

Brussels, March 10<sup>th</sup>, 2015

**Belfius performs strongly in all areas. By 2016, its historical Legacy will be a thing of the past.**

- Net profit up for the third successive year, to 462 million euro
  - Net profit from commercial businesses strongly increases to 580 million euro: + 25%
  - Continued reductions in underlying operating costs
  - Net asset value increases to 7.9 billion euro
  - 16.2 billion euro of new lending invested in the Belgian economy (+7%)
  - Commercial success as a bankinsurer
  - 98,000 new active current accounts
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- AQR & Stress tests: quality credit portfolio, solid solvency & liquidity confirmed
  - All Dexia Government Guaranteed Bonds paid back
  - End to the historical Legacy portfolio come in sight
  - End of constraints Europe
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- Belfius is more than ever convinced of the pertinence & sustainability of its strategic plan:
    - Solid financial position
    - Customer satisfaction
    - Brand name and values firmly established
    - New banking culture
    - Simple performant business model

## Strong financial and commercial results in 2014

**Net income from the commercial businesses** at Belfius rose by 25% to 580 million euro in 2014. Of that figure, Belfius Bank itself was responsible for 363 million euro, which was nothing short of a strong rise of 47% compared with 2013.

With a healthy 217 million euro, Belfius Insurance equalled its highest-ever contribution to the overall net income generated by the commercial businesses – and this was achieved despite the negative impact of last year's hailstorms.

The **Legacy** continued its controlled rollback and this had a negative effect of 118 million euro on the net profit at Belfius in 2014.

All of which resulted in a **consolidated net profit** of 462 million euro for Belfius in 2014, which was an increase of 4% compared with the year before.

The main reasons for the strong increase of net income from the commercial businesses are:

- The **increase in revenue** up to 2,221 million euro (+13%). This rise was driven in particular by the growth in net interest income (+7%) and net fee and commission income (+20%). This latter item stems from the shift in customer preferences towards off-balance sheet products and the broad range that Belfius has to offer in this area. This includes the unique Branch 44 product, which attracted 0.5 billion euro of investments last year.
- The fall in **underlying operating costs** (-5%) for these commercial businesses. This reduction was achieved through the continued disciplined implementation of the cost-cutting plan launched back in 2013. This firm hand on costs remains in place today in view of the low interest rate environment and rapid digital developments in the financial sector.

As a result, the **Cost-Income ratio for the commercial businesses** fell significantly, from 72% in 2013 to 65% in 2014.

### 2014 highlights

- **16.2 billion euro of new lending injected into the Belgian economy**

8.8 billion euro (+5.6 %) was set aside for **Business and Corporate customers**. 23% of all the loans granted by Belfius to large Belgian companies are directly linked to the bank's "Business-2-Government" strategy, with the focus on creating synergies between the private and public sectors. This is an area where Belfius is able to make its unique expertise available to benefit Belgian companies. Belfius also put its full support behind young entrepreneurs by signing an important agreement with the European Investment Fund (EIF). Under this arrangement, a total funding envelope of 360 million euro spread over 3 years has been released for start-up businesses. In 2014, the bank provided finance for 8,451 start-ups that were able to apply for funding from this envelope.

**Retail customers** represented 4.7 billion euro (+32.4 %). This rise stemmed mainly from the clear-cut growth in the production of mortgage loans. As a result, Belfius not only significantly increased its market share, but also did so profitably.

Finally, 2.7 billion euro was lent to **customers from the public and social sector**. This figure was 16.8% down, due mainly to reduced demand for long-term loans resulting from the stringent budget standards imposed on the public sector and their growing appetite for bonds as alternative funding solution. Belfius is still the only financial institution that presents a



binding offer to every loan application from the local public sector. Belfius also applied its expertise to assist in the issuance of short-term and long-term bonds by customers in that segment. This is another area in which Belfius leads the market. To mark the excellent guidance it provided for these issuances, as well as for other major bond issuances made by large companies, Belfius Bank was voted “N° 1 Bond Finance House of the Year” by Euronext Brussels for the second successive year.

The bank’s role as the leading specialist for the public sector was further boosted by the signing of a 400 million euro finance facility with the European Investment Bank. This facility was released as part of the Smart Cities project, in which Belfius is the only bank that has committed itself as a binding partner between all of our customers, our local authorities and Europe. As a result, Belfius provides Belgian towns, cities and municipalities with the guidance and financial support they need to implement their “smart and sustainable” projects in the areas of mobility, town and village development and energy efficiency. In a word, helping them to enhance the liveability and enjoyment of our day-to-day living environment. More than 50 applications were dealt with and 10 cities nominated for the “Smart City Award”.

- **Rising investments, current accounts and private banking mandates**

Total investments by individual customers and SMEs rose by 3 % in 2014 to 96.3 billion euro of which on-balance investments decreased by 1.5% and off-balance investments increased by 11%. In total, Belfius also opened 98,000 new active current accounts during the year.

With a total outstanding amount of 7 billion euro in mandates for private banking customers (+37%), Belfius reinforced its position as the country’s **third largest private bank**. 56,000 investors were able to depend on the expertise provided by over 200 local, qualified Private Bankers in this area.

- **Banking and insurance strategy on the rise**

The banking and insurance model at Belfius was further developed with the expansion of the range of both Life and Non-Life products and services. This area of the business was highly successful, as can be seen from the **rising cross-selling ratios** for property insurance (77% compared with 66% in 2013) and credit linked mortality insurance (140% compared with 127% in 2013). Thanks to a very successful Branch 44 campaign, Branch 23 reserves increased with 20% to 1.5 billion euro. Branch 21 & 26 reserves declined on the other hand with 2.7% as a result of declining customer appetite in current low interest rate environment. Non-Life premium revenue rose by 8% to 140 million euro.

- **Strong in both digital and omni-channel banking**

Belfius is very much committed to generating both technological and human interaction on behalf of its customers. It is a winning combination that enjoys much commercial success. On the technology side, **fifty million euro** was invested in 2014. Projects included a new customer relationship management system aimed at further enhancing the customer experience in all channels, IT security, the development of new apps and improving the ease of use of our digital platforms so that we can provide our customers with even better service in what is an increasingly digital-driven society.

At the end of 2014, the innovative Belfius app for smartphone and tablet had almost 350,000 active users – more than double the number a year previously. Belfius has a market share of approximately 25% in mobile banking in Belgium. This, according to McKinsey Solutions subsidiary, Finalta, places Belfius in the **world’s top 10 fastest-growing banks** in this area. And with a satisfaction score of 4.6/5 and 4.5/5 respectively on Apple iTunes and Google Play, the Belfius Direct Mobile app is also among the best on the market. Since July last year, the number of mobile transactions (an average of 6 million per month) has also been systematically higher than the equivalent number of online transactions (an average of 5.8 million per month).



- **“We go at 100 % for 95 % satisfied customers”**

Belfius is putting customers first by focusing on their level of satisfaction. For instance, by 2016, Belfius aims to achieve a satisfaction score of 95% from its active customers.

Working with a well-established external research bureau, a start was made in July 2014 on the process of actively measuring customer satisfaction. In addition to a representative sample of Public, Social & Corporate customers, over 550,000 individual customers with a minimum of two Belfius products have also been surveyed already.

Thus far, Belfius has achieved a **global satisfaction score of 93.7%**. Personal customers scored us at 92.2%, while the satisfaction level rose to 97% with Public, Social & Corporate customers. Our aim for next year is to achieve an average score of 95%. That target may be ambitious, but it is also realistic. It has already led to a significant cultural change within Belfius, where customers are currently placed in the forefront of all our campaigns and programmes. As part of this same logic, Belfius continues to work constantly on its operating efficiency, with all departments and budgets being optimised based on their actual contribution to customer satisfaction.

## **Belfius will leave its historical Legacy behind by 2016**

When the Belgian government became the 100% shareholder in Belfius in 2011, the banking and insurance group had a solid and valuable commercial franchise. However, at the time it was also weighed down by the excessive Legacy portfolio it “inherited” from the “Dexia era”. Certainly in the light of the much stricter requirements imposed as a result of Basel III, this Legacy portfolio meant that the bank had to cope with increased risk in terms of among others solvency and liquidity. For this reason, it was decided immediately to manage this Legacy separately from the bank’s commercial businesses as part of a tactical derisking programme.

- **Three years of tactical derisking, combined with increasingly positive operational profits, have restored Belfius to its position as a solid, sustainable group.**

Since 2011, ongoing efforts to derisk the Legacy portfolio have resulted in the current, far more favourable balance between franchise and Legacy – as well as Belfius’s much-improved risk profile. The three components of the Legacy portfolio have now been significantly reduced:

- The **bond portfolio** of 18.3 billion euro in 2011 had been reduced to 9.5 billion euro by the end of 2014 and the good average credit quality has been further improved.
- The **off-balance sheet credit guarantee portfolio**, based on 11.6 billion euro in 2011, had been reduced to 6.5 billion euro by the end of 2014
- The **financing of Dexia**, based on 56 billion euro at the end of September 2011, had been reduced to 10.6 billion euro at the end of 2014. The Government Guaranteed Bonds – 10.5 billion euro end of 2014 – have been fully reimbursed to Belfius in the beginning of February 2015.

This outstanding performance in risk reduction, combined with retained earnings since 2012, has resulted in a **strong solvency and liquidity position at the bank. This was confirmed by successfully passing the European Central Bank’s stress tests.**



- The Basel III CET 1 ratio (phased in) was 14.7% at 31 December 2014 (compared with approximately 8% in 2011 and 13.8% at the end of 2013). The Basel III CET 1 ratio (fully loaded) was 13.2% at 31 December 2014 (compared with 11.5% at the end of 2013).
- The Solvency II ratio of Belfius Insurance rose from 223% to 248% at the end of 2014 and hence was more than double the required level.

These ratios give Belfius an **ample capital surplus** when measured against the limits of 5.5% and 8% respectively imposed by the ECB for the 2014 stress test.

With a ratio of 122%, Belfius already complies with the Liquidity Coverage Ratio (LCR) that will be introduced by Basel III. At the end of 2014, Belfius had a **liquidity buffer of 36 billion euro in liquid assets**, which covers approximately five times the institutional funding sources that mature within the year.

Through its strong financial results, retained earnings in equity capital and the significant value-improvement of the bond portfolio, Belfius also achieved a **substantial increase in its total shareholder's equity**. This figure more than doubled from 3.3 billion euro in 2011 to 7.9 billion euro at the end of 2014.

- **Belfius' historical Legacy will be a thing of the past by 2016**

In recent years, Belfius has made considerable efforts to reduce the risks posed by its Legacy commitments. By the end of 2016, the risk profile of its historical bond and off-balance sheet credit guarantee portfolios will be reduced further and **brought into line with the general risk profile of the commercial business**.

## **Genuine strength in depth, customer satisfaction, new banking culture and uncomplicated business model all point towards a sustainable future**

As a result of its strong commercial and financial performance since 2012, coupled with the solid quality of its risk profile, its focus on customer satisfaction and a new banking culture, as well as its straightforward and effective business model, Belfius has every confidence in the sustainability of its results. Within a difficult macro-economical context, Belfius is however strongly aware of some challenges. The persistence of low interest environment leading to amongst others higher cash collateral requirements & early redemption of mortgages, new banking taxes & further strengthening of regulatory environment all confirm the necessity to a further disciplined cost control.



- **The strengths of Belfius: solidity and strong customer relations**

As the largest integrated bank and insurance company in Belgium, Belfius has a strong presence all over the country. We are 100% Belgian and all decisions are taken here. Both the banking and insurance arms of the business are firmly supported by dynamic commercial teams, strong and growing **solidity** and experienced, crisis-resistant management and staff teams, as well as strong governance led by independent specialists.

At Belfius, we have a valuable brand and are known for our **strong focus on and relationship with our customers**. As the historical partner of and market leader in the public and social sector, we offer unique expertise and a range of products and services that is second to none. We have developed a local business model for 3.5 million retail and business customers who come to us for our banking and insurance services that combine state-of-the-art digital channels with the option of going for personal advice to 1,000 sales points.

- **Our strategy and ambitions are clear:**

- To continue developing Belfius as a Belgian bank and insurance company with a business model that focuses exclusively on **supporting the Belgian economy** and on **creating an underlying operating profit**. Our model is clear and simple: we manage savings, protect assets, grant loans and guide customers in their projects. The savings deposits collected from customers are reinvested to support the Belgian economy. We are not interested in short-term gains, we do not speculate and we give preference to sustainable operating profit. Our aim is to set an example for the new banking culture demanded by the Belgian people.
- Belfius aims to continue investing in a high level of **financial and risk management expertise** so that we can guarantee our own solidity and safety of our customers' money and assets at all times.
- Belfius aims to be a bank with strong local roots and a **social dimension**. Our commitment to the community is locally inspired and focused on supporting sport and art, as well as our fellow citizens experiencing difficulties in the area of welfare and wellbeing. Our employees are actively and selflessly involved with our many initiatives.
- Belfius aims to be the **most customer-focused bank and insurance company**. We focus fully on customer satisfaction and our aim is to achieve a satisfaction score of 95% among all of our active customers spread across every segment we operate in. By improving our operating efficiency and then reinvesting those efficiency gains in providing an even better service, regardless of the customer segment. By setting an example for a new banking culture based on an uncomplicated business model, a clear and independent governance and our social and economic role at a local level.



## Conclusion

Belfius has made great progress since 2011. Customer satisfaction has become the driving force behind our organisation. We intend to pioneer a new corporate culture, with a clear and straightforward business model. We are focused on the long term. We are working with the Belgian community to develop a strong economy. We have more confidence than ever in the sustainability of our future and we continue to work on the basis of our unique strengths to achieve our ambitions. The outstanding financial and commercial results achieved at Belfius in 2014 reinforce our conviction that we will be able to take this performance forward into the years ahead.

Jos Clijsters, chairman of the board of directors: *“In 2014, we demonstrated the strength and solidity of Belfius on a permanent basis. We clearly succeeded in the ECB’s stress tests. We reduced the funding of Dexia to virtually zero. We also successfully completed our obligations to Europe. Not just financially, but also commercially we pushed back the boundaries and can now look towards the future filled with confidence without neglecting future challenges.”*

Marc Raisière, CEO: *“2014 was a pivotal year for Belfius, a year in which we finally turned the corner and headed in the direction of a long-term and sustainable future. Despite a difficult market, we recorded very strong commercial results and are well on the way to making our ambition come true of being the most customer-focused bank and insurance company. I would also like to thank all of our staff most sincerely for the efforts that they continue to make, as well as our customers for their trust and confidence in Belfius.”*

### Press Belfius

Ulrike Pommée

Ulrike.pommee@belfius.be / press@belfius.be

02 222 02 57

www.belfius.com

