of February 2013 compared with EUR 44 billion at the end of December 2011), on the one hand, and the sale of EUR 4.1 billion of bonds from the investment portfolio, on the other. The total exposure to government debt in PIIGS countries is reduced by 25% and in particular, sovereign risk in relation to Greece has been reduced to nihil.

This accelerated tactical derisking was made possible by a one-off profit of EUR 769 million (pre-tax) and EUR 508 million (after tax) realised on the buyback of subordinated debts on Belfius Bank.

During the year, the bank strengthened its liquidity position considerably and Belfius Bank again complies with the prudentially imposed liquidity ratio.

Driven by good results and the tactical derisking of its balance sheet, the solvency of Belfius was strengthened further and its Core Tier 1 ratio (Basel II) rose from 11.8% to 13.3% between the end of 2011 and the end of 2012. However, there still remains a good deal of work to do before the Basel III requirements can be met.

The overall balance sheet total was also reduced significantly by EUR 20 billion (-9%) to EUR 213 billion at the end of 2012.

***J. Clijsters, chairman of the Management Board at Belfius Bank, said in conclusion**: "Under difficult circumstances and as a result of regaining its commercial clout, as well as the tactical derisking and improvements to its solvency and liquidity ratios, the overall financial and commercial position of Belfius has made significant progress since the acquisition by the Belgian State. Last year, thanks to the efforts of many people, Belfius wrote a powerful story. Consequently, it is appropriate for us to say thank you to all our staff, who are going through a difficult period, as well as to our customers, who continue to place their trust in us. We are asking for Belfius to be assessed on the story it has to tell today, not the one from the past."*

***A. Bouckaert, chairman of the Board of Directors of Belfius Bank & Insurance, added**: "We took an important and major step forwards in 2012. We made a profit which, thanks to the government, can be used to strengthen our capital. 2013 needs us to confirm the progress we have made, as well as implement the Plan 2016 approved by Europe. This will mean further strengthening our capital in order to meet Basel III standards, as well as continued cautious management of our liquidity profile and efforts to reduce our overheads. For this reason, the Board of Directors unanimously approved the social plan on Tuesday 12th March 2013. It also formally gave the Management Board the task of implementing the overall savings plan in the interests of the bank and this with a preparedness to further dialog with the social partners. To enable us to meet all of our targets for 2016 and despite the difficult environmental factors we have to contend with, it is vital for us to be able to work calmly and independently – and with evenly balanced financial and commercial vision."*

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