EU-wide EBA Stress Test

Belfius among well capitalized European banks - solidity and resilience confirmed

Brussels, July 29th, 2016

2016 EU-wide Stress Test

Key messages

- **EU-wide EBA-led stress test on 51 European banks** assessed the resilience of these banks when confronted to severe financial and economic stress over a three-year time horizon (2016-2018).

- **This exercise confirms Belfius' strong solidity and resilience**…

  - *Starting from a solid Phased In **CET 1 capital ratio** of **15.9**% **as of end 2015,** the severe stress test leads to a Fully Loaded **CET 1 capital ratio** of **11.4% as of end 2018**.*
  - *As such, in terms of end 2018 CET1 ratio after severe stress, Belfius scores better than the European average of 9.4 % of the 51 participating banks as published by EBA on July 29th, 2016.*

- **… that are the result of :**

  - ***Belfius' current solid capital position**, witnessed by our 2015 CET1 ratio of 15.9%, a.o. thanks to the long-term vision of our shareholder*
  - ***Belfius' strategic choices in terms of continued tactical de-risking of the legacy portfolio and its strong focus on the development of its commercial franchise**, executed to build resilience for the challenging macro-economic environment ahead.*

Belfius

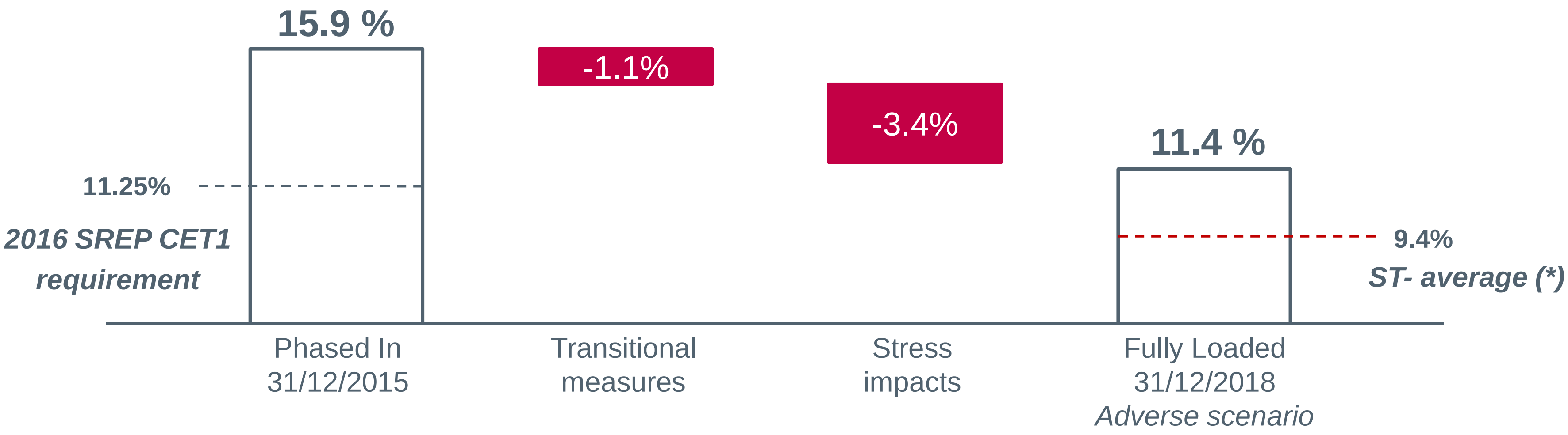
2016 EU-wide Stress Test

Official context : purpose and brief overview of the methodology

- As stated by the ECB in its answers to the FAQs on the 2016 EU-wide Stress Test published on 26 July 2016:"In a context of euro area banks having reached a more steady state and being better capitalized, the aim of the 2016 stress test is to assess remaining vulnerabilities and understand the impact of hypothetical adverse market dynamics on banks."
- The ECB confirmed in its communication of 26 July 2016 that the 2016 stress test methodology is more conservative than the 2014 stress test across all risk types.
- In this context, 51 European banks were surveyed by the EBA.
- Over a three-year time horizon (2016-2018), the adverse stress scenario is analyzing how a bank's capital position develops when evolving in a threatened EU banking sector.
- The stress test has been carried out applying a static balance sheet assumption as at December 2015, and therefore does not take into account any future business strategies and management actions. Assets and liabilities that mature during the stress test horizon are replaced with similar financial instruments in terms of original maturity, credit quality, geographical exposure, etc. As a result, business mix and model remains unchanged and any countermeasures that a bank would take against the stressed assumptions over the three-year period are not taken into account.
- The 2016 stress test does not contain a pass-fail solvency threshold (as such was the case in the 2014 stress test), but instead was designed to be used as crucial information for the 2016 supervisory review process that will continue during the second half of the year.

2016 EU-wide Stress Test

Stress test impact on CET 1 capital ratio

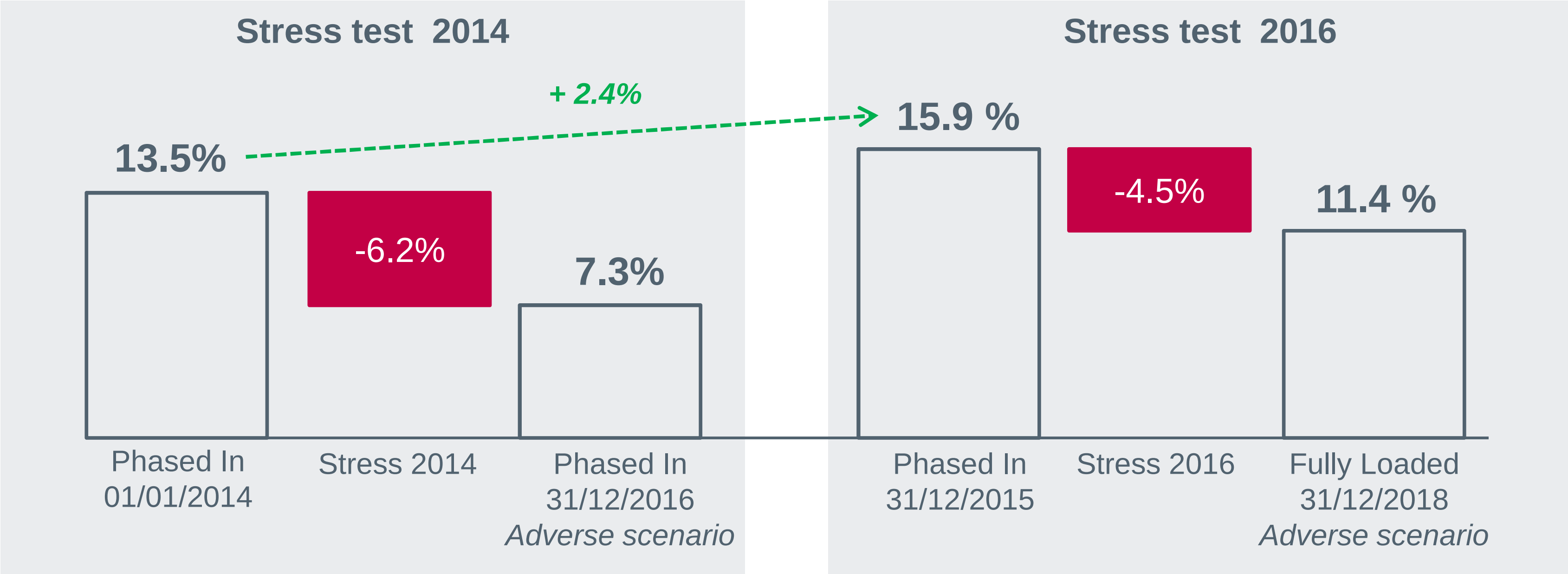


- **Belfius shows a strong solidity and resilience**:
  - Starting from a solid Phased In **CET 1 capital ratio** of **15.9 % end of 2015,** the severe stress test results in a Fully Loaded **CET 1 capital ratio** of **11.4 % end of 2018**.
  - **The total impact of - 4.5% over three years can be split into**:
    - On the one hand, the disappearance of the transitional measures which are no longer applicable in 2018. As a consequence, all other things being equal, the CET1 capital ratio mechanically decreases by 1.1%.
    - Besides transitional measures, the impacts of the severe stress scenario that amount to 3.4%.

(*) Average of all 51 selected institutions on which the stress test results were published by EBA

2016 EU-wide Stress Test

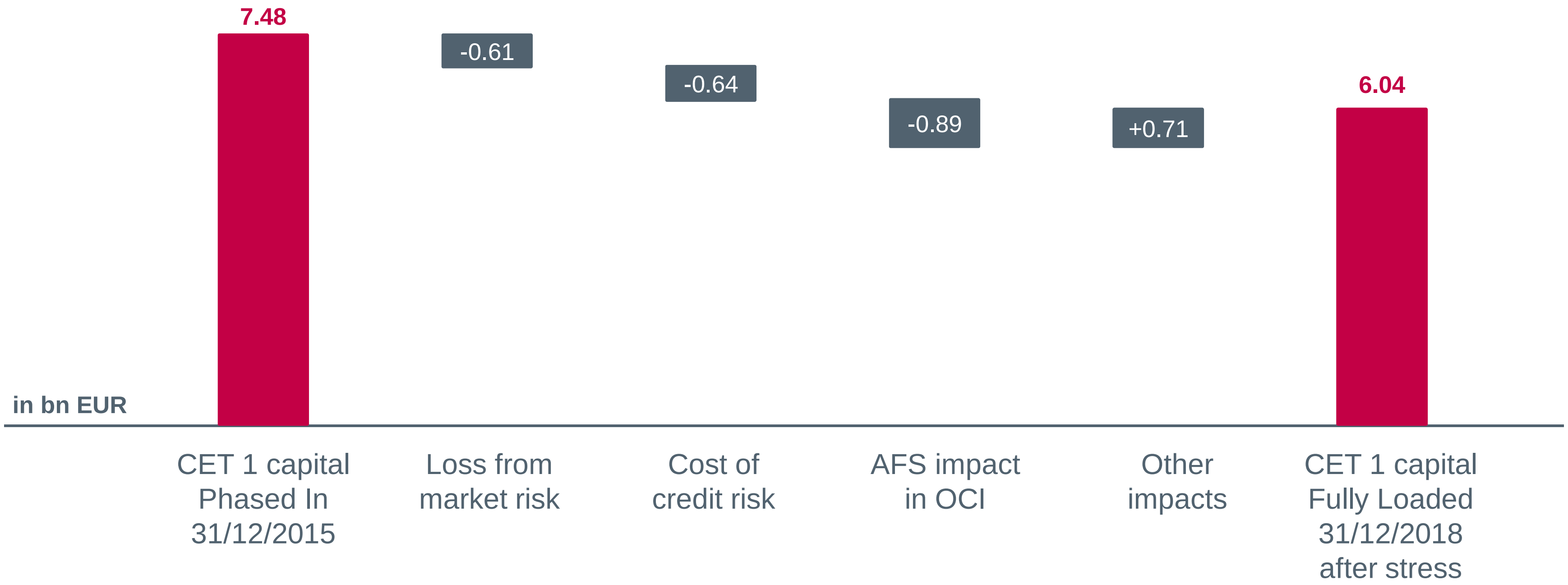
Comparison ST 2016 vs ST 2014



- The improvement of our CET 1 capital ratio from 13.5% as of 1/1/2014 to 15.9% end 2015 confirms the appropriateness of our strategy over the past years, the long-term vision of our shareholder, our starting solidity and resilience capacity, all of which are crucial in the current challenging macro-economic environment.
- Looking at the impacts, compared to 2014, the impact on CET1 ratio in the 2016 stress test is below the one in the 2014 stress test. As the 2016 stress test methodology is, as also stated by the ECB, more conservative than the 2014 stress test across all risk types, this again underlines Belfius' positive solvency evolution over the past years.

2016 EU-wide Stress Test

Evolution of the CET 1 capital in adverse stress scenario



- **Evolution of our CET 1 capital under the severe stress scenario is explained by:**
  - **- 0.61 bn EUR P&L-impact from market risks mainly due to**
    - lower trading income
    - more credit value adjustments (CVA) losses
    - default of most vulnerable of the largest counterparts
  - **- 0.64 bn EUR P&L-impact from cost of credit risk due to**
    - higher impairments on loans and bonds
  - **- 0.89 bn EUR AFS impact mainly due to**
    - phasing-in of (negative) AFS reserve deduction
    - spread widening impact on AFS-reserve
  - **+ 0.71 bn EUR other impacts**
    - of which +0.73 bn EUR P&L impacts

2016 EU-wide Stress Test

Evolution of the risk exposure in adverse stress scenario

- **Increase of risk exposure explained by:**
  - 4.2 bn EUR impact credit risk
  - 1.8 bn EUR impact market risk