

Brussels, 23 February 2017

Results 2016

## Results 2012 – 2016: Long-term strategy pays off

*The Belfius brand was launched on 1 March 2012. Five years later, Belfius ranks among the best capitalised European banks and has managed to further reduce the risks of its historic legacy. Belfius has constantly performed above the market average in its core strategic areas and now exceeds a 95% customer satisfaction rate.*

*The splendid growth realized by Belfius is supported by last year's excellent results and will entail the payment of 215 million euros in dividends for financial year 2016. Moreover, it corroborates the relevance of Belfius' long-term strategy, its capacity to keep on growing in a mature market as well as its stimulating role as a driving force of the Belgian economy.*

- **The pre-tax income rose by 14% in 2016 to 780 million euros. After taxes, this represents a 6% growth to 535 million euros.**
- **The net income from commercial activities grew by 9% to 666 million euros** thanks to a sustainable increase in revenues and continuous lowering of costs. *This income has more than doubled since 2012.*
- **The cost-income ratio** of the commercial activities amounts to **57%, i.e. a further improvement of 3%.** *In 2012, this ratio still amounted to 79%.*
- **14.9 billion euros of new long-term lending were granted** to the Belgian economy, up 11% from 2015. *Since 2012, Belfius granted a total of 61 billion euros in long-term financing.*
- The organic growth of **investments** in the segments Retail and Business **grew by 33%** to 2.5 billion euros.
- Our position as **bank insurer** is growing stronger year after year. The Non-Life premiums collected via bank channels are up 10%, i.e. an increase **seven times higher than the market average.**
- **The number of new active clients** grew by 250,000 (+17%).
- **Customer satisfaction has hit 95.25%, exceeding our objective.**
- **The Basel III CET 1 solvency ratio (Phased-in) increased to 16.6%** and broadly meets the new SREP standards. *At the end of 2012, this ratio stood at 10.9% (pro forma).*
- The active tactical de-risking of the **historic legacy** was **finalised in 2016.** The legacy activities had a negative impact of **131 million euros** on the net income.

## Excellent financial and commercial results in a challenging economic environment

**Pre-tax income from commercial activities** rose by 11% to **957 million euros**. The net income amounts to **666 million euros (+9%)**.

The net income from commercial activities grew mainly as a result of a remarkable combination of:

- an **increase in income** of 2% to 2,377 billion euros, essentially sustained by very strong organic growth of 2.5 billion euros (+33%) in investments and the increase of net fee and commission income (+2%). Notwithstanding the low interest rates, the total volume of retail savings accounts amounts to 40 billion euros (+7%);
- a **decrease in the costs** of commercial activities by 2.1% to 1,355 billion euros by focusing on processes providing added value for the customer and through a disciplined implementation of the long-term savings plan, despite intensive investments in digital technology.

Compared with 2015, the **cost-income ratio** of commercial activities therefore improved significantly by 3% to 57%.

The continuous stabilisation of the **cost of risk** of the commercial activities also supported the sustainable growth of the underlying commercial result and thereby confirms the continuous historically low risk profile of the franchise.

As planned, the reduction of the **Legacy** was continued at an accelerated pace. In 2016, the Legacy activities had a negative impact of 131 million euros on the net income.

The net income from commercial activities, combined with the impact of the Legacy, generated a **consolidated net income** of 535 million euros, i.e. an increase of 6% compared with 2015. Belfius Bank contributed 335 million euros, an increase of 16% compared with 2015, and Belfius Insurance 200 million euros, despite the negative impact of exceptional factors such as terror attacks and floods.

## 250,000 new active clients and the “95% customer satisfaction” objective exceeded

**Customer satisfaction** is a strategic priority for Belfius. Moreover, it is the foundation of its strong results as well as of the ever increasing confidence it inspires to its customers as a bank and insurer. This strategy also reflects in-depth change of the internal culture. All costs and investments are weighted thoroughly on the basis of their real added value for the customer. The equipment rate per active retail and business customer was up to an average of 4.5 products in 2016, while the **number of new active clients grew by 250,000 (+17%)** at group level.

Since 2014, customer satisfaction has been actively measured on a monthly basis in cooperation with specialised external partners. In addition to a representative sample of Public, Social and Corporate customers, nearly 500,000 individual customers having at least two Belfius products were surveyed on an annual basis.

In 2016, Belfius achieved an **overall satisfaction score of 95.25%**, thereby exceeding its strategic objective of 95% satisfied customers within the scheduled deadline. The satisfaction rate amounted to 94.4% among private customers, and to 96.9 % among Public, Social and Corporate customers.



## Retail customers: another record year for loans and investments

- **Record year for loans: production of mortgage loans and consumer loans rises to its highest level ever**

In 2016, new long-term loans totalling 6.3 billion euros were granted to retail customers. These were mainly mortgage loans. 2015 was already a record year on this front, but in 2016 Belfius managed to increase the new production of **mortgage loans** to 5.6 billion euros. As a consequence, the Belfius group's market share for new production exceeded 15%. The new production of **consumer loans** of approximately 0.7 billion euros grew by 14% to its highest level ever.

- **Savings and investments: organic growth amounts to 2.5 billion euros (+33%)**

The **organic growth** (i.e. growth without market price effects) of investments by retail and business customers amounted to **2.5 billion euros (+33%)**. This increase, the highest since 2008, is an undisputed proof of the ever increasing confidence Belfius is inspiring to its customers. Not only are the total volume on savings accounts (+7%) and recurrent investments (+25%) increasing, but investments in funds have registered a net growth of 1.8 billion euros to exceed 23 billion euros. **Total outstanding savings and investments** from these customer segments stand at 102 billion euros in 2016.

From this outstanding, 34.2 billion euros were from investments made by 66,000 private customers who can count on the expertise of more than 250 local certified private bankers - a 7% increase, which underscores Belfius' position as a leading **private bank**. Outstanding investments given to Belfius via mandates and service contracts grew further in 2016 by 13% to 10.2 billion euros. For clients willing to diversify their portfolio, Belfius Immo has provided them with the opportunity to invest in real estate since the second half of 2016.

- **850,000 active mobile apps users. Belfius sets the pace in Belgium and registers the fastest growth in mobile banking worldwide**

Belfius is convinced that the digital revolution offers significant opportunities to draw even closer to its customers and to enhance their satisfaction even further. It has consequently opted for a digitally supported business model that combines quality account management through commercial staff and efficient, user-friendly digital channels.

Belfius is a trendsetter when it comes to mobile banking. **Belfius apps** for smartphones and tablets boasted **850,000 active users** at the end of 2016, up by **44%** compared to end 2015. In October, their number exceeded the number of PC banking users for the first time. On average, each of these mobile customers uses the Belfius apps 29 times per month. The **very high satisfaction figures** (99%) show that continuous innovation in terms of user-friendliness and relevance for the client pays off.

Belfius' digital approach relies on secure internal use of data according to the customer's needs, on proactive digital communication, and on paperless processes suitable for mobile use – this is the “**mobile first**” principle. In this way, customers can manage their basic banking and insurance products whenever and wherever they are. As the **fastest growing institution in mobile banking worldwide** according to Finalta (McKinsey Solutions), Belfius expands the features of its apps on a permanent basis. For instance, Belfius was the first Belgian bank to offer the possibility to make transfers based on voice recognition, or even to become a customer thanks to an onscreen photo and signature. Since 2016 a full investment overview via smartphone is also possible. 36% of new pension savings contracts, 33% of new credit cards, and 27% of new savings accounts are in the meantime acquired through direct channels.



## Enhancement of the bank-insurer model as a driving force for growth and income diversification

In 2016, Belfius decided to further strengthen the cooperation between the bank and insurance organisation so as to accelerate its income diversification. It is especially the sale of non-life products that ensures Belfius to realise, year after year, sales results above the market average.

**Non-life premium collection** through all distribution channels rose by **6% to 637 million euros** in 2016. Corona Direct puts in a fine performance with a 10% increase. The premium collection of the AP was in line with the market, and the underlying combined ratio for casualty insurance in the Retail and Business segment was 89.5% - an excellent result.

Non-life premium collection through the **bank channels** registered a **10% increase to 168 million euros**, or seven times more than the market on average. These performances are primarily due to strong results in car insurance and a further increase in the cross-selling ratios of both fire and family insurances (83%) as well as credit linked life insurances (144%). At 93.1%, the underlying combined ratio for casualty insurance in the Retail and Business segment was maintained at a very good level.

The **Branch 23** reserves rose by 10% in 2016 to 2.2 billion euros. These comprise part of the reserves of Branch 44, a unique investment insurance that combines the benefits of both Branch 21 and Branch 23 and that produced an excellent yield of 3.5% in 2016 depending on the selected formula. The increase in the Branch 23 reserves partly offset the decrease in the Branch 21 reserves, an investment insurance product which, owing to the historically low interest rates, is attracting fewer clients. The total Life reserves decreased slightly to 15.8 billion euros.

## Business and Corporate gain market share

In 2016, **6.4 billion euros (+15%)** out of a total of 14.9 billion euros in new long-term lending to the Belgian economy were **granted by Belfius to the Business segment** (SMEs, self-employed and liberal professions) and **Corporate customers**. Belfius clearly bolstered its position on the Corporate and Business market, and as a Belgian bank-insurer committed itself 100% to making Belgian entrepreneurial ideas a success.

The production of long-term loans for Corporate customers increased by 9% to **3.4 billion euros**. **In terms of outstanding, the market share of Belfius is estimated to have risen by 2.5% to 10.9% between the end of 2014 and the end of 2016**. This exceptional growth is the result of a search for growth in this segment, the deployment of additional means and resources, and a clear and relevant positioning as a specialist on the “Business to Government” market.

Belfius also confirmed its strong position in **Debt Capital Markets (DCM) issues** for Corporate customers and took part in **58%** of the available mandates. In 2016, the Bank provided nearly **1 billion euros** in innovative financing resources in the form of short-term issues (average outstanding commercial paper) and new long-term issues (medium term notes and bonds).

Belfius' market share in long-term loans for the **business segment** exceeded 13% and the production of new long-term loans rose to **3 billion euros (+23%)** last year. In the **starters** segment, Belfius offers an extensive package of support and services, and makes “The Birdhouse”, an incubator, available for start-ups. Thanks to guarantees provided by the European Investment Fund (EIF) to innovative start-ups, the bank can moreover provide additional advantages in terms of lending. Belfius supported **11,668 new starters** in 2016, i.e. an increase of 7%.



## Public and social sector: market leadership reaffirmed

### ▪ Long-term loans rise sharply by 27%

Despite the persistent weak demand for long-term loans in the public and social sector, Belfius provided **2.3 billion euros** in new long-term loans in 2016, a spectacular **increase of 27%**. This increase was in particular supported by the cooperation agreement with the European Investment Bank within the framework of “Smart Cities”. With 70% of financing projects awarded to Belfius in 2016, the bank reaffirms yet again its undisputed market leadership in this sector.

### ▪ 5.2 billion euros in innovative loans

Belfius also confirmed its leading position in **Debt Capital Markets (DCM)** – issues for (semi) public customers – as it took part in **86%** of the available mandates. In 2016, the bank issued **5.2 billion euros** in innovative loans in the form of short-term (commercial paper) and long-term issues (medium term notes and bonds).

Furthermore, for the fourth year in a row, Euronext crowned Belfius “**N°1 Bond Finance House of the Year**”, a prestigious award that reconfirms the bank’s leading role in bond issues for Belgian issuers.

### ▪ Market leader in cash flow management

Belfius manages the **cash flow of nearly all local public authorities** thanks to an attractive and innovative range of payment means and highly effective account management. The bank supports the modernisation of the public sector by launching and continuously optimising innovative digital and mobile applications. For instance, Belfius, bpost and Proximus invested jointly in Citie, an online platform to pool their know-how in logistics, digital channels, online or mobile means of payment and sustainable mobility for the benefit of shopkeepers, consumers and local public authorities.

### ▪ Smart Belgium: Building the solutions of tomorrow, together

With ‘**Smart Belgium**’, Belfius, together with partners from both the public and the private sector, creates a forum and a market place in which to build ‘smart solutions for a more sustainable society. Accordingly, Belfius functions as a financial partner and contact on this front for local governments, starters, companies, hospitals, schools, rest homes, nursing homes, academics and citizens. The bank supports them to see their smart projects through in 8 areas: mobility, the circular economy, the environment, urban development, healthcare, education and energy. No fewer than **185 projects** were entered for the Smart Awards 2016.

Following an initial cooperation agreement in 2014 whereby 400 million euros in advantageous loans were allocated for 62 projects geared to local energy efficiency, urban development and mobility, Belfius and the **European Investment Bank (EIB)** renewed and expanded their **cooperation agreement** with the *Smart Cities, Climate Action & Circular Economy* programme. This agreement comprises an advantageous credit line for another 400 million euros to finance smart and sustainable projects, amongst others by entrepreneurs and non-profit organisations in education and healthcare.



## Historic legacy active risk reduction completed

As previously announced, Belfius manages its historic legacy portfolio separately from its commercial activities under what is known as an active tactical risk reduction programme.

Belfius had promised to bring the risk profile of its historic bond and off-balance sheet credit guarantees portfolios **in line with the general risk profile of the commercial activities** by the end of 2016, and managed to do so. Concretely, this means that the **active tactical risk reduction of the historic legacy portfolio was successfully completed** and that the remaining securities of these portfolios will henceforth be managed under a natural reduction arrangement.

In 2016, the bond and off-balance sheet credit guarantees portfolios were reduced yet again by 1.8 and 1.2 billion euros respectively. The average loan quality is rated A-. Since 2011, the legacy risks have been reduced by nearly 20 billion euros.

Following this risk reduction, the legacy activities in 2016 had a negative impact of **131 million euros** on Belfius' net income.

## Belfius among the best capitalised European banks

A successful funding diversification strategy together with strong commercial and risk-reduction performances resulted in a very **solid liquidity and solvency position**. End of July 2016, the **EU-wide stress test** of the European Banking Authority (EBA) confirmed the bank's sound solvency. Belfius obtained a very solid CET 1 capital ratio of 11.4% following the application of the worst case stress scenario, thereby reaffirming its position among the **best capitalised European banks**. It even performed substantially better than the average (9.4%) of all 51 tested institutions.

- The **Basel III CET 1 ratio (Phased-in)** amounted to **16.6 %** at the end of 2016, compared with 15.9% a year before. The **Basel III CET 1 ratio (Fully Loaded)** amounted to **16.1 %** at the end of 2016 compared with 14.9% at the end of 2015. Both ratios broadly meet the minimum capital requirements imposed by the ECB and the NBB, as well as the new SREP standards\* which entered into force at the beginning of this year.
- The **Solvency II ratio** of Belfius Insurance amounted to **217 %** and is one of the highest in Europe.

Furthermore, with an **LCR ratio of 127%**, Belfius largely meets the liquidity requirements imposed by the ECB and the NBB. Belfius has a **liquidity buffer of 32 billion euros** which represents approximately five times the institutional funding sources maturing within the year.

The **total equity** rose to **9 billion euros**, increasing further by 0.3 billion euros.

---

\* According to the SREP standards, the CET 1 ratio (Phased-in) of Belfius must amount to at least 9% in 2017, and the CET 1 ratio (Fully Loaded) must amount to at least 10.75% by 2019 (with pillar II requirements and regulations remaining unchanged).



## Conclusion

All the more so in view of the permanently challenging interest rate and market environment, inducing continued cost and risk control, the sustainable growth of the net income of the commercial activities over the last five years confirms the **relevance of Belfius' strategy**. The latter is based on a long-term vision, focused on gradually and consistently building our results rather than on quick profit. It is also based on a bank-insurance model which diversifies revenues; on customer satisfaction leading to rapidly growing new active customers and cross selling; on enhanced operational efficiency resulting in excellent cost control for the fifth year in a row, and has led to growth in core strategic areas, hence bolstering Belfius' role as a driving force of the Belgian economy.

Belfius' **financial solidity** further increased in 2016 thanks to a CET 1 ratio (Fully Loaded) of 16.1% for the bank, the completion of the active tactical risk reduction of the legacy portfolio and a Solvency II ratio of 217% for the insurer.

This high solvency particularly results from the long-term vision of the Belfius' shareholder and creates the required **investment means** to grow in core strategic areas, via internal or external growth, or by exploiting its (digital) know-how abroad.

Moreover, it enables Belfius to be a **solid and authentic Belgian bank-insurer who believes in the potential of a "little-big" country**:

- a reliable **bank-insurer** that has local decision-making centres, as well as commercial anchorage and the required affinity to help local potential develop;
- a **forerunner in terms of a new banking culture** that draws inspiration from social commitment, and internally and externally shared values. **Internally**, trust, authenticity, transparency, entrepreneurship and, not only professionally but also socially committed employees are our motto. **Externally**, our ambitions are to maximise customer satisfaction, to reinvest savings in the local economy, and confirm the role of Belfius in the Belgian society;
- a **driving force for the fruition of Belgian entrepreneurial ideas** that places its professional network fully in the service of small and large entrepreneurs, and provides them with tailored solutions and a smooth access to expansion opportunities on the public market;
- a **favoured partner of the public and social sectors** who wants to build, together with them, solutions for a more sustainable and "**smart**" **society of tomorrow**, one that we can hand down to our children and grandchildren with pride, trust and peace of mind;
- a **pioneer** in mobile and digital financing services who **stimulates Belgian talents to innovate**, and comes up with useful solutions to real problems which enhance customer satisfaction and can be exported, so that revenues can be invested in local talent again;
- an **entrepreneur by and for the people** who anticipates the flexible needs of customers whilst providing its employees with a pleasant, innovative and digitally up-to-date working environment that has an infectious effect on their commitment and resilience, and helps to attract new talents.

Jos Clijsters, chairman of the Board of Directors: *“In view of the room afforded by the excellent results of 2016, the Board of Directors will propose to the General Meeting of Shareholders a dividend of 215 million euros for financial year 2016 – a total pay-out ratio of 40% of the net income of 2016. 75 million euros of this amount was already paid out as an interim dividend in September of last year. In 2011, our shareholder asked to improve our position in such a way that it could choose between various future options. Thanks to our successful performance over the last five years, this promise was kept and we expressly state our wish not to be sold to a foreign buyer and to retain our local roots.*”

Marc Raisière, CEO: *“Our results can only be described as excellent given the current circumstances. I am in particular thinking about the recruitment of a quarter of a million new, active customers, who stand proof of our new appeal and the growing trust and confidence in Belfius; the increase of our solvency by 1.2% to 16.1%, which confirms our solidity as well as our outstanding result during the EBA stress test in July; the 11% increase to 14.9 billion euros long-term loans which are exemplary for our stimulating contribution to the Belgian economy.*”

*I wish to thank our customers also for their trust and confidence and to congratulate our employees in offices and branches, our freelance agents and their staff in particular for their efforts and their commitment in the last five years, especially in 2016.”*

#### **Press contacts**

##### **Belfius**

Ulrike Pommée

[Ulrike.pommee@belfius.be](mailto:Ulrike.pommee@belfius.be) / [press@belfius.be](mailto:press@belfius.be)

02 222 02 57

[www.belfius.com](http://www.belfius.com)

