

Brussels, 13 March 2014

## **Following a successful 2013, Belfius can look to the future with confidence**

- **Sound financial and commercial performance with net profit of EUR 445 million**
- **Excellent solvency, thanks to de-risking efforts**
- **Towards the future with real ambition**

**Belfius Bank & Insurance, the only integrated bank and insurer that is active in the whole of Belgium, posted a consolidated net profit of EUR 445 million in 2013. Operating profitability increased thanks to new commercial initiatives and an ambitious savings plan (costs down by 10.1%). Belfius also reduced its risks further, resulting in strong solvency ratios (Basel III (CRR) CET 1 ratio fully fledged pro forma: 11.7%).**

**Total shareholders' equity doubled from EUR 3.3 billion at the end of 2011 to EUR 6.6 billion at the end of 2013. Belfius also invested some EUR 10 billion exclusively in the Belgian economy through granting loans to individuals, local authorities, SMEs, ....**

**Belfius feels calm and confident about 2014 and the future. As an autonomous, sustainable financial player with excellent solvency, Belfius will focus more than ever on the further development of its commercial business.**

## Sound commercial and financial performance

**Net profit from commercial business rose by 63.9% in 2013 to EUR 508 million, of which EUR 400 million recurring profit.**

**The Legacy, including a.o. a bond portfolio and the exposure to Dexia, had a negative contribution of EUR 63 million to the 2013 net profit, mainly due to high funding costs.**

**Commercial results of EUR 508 million, after deduction of the negative contribution of Legacy-activities, generated a consolidated net profit of EUR 445 million for Belfius in 2013. That is an increase of 5.7% compared with 2012. The main underlying reasons for this were:**

- Net fee and commission income increased by 19.2% to EUR 376 million.
- Belfius Insurance performed strongly, with a net result up from EUR 59 million to EUR 215 million and an “economic” combined ratio<sup>1</sup> standing at 98.7%.
- Costs were kept under strict control (costs down by 10.1%) through a disciplined implementation of the cost-cutting plan approved and introduced in 2013.
- Cost of risk remained low and was even positive due to the write-back of provisions resulting from the tactical de-risking of the Legacy.

**Belfius performed well in each of its business lines:**

- **Retail & Commercial Banking: the best of both worlds.**

Belfius offers its customers the best of both worlds by combining mobile banking with personal advice. In that context, the free Pulse account and debit card offering enjoyed a successful launch. Belfius banking apps are among the best on the Belgian market, with a satisfaction score of virtually 100% among over 200,000 active users. In addition, the successful campaign for Branch 44 insurance products attracted investments of EUR 580 million. By the end of February 2014, Belfius had already raised EUR 430 million for the citizens’

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<sup>1</sup> The “economic” combined ratio is the total combined ratio (i.e. the claims ratio + commission fees + costs + reinsurance) adjusted with non-“recurring” elements (such as VAT on legal fees)

loans, making it the market leader. Belfius also provided extensive support for SMEs by offering detailed advice, and by granting EUR 2 billion in loans. In addition, 8,524 start-up businesses became customers of the bank, which was an increase of 10% in a declining market. With a EUR 1.2 billion increase in mandates under management Belfius is the third private bank in Belgium.

- **Public & Wholesale Banking: market leader in Public and Social Banking; solid partner for corporates.**

Belfius reaffirmed its partnership with local authorities through its market share of over 70% in outstanding loans. For example, Belfius was entrusted with the task of cashier for the Brussels-Capital Region. The bank also granted long-term loans totalling EUR 2.4 billion to the Public and Social Profit sector. Moreover Belfius applied its expertise to the granting of short-term and long-term bonds, an area where it also leads the market. This, and other important bond issues for Corporate customers, won the Bond Finance House Award 2013 from Euronext Brussels.

Furthermore, Belfius provided active support to many corporates by granting them EUR 1.6 billion in loans and playing a leading role in the major market operations (IPOs) of 2013 (for instance BPost, Quares Retail Fund, Retail Estates, Leaseinvest,...). Finally, Belfius launched a number of innovative solutions for its Public & Wholesale customers, such as Belfius Web Mobile, Twikey and SEPA Assist Tool.

- **Insurance: increased convergence between banking and insurance.**

The further pursuit of of the convergence between banking and insurance at Belfius through the extension of its product range in both Life and Non-Life is already delivering results. The successful Branch 44 campaign mentioned above is a proof of this. Belfius Insurance has continued its multichannel approach with an important commercial success registered by its affiliated on line company Corona.

## **Excellent solvency thanks to de-risking efforts**

**Belfius' total balance sheet has been reduced by 25.3% since September 2011, to EUR 183 billion, without adversely affecting the development of its commercial business.** A range of factors have contributed to this outstanding result:

- The Legacy bond portfolio has been reduced to EUR 12.4 billion as the result of tactical de-risking and the natural amortization of the portfolio. The residual portfolio remains of good quality.
- Exposure to Dexia has fallen by 76% since October 2011 and is currently EUR 13.5 billion coming to maturity at the beginning of 2015, of which EUR 13.4 billion is guaranteed by the governments.

**The outstanding de-risking carried out by Belfius combined with the reported profit resulted in a substantial improvement of the solvency position:**

- Basel II Tier 1 ratio of 15.4 % at the end of 2013 (compared with 11.8% at the end of 2011).
- Basel III (CRR) CET 1 ratio (pro forma 1/1/2014 phased in) of 13.5% & Basel III (CRR) CET 1 ratio (pro forma 31/12/2013 fully fledged) of 11.7%\*
- Belfius Insurance's Solvency II ratio was 223%.

Belfius also looks forward with serenity to the Asset Quality Review carried out by the ECB.

**As a consequence of its strong results and extensive de-risking, Belfius achieved a substantial increase in its total shareholders' equity, which doubled from EUR 3.3 billion at the end of 2011 to EUR 6.6 billion at the end of 2013.**

<sup>2</sup> The NBB decided - on a temporary basis (until the implementation of IFRS 9) - to grant a national option allowing not to take account of the AFS reserve on the sovereign portfolio for an amount of 5% of this portfolio. The NBB also accepted the rules on financial conglomerates (Danish compromise)

## **Towards the future with real ambition**

With these fine results behind it, Belfius is now able to look to the future with confidence and has three major ambitions:

### **1. To be a healthy, sustainable bank and insurer with the highest level of social commitment**

Belfius intends to become the benchmark of a new banking culture. With a clear, uncomplicated business model: managing savings, protecting assets, granting loans and helping customers to take up their challenges. Belfius is not looking for short-term gain, giving preference instead to recurrent operational income. Savings are re-invested in the Belgian economy.

Belfius is also aiming to achieve a sustainable and healthy financial profile, as well as to establish a strong position in terms of liquidity and solvency. For this reason, the bank conducts a cautious policy on risk in which speculative transactions play no part.

### **2. To be the most customer-focused bank and insurer**

Belfius aims to place its customers front and centre by concentrating fully on customer satisfaction. Belfius has set itself the target of achieving a 95% satisfaction score among its active customers by 2016.

In Public and Social banking, Belfius will make the most of its historical leader position to innovate in socially important fields and create value for the community.

Based on its unrivalled expertise in the public sector, Belfius is now aiming to offer its Corporate customers access to this segment (Business to Government).

Individuals and SMEs can continue to rely on the strong local presence of Belfius branches, with more than 2,000 personal advisers. They can also count on Belfius' digital channels and new mobile technologies, which are among the best on the market. Customers will have access to investments that suit their needs and can rely on fast credit decisions taken in Belgium. Company directors can call on the skills and knowledge of business experts to support their long-term development with a full package of products and services.

Belfius is also seeking to improve its operational efficiency. All Belfius departments and budgets are being optimised further in line with their actual contribution to customer satisfaction.

### **3. To ensure a high level of financial and risk management expertise**

Belfius continues to guarantee its current high level of financial and risk management expertise. This is absolutely vital if we are to guide our customers better through the ins and outs of their day-to-day business and to further reduce the Legacy.

## Conclusion

Belfius has three major ambitions for the future. These are: (1) to be a healthy and sustainable bank and insurer with the highest level of social commitment; (2) to be the most customer-focused bank and insurer; and (3) to ensure a high level of financial and risk management expertise.

Belfius aims to be the benchmark for the new banking culture that the community wants and expects.

Belfius intends to create value and share it with others:

- with customers by putting them first and striving to achieve 95% customer satisfaction;
- with the community by investing EUR 30 billion by the end of 2016 and by developing innovative solutions to important social issues.
- with staff by giving their engagement pride of place.
- And with its shareholders.

Jos Clijsters, Chairman of the Board of Directors, *“We have put our uncertainties well and truly behind us and can be proud of the ground we have covered. I expressly wish to thank all of our customers for their confidence and trust in us. And our members of staff also deserve great praise for their commitment.”*

Marc Raisière, CEO, *“We can now feel calm and confident about the future. We must set ourselves the goal of being a healthy, sustainable bank and insurer, with the highest level of social commitment. We are delighted with the trust our customers have shown in us. And we are proud to serve them as a solid partner they can really rely on.”*

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