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The excellent results achieved by Belfius in 2015 validate its “customer satisfaction” strategy

The strategic attention Belfius paid to customer satisfaction is the basis of its excellent results and the increasing feeling of confidence it inspires in its customers as banker and as insurer. By investing resolutely in providing added value for its customers, Belfius stands out from others, widening its range of services, increasing its earnings and reducing its costs.

On the foundation of its results and its financial strength, today Belfius is in a position to reach its main targets a year ahead of the schedule planned for the end of 2016, to pay a first dividend to its shareholder (subject to ECB backing” and to further increase its contribution to the Belgian economy and to the prosperity of Belgium.

- In 2015, Belfius’ **net income rose by 10%, to 506 million euro.**
- **Pre-tax income from commercial activities increased by 20% to 860 million euro** as a consequence of the combination of excellent commercial services and a high level of operational efficiency. In 2015, the **net income** from commercial activities, at **611 million euro**, already exceeds the target set for 2016 at 600 million euro.
- **The historic Legacy** has been further reduced **by 2.5 billion euro, with a negative impact of 105 million euro** on net income.
- **The Cost-Income ratio** for commercial activities continued to improve, for a fourth consecutive year, and is now at **59.6%**, down **5%** over one year.
- **13.6 billion euro of new long-term lending has been granted** to the Belgian economy, up **23%** on 2014.
- **In the second half of 2015, Belfius customer satisfaction was in line with the target it set itself of 95%.**
- **The Basel III CET 1 solvency ratio (phased in)** increased to **15.9%** and broadly meets the minimum capital requirements imposed by the ECB and the BNB.
- **The liquidity ratio (LCR) also increased to 132%.** Belfius also has a **liquidity reserve of 34 billion euro.**

- **Total equity rose to 8.7 billion euro, up by 5.4 billion euro since the end of 2011.**

Excellent financial and commercial results in 2015

The **pre-tax income from commercial activities** rose by 20% to reach **860 million euro**. The **net income** rose by 5% to **611 million euro**.

The Belfius Bank share represented 395 million euro, up 8% on 2014. At 216 million euro, Belfius Insurance maintained its historically high contribution of 2014.

The net income from commercial activities rose principally as a result of a remarkable combination:

- the **increase of income** to 2.321 billion euro, essentially sustained by strong organic growth of 1.9 billion euro (+40%) in investments and the overall increase of net fee and commission income (+11%). Despite low rates, the total volume of savings accounts rose by 9% to 49.4 billion euro;
- the **decrease of costs** of commercial activities by 3.5% to 1.384 billion euro is explained by the strategic attention paid to processes providing added value for the customer, and the disciplined implementation of the long-term cost-cutting plan, despite significant investments in “digital”.

Compared with 2014, the **Cost-Income ratio** for commercial activities improved significantly by 5% to 59.6%.

The continuing stabilisation of the cost of risk also supported the sustainable growth of our underlying commercial result and confirms the good risk profile of our franchise.

In line with our plan, the **Legacy** reduction was accelerated, with a negative impact of 105 million euro on net income, against -119 million in 2014.

The net income from commercial activities, combined with the Legacy impact, generated a **consolidated net income** of 506 million euro, up 10% on 2014.



“95% customer satisfaction” target already reached in the second half-year

Customer satisfaction is a strategic priority and the foundation of the robust results achieved by Belfius and the growing confidence it inspires in its customers as a bank and as an insurer. This strategy also reflects in-depth change of the internal culture. Each cost and investment is examined with regard to its true added value for the customer. For the Belfius group as a whole, both the **number of new active customers** (+213,000) and the number of **products per customer** rose in 2015.

Since mid-2014, Belfius has actively measured the satisfaction of its customers each month, with the aid of specialist external partners. In addition to a representative sample of Public, Social and Corporate customers, more than 520,000 individual customers using a minimum of two Belfius products were contacted over a year.

In 2015, Belfius achieved a **global satisfaction score of 94.7%**. This was 93.7% among individual customers and 96.5% among Public, Social and Corporate customers. Belfius' ambition to achieve an average score of 95% over the entire year is therefore realistic. **Indeed it was achieved in the second half-year.**

Retail customers: excellent year for loans, investments and Private Banking

- **Historic record for loans: housing loan production rose by 40%**

2015 was a great year for lending. Retail customers benefited from new long-term lending of **6.1 billion euros** (+33%). This increase came essentially from the strongest growth of production of **mortgage loans** Belfius has ever recorded, 17% higher than the average market performance. In comparison with the previous year, it rose by 40% to reach 5.5 billion euro, by virtue of the interesting range of products on offer, significant sales efforts and a dynamic market. Belfius Group market share was **a little more than 15%**.

- **Savings and investments: organic growth increased by 40% to 1.9 billion euro**

Organic growth (i.e. growth after deduction of investment market fluctuations) achieved by individual customers (Business segment included) was 1.9 billion euro, an increase of 40% compared with 2014. Outstanding on **total investments** from this segment reached 99 billion euro in 2015.

In this outstanding, 32 billion euro were from investments by 62,000 private investors who took advantage of the expertise of more than 250 local certified Private Bankers. This growth of 8% strengthened Belfius' position as a first-class **Private Bank**. The number of customers who entrusted Belfius with the management of their assets via mandates has practically doubled in two years. The total outstanding amount in mandates rose by 29% to 9 billion euro in 2015.



- **Digitisation at cruising speed: 600,000 active users of mobile apps**

Belfius is convinced that the digital revolution offers significant opportunities to strengthen its proximity to customers and their satisfaction. It is therefore developing a business model relying on digital which seeks an optimum **balance** between quality management of customer relations on the one hand and direct, high-performance and user-friendly channels on the other.

To achieve this, Belfius has developed an integrated “**omnichannel**” approach. These days customers want to be better informed and kept abreast of new opportunities: the evolution of digital makes this personalised approach possible, whilst ensuring respectful contacts. Belfius is making the most of the additional expertise of its in-branch staff at key times when a personal approach is required, and more substantial advice has to be given.

Our digital approach relies on the use of data, in relation to customer needs, on communication and “paperless” processes suitable for mobile use – this is our “**mobile first**” principle. Indeed, customers can manage their current banking and insurance products as and when they wish.

Belfius will be investing approximately **100 million euros** over the next three years in order to strengthen its leading position in Digital and Mobile Banking. To that end, at the beginning of 2016 it concluded four new strategic collaboration agreements with Belgian companies.

As in previous years, Belfius continues to set the tone when it comes to mobile banking. At the end of 2015, its **innovative apps** for smartphones and tablets had **600,000 active users**, up 67% on the end of 2014. These days Mobile Banking has become a complete means of executing banking transactions and our apps are used on average 21 times a month per customer. The **high satisfaction score** (99/100) shows that perpetual innovation, aligned to user-friendliness and utility for the customer, scores a near-perfect bull’s eye.

Strengthening our position as a bank-insurer

Within the context of diversifying its income lines, three years ago Belfius strengthened its **insurance strategy**, to stimulate the sale of Non-Life products via its own distribution channels, and particularly the bank channel, by promoting a more intensive strategy of *cross-selling*.

In three years, **global receipts of Non-Life premiums** by Belfius increased from 531 million euro in 2012 to 602 million euro in 2015, a significant increase of 13% confirming the validity of these strategic choices. Premium receipts via the bank channel rose by 9% in 2015, to 153 million euro. At 89.5%, the combined ratio for Non-Life insurances via the bank channel was among the best on the market.

Total Life reserves remained stabled over three years, at 19.8 billion euro in 2012 and **19.7 billion euro** in 2015. **Branch 23** reserves, less capital-consuming, increased during the same



period from 3.5 to 4.6 billion euro, broadly offsetting the fall in reserves for Branch 21. The market share for Branch 21 is constantly falling in view of low interest rates.

Business and Corporate: sharp increase of new long-term lending. A 61% increase for Corporate customers.

In 2015, 5.6 billion euro (+32%), out of a total of 13.6 billion euro, of new long-term lending in the Belgian economy, went to the Business segment (SME, self-employed and liberal professions) and to Corporate customers.

Belfius is clearly strengthening its position on the Corporate market and, as a Belgian bank-insurer, it gives 100% to assisting Belgian entrepreneurs to convert their ideas successfully into reality.

The production of long-term loans for Corporate customers rose by 61% to 3.2 billion euro. This sharp increase is the result of a search for growth in this segment, the commitment of additional means and a relevant and clear positioning. Belgian businesses may on the one hand rely on a locally-based partner and decision-making centre in close proximity. On the other hand they can rely on Belfius to collaborate more easily with the public and social sector through its **“Business to Government”** strategy, unique of its kind. In 2015, this strategy was already responsible for 30% of production.

In November, the **European Investment Bank (EIB)** and Belfius extended an existing line of credit. This enabled more than 1,500 SME and mid-cap projects to be financed under favourable conditions over a period of 18 months.

Belfius is also the first Belgian bank to have signed an *InnovFin SME Guarantee* contract with the **European Investment Fund (EIF)**, with a view to supporting the funding of innovative companies with a maximum workforce of 500. Belfius had already concluded a contract previously with the same partner, providing for the provision of a total package of 360 million euro over 3 years for young businesses.

The bank consequently assisted **10,944 new start-ups** which took advantage of this package. The total number of start-ups monitored by Belfius increased by 22.4% over three years.

For the Business segment, the Belfius share in the long-term lending market was approximately 13% and the production of new long-term loans increased in 2015 to **2.4 billion euro (+6%)**.



Public and social sector: uncontested leadership on the market

▪ 1.9 billion euro in long-term loans

As in 2014, the demand for long-term loans in the public and social sector flagged, particularly in view of budget constraints. As a consequence, production also fell at Belfius. But at approximately 50% it maintained its position as uncontested market leader. Despite the weakness of the market and fierce competition, its market share rose to 58% for long-term loans to local authorities. In 2015, the bank granted **1.9 billion euro** in new long-term lending, a fall of 14% compared to 2014. Nonetheless, Belfius managed to achieve a 59% increase in production in the second half-year, higher than that in the first half of 2015.

As a partner helping its customers to overcome new challenges, Belfius also stimulates the implementation of sustainable and future-oriented projects through its “Smart Cities & Sustainable Development” initiative. This lending programme, launched in collaboration with the EIB, was recognised by the British magazine “World Finance” by being included in its prestigious “World Finance 100”. In the meantime, 100 million euros of advantageous funding has already been granted within the framework of this programme.

▪ 4.7 billion euros in innovative modes of funding

On the strength of its specialist expertise in the public and social sector, and always eager to offer its customers the most appropriate solution, Belfius fully responds to the sector’s increased interest in **innovative funding** in the form of treasury certificates and bond issues on the capital markets.

With its level of participation rising to **84%**, in 2015 Belfius also confirmed its position as leader for bond issues and treasury certificates for (semi-)public customers. In 2015, the bank launched **4.7 billion euro** of innovative funding in the form of *commercial papers* and *MTN and bonds*.

For the third consecutive year, Belfius was named “**N°1 Bond Finance House of the Year**” by Euronext Brussels. This prestigious award confirms the strategic role played by the bank in funding (semi-)public entities. Belfius continued to innovate in 2015 with the first issue of bonds for universities, stock market listed for the first time. In the university and college sector, Belfius achieved a hit ratio of 100%, assisting 6 entities in 2015.

▪ Market leader in cash-flow management

By virtue of its annual investments in IT, up to 12 million euro, in a wide, attractive and innovative range of payment means and highly effective account management, Belfius manages the cash-flow for practically all local public authorities. The bank supports the modernisation of the public sector, particularly by being the first and only bank to launch an accessible mobile application, the *BelfiusWeb* app. This offers more than one thousand local



heads of finance the opportunity to execute and monitor their payments, wherever they are, whenever they need and whatever the amount.

Continuing reduction of the historic Legacy by 2.5 billion euro

Belfius manages its historic Legacy portfolio separately from its commercial activities in a tactical risk reduction programme. Its ongoing endeavours to reduce risk have enabled it to improve its risk profile considerably since 2011. Belfius decided to accelerate that reduction even more, so as to align the risk profile of **its historic portfolios of bonds and credit guarantees to the general risk profile of the commercial activity by the end of 2016**.

In view of the favourable market conditions, this decision was implemented more rapidly than planned, above all in the first half-year. At the same time as the quantitative reduction of the bond portfolio, by 1.4 billion euro, and the credit guarantees, by 1.1 billion euro, the accent was also placed on a qualitative improvement of those two portfolios. As a consequence, the average loan 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 2015. This accelerated reduction had a negative impact of **105 million euro** on net income in 2015.

Soundness of solvency and liquidity

The strong position of Belfius in terms of liquidity and solvency arose from a successfully implemented funding diversification strategy and excellent performances in terms of risk reduction, combined with retained earnings since 2012.

- The **Basel III CET 1 ratio (phased in)** was **15.9%** at the end of 2015 (against 14.7% at the end of 2014). So Belfius broadly meets the minimum capital requirements imposed by the ECB and the BNB.
The **Basel III CET 1 ratio (fully loaded)** was **14.9%** at the end of 2015 (against 13.2% at the end of 2014).
- The **Solvency II ratio** of Belfius Insurance was 212% at the end of 2015 and therefore represents more than double the ratio required.
The **Solvency I ratio** rose from 205% to 221%.

With an **LCR ratio** of 132%, against 122% at the end of 2014, Belfius also broadly meets the liquidity requirement imposed by the ECB and the BNB. Belfius has a **liquidity reserve of 34 billion euro**, which represents approximately five times the institutional funding sources reaching maturity in the year.

In view of its robust financial results, retained earnings in its equity and the improvement in the value of its bond portfolio, Belfius posted total equity at 8.7 billion euro, an increase of 0.8 billion euro in 2015 and 5.4 billion euro in four years.



Belfius meets its commitments a year earlier than planned

On presentation of its half-yearly results for 2015, it had already been announced that Belfius would more rapidly reach several targets announced for the **end of 2016**.

In the meantime, those commitments for 2016 have already been met:

- **Net annual income of 500 million euro:** for 2015, it was 506 million euro.
- A **Cost-Income ratio** for commercial activities **lower than 60%:** it hit 59.6%.
- **30 billion euros in new long-term lending** for the Belgian economy from 2014 to 2016 included: in 2014 and in 2015, Belfius had already granted 24.6 billion euro in new long-term lending, so this target will undoubtedly be reached in mid-2016.
- The continuing **reduction of the historic Legacy:** the reduction was accelerated in 2015 and so, by the end of 2016, Belfius will be able to align its historic Legacy portfolio to the general risk profile for commercial activity.
- **95% satisfied customers:** at the end of last year, Belfius had achieved an overall satisfaction score of 94.7% and reached its target in the second half-year.
- **A Basel III CET 1 ratio (phased in)** of more than 13%: solvency also exceeds targets.
- **A Solvency II ratio above 200%:** the current ratio broadly exceeds the target requirement of 200%.
- **Creation of value for the shareholder:** in four years, total equity increased by 5.4 billion euros, to reach 8.7 billion euro at the end of 2015.



Conclusion

In 2015 we definitively turned a page in our history. Our aim to achieve 95% customer satisfaction is nearly met. At a commercial level, we are posting sound results in almost all segments and business lines. We have proved our excellence in financial and risk management. We are succeeding in combining higher earnings and lower costs, user-friendly digital facilities and improved service, from the very point of view of added value for our customers.

For our shareholder, we are presenting excellent results, robust solvency and the prospect of a dividend. We have reinvested the savings we have collected in the Belgian economy, in an amount of 13.6 billion euro.

We give work to 10,000 families and want to continue doing so. 92% of our staff members say that they are satisfied to work for Belfius and actively and freely associate themselves with our social actions aimed at helping fellow citizens in difficulty.

The manner in which we have achieved those objectives is just as important as actually achieving them. After receiving support from our shareholder, in October 2011, we have hauled ourselves out of a rut by our own efforts and by our own means. And genuinely, in line with our identity: built on the satisfaction of customers, our organisation's driving force, on a clear and simply business model and our role as bank-insurer anchored in the Belgian society.

In future, it will be with this unique business culture that we can make the difference and seize our opportunity in a particularly demanding macroeconomic and financial climate increasingly dominated by digital. Our strategic plan for 2016-2020 is ready.

Jos Clijsters, Chairman of the Board of Directors: *"Our excellent results prove that we are a bank-insurer which keeps its word. What we promised for the end of 2016, we have achieved one year early. Personally, I am extremely satisfied to have reached our objective of 95% customer satisfaction in the second half of 2015. The satisfaction of our customers is in fact at the heart of our strategy and the driving force of our organisation, the condition and the guarantee of a profitable future."*

Marc Raisière, CEO: *"Our results in 2015 and the strength of our main financial indicators prove once again that Belfius is a vital actor. As a Belgian bank-insurer, we play a major social role by supporting not only Belgium's economy but also its society. Considering the challenging market, we keep a careful eye on costs and risks. Nonetheless, we are ready and able to play our role even more and to assume our responsibilities. I would like moreover to thank all of our customers for their confidence, and sincerely to congratulate our members of staff in our head offices and networks, our freelance agents and their staff for their efforts and their commitment throughout 2015."*