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Belfius performs robustly in the first half-year, fulfils its commitments and strengthens its strategic positioning

- **Net income from commercial activities up 38.4% to EUR 330 million euros**
- **Accelerated reduction of the historic Legacy:** negative impact of EUR 58 million on net income
- **Net income up 22% to EUR 272 million**
- **Sharp reduction of costs (-8%)**
- **Cost-Income ratio** of commercial activities improved by 12% to 58%
- **EUR 6.4 billion of new long-term lending** invested in the Belgian economy (+34%)
- **EUR 100 billion of savings and investments from individuals and SME** (+3.6%)
- **Fine performances by Belfius Insurance:** Non-Life premiums received up 6% and excellent combined ratio Non-Life at 92.7%
- **Excellent solvency:** 14% (Basel III fully-loaded CET 1 ratio)
- **Total shareholder's equity** above EUR 8 billion

Excellent commercial and financial results¹

Net income from commercial activities in the first half-year 2015 increased by 38.4% to EUR 330 million. The Belfius Bank share represents EUR 185 million, up 65%. The net income of Belfius Insurance increased by 15% to EUR 145 million. **The continuing growth of the income of our commercial franchise over the years reflects customers' increasing confidence in Belfius as a bank and as an insurer.**

Net income from commercial activities increased principally by virtue of:

- The **clear increase of income** to EUR 1.157 billion (+12%), essentially sustained by the very strong organic growth (+2 billion) of savings and investments from individuals and SME, and the increase of net commission income (+19%). The latter is due to increasing customer demand for off-balance-sheet products and the wide range offered by Belfius in this field. Despite a low interest rate environment and in comparison with the first half-year 2014, volumes on savings accounts increased by EUR 3 billion.
- The **fall in costs** of commercial activities by 8% to EUR 666 million as a result of the disciplined implementation of the savings plan launched in 2012. This cost control remains vital considering the current low interest rate environment and digital evolution in the financial sector. The continuing reduction of the cost of risk also supports the sustainable growth of our recurrent commercial income and confirms the good risk profile of our franchise.

The **Cost-Income ratio** of commercial activities improved significantly by 12% in comparison with the first half-year 2014, to 58%.

The reduction of **Legacy** was accelerated. Its negative impact on net income was EUR 58 million in the first half-year.

Net income from commercial activities combined with the impact of Legacy generated a **consolidated net income** of EUR 272 million for Belfius, up 22% on the first half-year 2014.

Outstanding performances

- **EUR 6.4 billion of new long-term funding invested in the Belgian economy**

Compared to the first half-year 2014, new long-term funding invested by Belfius in the Belgian economy increased by 34% to reach EUR 6.4 billion.

¹ Under the new international accounting standard, financial institutions are obliged to bear certain bank taxes in their entirety in the first half-year. To permit a pertinent comparison, the figures for previous years are recalculated pro forma.



EUR 2.7 billion (+39%) was granted to **Business and Corporate customers**. Belfius considerably strengthened its position on the Corporate market and, as a Belgian bank-insurer, fully undertook to transform the ideas of Belgian entrepreneurs into successful reality.

The production of long-term loans to Corporate customers climbed to EUR 1.5 billion in the first half-year. 27% of these loans were directly associated with the “Business to Government” strategy, aimed at fostering synergies between the private and public sectors. It was from such a viewpoint that last June Belfius and the technology industry federation Agoria concluded a partnership agreement within the framework of the “Smart Cities” initiative, to encourage municipalities to invest in “intelligent” projects and to encourage businesses to participate in public procurement.

Moreover, Belfius is the first Belgian bank to have signed an InnovFin SME Guarantee agreement with the European Investment Fund (EIF), with a view to supporting the financing of innovative businesses with a maximum workforce of 500. Belfius had already concluded an agreement with that same partner, providing a total package of EUR 360 million over 3 years for start-ups. In the first half-year 2015, the bank welcomed **5,423 new start-ups** able to call on that package. In three years, the total number of start-up companies increased by 17.5%. For the global Business segment, Belfius market share was approximately 13% and the production of new long-term loans rose to EUR 1.2 billion in the first half-year.

EUR 700 million of new long-term funding was granted to **customers in the public and social sector**. This volume is lower than the half-yearly figure for last year, and is explained by various factors. Firstly note should be taken of the 20% fall - or more than 50% fall for the market segments in which Belfius is specifically active - in demand for long-term loans in the public and social sector, principally by virtue of constraining budgetary norms. Then we observe an increase in competition and above all the sector’s persistent interest in alternative funding sources, such as treasury certificates and bond issues on the capital markets.

In this field, Belfius plays a **strategic role as market leader**, with a 84% level of participation in all existing bond programmes. At the end of June 2015, the current volume of short-term treasury certificates (commercial paper) placed via Belfius was EUR 4 billion. In addition, Belfius provided more than EUR 400 million in new long-term issues for customers in the public and social sector, leading to a total outstanding of EUR 4.4 billion at the end of the first half-year.

For their part, **Retail customers** benefited from EUR 3 billion in new long-term funding (+87%), an increase resulting primarily from the marked growth of mortgage loan production. Compared to the first half-year 2014, this more than doubled to EUR 2.7 billion. This increase was achieved through the attractive range on offer, considerable sales efforts and healthy market growth. The trend of refinancing mortgage loans continued in the first half-year, but slowed clearly from the beginning of the year.



- **Increase of savings and investments from individuals and SME**

In the first half-year 2015, **total savings and investments made by individuals and SME** rose by 3.6% to EUR 100 billion. The proceeds from balance-sheet investments, EUR 61 billion, remained relatively stable (+0.4%) whilst off-balance-sheet proceeds increased by 9.2% to EUR 39 billion. Organic growth, i.e. without taking account of market effects, reached EUR 2 billion, the sharpest increase since 2011.

In view of the increase in total investments from Private Banking customers of 9% to EUR 32.3 billion, Belfius strengthened its position as a first-class **Private Bank**. Total outstanding on mandates increased by 24% to EUR 8.7 billion over the first six months of 2015. 60,000 investors took advantage of the expertise of more than 250 local chartered Private Bankers.

- **Increased success of our bankinsurance strategy**

The ongoing development of the bankinsurance model, both in the Life and the Non-Life sectors, bore fruit. This is shown by the increase of **cross-selling ratios**, both of Belfius fire and family insurances (79% against 74% in the first half-year 2014) and of Belfius outstanding debt balance insurances (138% against 135%) at the time of financing mortgage loans.

Non-Life premium receipts through the banking channel increased by 8.3% to EUR 79 million. For Belfius Insurance, the increase was 6%, to EUR 249 million compared to the first half-year 2014. For four quarters now, growth in the Non-Life segment at Belfius Insurance has been better than the market average. The combined ratio Non-Life, 92.7%, is also among the best on the market.

By virtue of the success achieved by the Branch 44 insurance campaign, with the launch of 4 new underlying funds for Belfius Invest Top Funds Selection, **Branch 23 reserves** rose 14% to EUR 1.7 billion. **Branch 21** and **26 reserves** fell 7% as a result of the lack of customer interest in a low interest rate environment.

- **Position of strength in digital**

In order to reinforce our strong position in mobile banking and to actively meet the social and economic challenges involved in the developing digital world, Belfius approved an **investment programme** for the next three years. As in 2014, a minimum annual budget of EUR 50 million has been allocated for the digitisation of the company. This programme places an emphasis on the use of intelligent data, online communication with the customer, a reduction in the use of paper and the adaptation of processes from a “mobile first” perspective, so that customers can subscribe to and manage all basic banking and insurance products on a mobile basis.

At the end of June 2015, the **innovative apps developed by Belfius** for smartphones and tablets had 439,000 active users, up 71% on the first half-year 2014. As in previous years, the user satisfaction score is the best in the market.



Accelerated reduction of the historic Legacy

Belfius manages its historic Legacy portfolio in parallel to its commercial activities, in a programme of tactical risk reduction. Its constant endeavours to reduce risk have resulted, since 2011, in a considerably more positive balance between the franchise and the Legacy as well as a much better risk profile. Last year, it was decided to accelerate this reduction and to **bring the Legacy portfolios of bonds and off-balance sheet credit guarantees into line with the general risk profile of the commercial activity by the end of 2016.**

Favourable market circumstances motivated the decision to accelerate its implementation in the first half-year. Apart from the quantitative reduction - EUR 0.9 billion in the first half-year – the emphasis has been on an improvement of the quality of the portfolio of bonds and off-balance-sheet credit guarantees. As a result, the average credit quality rose from BBB+ to A- and the “non-investment grade” portion fell from 5% at the end of 2014 to 3% at the end of June 2015. The accelerated reduction in the first half-year had a negative impact of EUR 58 million on net income.

Solid level of solvency and liquidity

The excellent performances in terms of risk reduction coupled with profit reservations since 2012 are reflected by a **solid level of solvency and liquidity, confirmed last year by success in the stress tests performed by the European Central Bank.**

- The Basel III (phased-in) CET 1 ratio was 15.1% as at 30 June 2015 (against less than 8% in 2011 and 14.7% at the end of 2014). The Basel III (fully-loaded) CET 1 ratio was 14% as at 30 June 2015 (against 13.2% at the end of 2014). This is 1.9% more than the European banking sector average².
- Following the payment of a dividend to the bank, the Solvency II ratio³ of Belfius Insurance passed from 248% at the end of 2014 to 227% at the end of the first half-year. This is more than twice the amount which might be required. Without payment of the dividend, this ratio would be almost stable at 241%. The Solvency I ratio rose from 205% to 210%.

With a ratio of 133%, against 122% at the end of 2014, Belfius already meets the Liquidity Coverage Ratio (LCR) to be introduced by Basel III. Belfius has a **liquidity reserve of EUR 35 billion**, which represents approximately five times the institutional funding sources reaching maturity this year.

² Average of 12 European banks (Les Echos August 13th 2015)

³ Solvency II has not yet come into force. The ratio calculated is a result of the interpretation by our internal teams of the (draft) guidelines in existence for Solvency II.



In view of its robust financial results, the profit reserves in its capital and the considerable improvement in the value of its bond portfolio, Belfius posted a substantial increase in total shareholder's equity of EUR 0.3 billion to EUR 8.2 billion. This is 2.5 times the EUR 3.3 billion Belfius had at its disposal at the end of 2011.

Belfius is fulfilling its commitments and strengthens its strategic positioning

Despite an unfavourable interest rate climate for the profitability of banking and life insurance activities, which in particular explains the large amount of refinancing of mortgage loans and the very limited interest in guaranteed-rate life insurance products, Belfius posted excellent results in the first half-year 2015 with regard to:

- profitability, with net income of EUR 330 million for its commercial activities;
- cost control, with a Cost-Income ratio of 58%;
- savings and investments from individuals and SME, with assets of EUR 100 billion;
- support of the Belgian economy, with EUR 6.4 billion in new long-term funding;
- its solid bankinsurance model, with an increase in Non-Life turnover of 8.3% through bank branches;
- de-risking its Legacy;
- solvency, with a Basel III (fully-loaded) CET I ratio of 14%.

As a result of these good performances, total shareholder's equity passed above the EUR 8 billion mark for the first time since the Belgian state took over Belfius.

The excellent results at the end of June 2015 are explained by the recovery of customer confidence, the proximity of our service, the quality of the advice provided by our sales staff and the committed work done by Belfius teams for more than four years.

Despite the difficult financial environment, we are convinced that Belfius **will achieve some of its ambitions for the end of 2016 more rapidly than forecast:** net income of EUR 500 million, a (phased-in) CET I ratio of more than 13%, a Solvency II ratio at a minimum 200% and a satisfaction score of 95% from our active customers.



Conclusion

In the first half-year Belfius performed robustly again confirming its considerable progress since 2011. The sustainable growth of our earnings is based on the results of our commercial activities constantly improving, increasing numbers of active customers who are progressively better equipped and have increasing confidence in Belfius as a bank and as an insurer. At the same time, we have reduced our expenditure, without harming our customer service, indeed to the contrary. We have invested in our customers' digital comfort, in their satisfaction and in an optimisation of our service, from the exclusive viewpoint of offering them added value. And we continue to inject billions into the Belgian economy.

Belfius' new dynamic is founded on right strategic choices made over recent years. We will remain loyal to that strategy in the future. Customer satisfaction is the driving force behind our organisation. Our role is that of a pioneer of a new banking culture. Our business model is simple and transparent. Our vision is of the long term. We will support Belgian society and its economy.

Jos Clijsters, Chairman of the Board of Directors: *"The financial sector has changed profoundly since 2008. Balance sheets have been halved, banks and insurers have been subjected to a multitude of new regulations and levies, and the persisting low levels of interest rates have impacted the profitability of the entire financial sector. Despite this difficult context, Belfius has succeeded in posting excellent results in the first half-year, both commercially and financially. These figures confirm the resilience and effectiveness of our business model and enable us to continue actively to support Belgian society."*

Marc Raisière, CEO: *"Belfius set itself certain real objectives for 2016, in terms of income, solvency, quality of the customer service, cost control, granting loans, reducing our historic Legacy and adding shareholder value. Despite the persisting low levels of interest rates, we have fulfilled our commitments and kept our promises, which will probably allow us to achieve some of those objectives already in 2015. Although we must keep up the efforts made over recent years, that is something we can be proud of. It is why I would like to thank our members of staff for all their endeavours, our self-employed agents and their staff members for the efforts they have made, and our customers for the confidence they have shown in Belfius."*

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