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Press release

Results 1H 2017

Very positive results “Belfius will remain Belgian, serving the local economy and focussed on the long term”

In the first half-year 2017, Belfius posted net income after tax of EUR 361 million, up 45%. This outstanding performance despite the persistent low interest rate environment, results both from strong commercial momentum and from additional income generated by efficient financial management. Once again it confirms the pertinence of Belfius strategy, focussed on the long term, its Belgian footing and its financial robustness. Such strategic choices are in the DNA of Belfius as a bank-insurer and are its greatest assets. Determined to follow this strategy in the future, Belfius is considering a partial initial public offering as a stage which will enable it, by virtue of more flexible access to capital, to strengthen its development more rapidly, more effectively and in a more targeted manner and to maximise its contribution to the Belgian economy and its society.

- Compared with the first half-year 2016, **net income after tax** was up 45%, at EUR 361 million.
- **The Cost-Income ratio** was **58.3%**, a further improvement of 6% compared with the first half-year 2016.
- **EUR 7.4 billion of new long-term funding** was granted to the Belgian economy, an increase of 12%.
- Remarkable loan performances: production of **mortgage loans** rose by 15%, and **long-term loans** for Business and Corporate customers posted increases of 14% and 23% respectively.
- Outstanding in **investments by individual and Business customers** increased by 4% over one year and is now **EUR 105 billion**.
- **Receipts of Non-Life premiums** via banking channels rose by 13%, showing growth six times better than the market average.
- The number of **new active customers** rose by **147,000 (+ 12%)**. The milestone of **one million mobile app users** will soon be passed.
- **The customer satisfaction score rose to 95.83%**.
- The **CET 1 Basel III solvency ratio (Fully Loaded)** remained stable at **16.1%**, an extremely sound level.
- **Total equity capital** amounted to **EUR 9.3 billion**, representing a further rise of EUR 0.3 billion.

Excellent half-yearly results by virtue of strong commercial momentum and efficient financial management

Despite the persisting weakness of interest rates, the first half-year was marked by favourable conditions on the financial markets, and this had a positive impact on results. The net income before tax achieved by Belfius was EUR 445 million (+27%). After deduction of tax, **the consolidated net profit** was EUR 361 million (+45%). Belfius Bank and Belfius Insurance contributed to these results in amounts of EUR 235 million and EUR 126 million respectively.

Income increased by 8% compared with the same period last year and amounted to EUR 1.136 billion.

By virtue of efficient and sustainable balance sheet and liquidity policy, the bank succeeded in preserving its interest margin and in raising **net interest income** by 8% to EUR 744 million. At the same time, **net fee and commission income** rose by 5% to EUR 264 million.

At the insurer, Life and Non-Life activities generated earnings of EUR 150 million and EUR 97 million respectively.

Other income (and charges) amounted to EUR -119 million. These were primarily impacted by sector levies, in an amount of EUR 217 million, fully booked to the first half-year. Nevertheless, in a comparable period, other income for the first half-year was EUR 36 million higher than last year, in view of the end of the active and tactical risk reduction programme implemented last year, and the improvement of conditions on the financial markets. In addition, Belfius was able to take advantage of the general trend towards the standardisation of derivatives contracts.

Despite significant investments made in digitalisation, Belfius continues strictly to manage its **costs**. These posted a further fall of 2%, to EUR 662 million. The increase of income coupled with the reduction of costs, the “scissor effect”, enabled the Cost-Income ratio to be improved by 6% compared with the same period last year, to 58,3%. In view of the good credit quality of businesses and portfolios, the favourable economic environment and excellent risk management, the cost of risk, at EUR 29 million, remained at a low level.

Retail customers: further exceptional performances in loans, investments and mobile banking

■ Remarkable loan performances: mortgage loan production increased by 15%

Of the EUR 7.4 billion of new long-term funding injected into the Belgian economy, an amount of EUR 3.3 billion was granted to Retail customers in the first half-year. This was principally in the form of mortgage loans. Even though 2015 and 2016 had already been exceptional years in this regard, Belfius again succeeded in increasing its mortgage loan production by 15% in the first half-year, to EUR 2.9 billion. Consumer loan production posted a modest increase of 3%, to EUR 0.4 billion.

■ Savings and investments: over one year, the outstanding on current accounts, savings accounts and funds was up by EUR 8 billion

The outstanding on investments by individual customers (the Business segment included) was EUR 105 billion (+4%). At EUR 2.1 billion, the **organic growth** of investments, i.e. growth after dismissing market effects, remained at the high level posted in the first half of last year.



Belfius was again one of the best performing financial institutions, with an increase of **outstanding on current and savings accounts** of EUR 3.8 billion compared with the first half-year 2016. Over the same period, **fund investments** rose by EUR 4.2 billion.

Belfius also strengthened its position as a first-class **Private Bank**. Among investments, EUR 35.8 billion came from Private customers. Since the first half of last year, total outstanding in investment under management mandates and service agreements has increased by 21% to EUR 11 billion.

■ 147,000 new active customers, soon more than one million users of Belfius Mobile

Over the first six months of 2017, Belfius attracted 147,000 **new active individual and Business customers** (+12%). In one year, the number of **active users of the Belfius Mobile app** rose from 236,000 to 946,000 (+33%). The milestone of one million users will be passed very shortly.

Belfius is constantly broadening the functionalities of its apps. Indeed, in the first half-year, 41% of new savings-pension contracts, 27% of new credit cards and 29% of new savings accounts were subscribed via direct channels.

Business and Corporate: strong growth in new long-term funding

In the first half-year, an amount of **EUR 3.4 billion (+17%)** was granted to the Business segment (SME, self-employed and liberal professions) and to Corporate customers, out of a total of EUR 7.4 billion in new long-term funding for the Belgian economy. So Belfius continues to strengthen its position in these two market segments.

In line with Belfius ambitions for growth in the **Corporate segment**, the production of **long-term loans** for those customers rose by 23% to EUR 1.8 billion. Belfius also confirms its major position in **bond issues and treasury certificates** for Corporate customers. The bank is in fact involved in 56% of the mandates available on the market for EUR 1.1 billion in short-term issues (average outstanding on Commercial Papers) and long-term issues (Medium Term Notes and bonds).

For the **Business segment**, the Belfius market share in long-term funding exceeds 13%, and the production of new **long-term loans**, up 14% on the first half-year 2016, was EUR 1.6 billion. In the first half-year, Belfius assisted 7,119 **new start-ups** (+20%), able to benefit from favourable loan conditions in view of the collaboration with the European Investment Fund (EIF).

Public and social sector: Belfius confirms its leading position in a difficult market

Despite the weakness of demand for long-term loans in the public and social sector, Belfius confirms its leadership in that sector. Indeed it granted EUR 0.7 billion in new **long-term funding** in the first half-year, corresponding to almost 65% of funding files.

Present with 86% of customers active on the capital markets, Belfius also confirms its leading position in **Debt Capital Markets (DCM) issues** for (semi-)public customers. In the first half-year, the bank placed EUR 3.9 billion in innovative means of funding on the market in the form of short-term issues (average outstanding on Commercial Papers) and long-term issues (Medium Term Notes and bonds).



Further acceleration of growth through a strategic and structural alignment of Belfius Bank and Belfius Insurance

At the end of March, Belfius announced a strengthening of the **strategic and structural alignment** between Belfius Bank and Belfius Insurance. Its currently ongoing implementation will enable even more robust growth to be achieved in the main Non-Life products, the Branch 23 / Branch 44 range to be widened with innovative products, and also a digital range of even more high-performance banking and insurance products to be offered, for an integrated and tailored experience for bank and insurance customers.

As for the **growth of Non-Life premium collection**, Belfius did not depart from tradition in the first half-year, with performances again broadly better than the market average. At a group level, including Les AP Assurances and Corona Direct, collection of Non-Life premiums increased by 6% compared with the first half-year 2016 to reach EUR 368 million. Via banking channels, the increase was 13% at EUR 96 million. The cross-selling ratios, for both fire and family insurances (84%) and for credit balance insurance (145%) continue to rise, and the underlying combined ratio for damage insurance (in the Retail and Business segment) was 86.8%, an extremely profitable level.

Regarding **Life insurances**, Branch 23 reserves rose by 16% to EUR 2.4 billion compared with the first half of last year. That rise partially offset the fall of reserves for Branch 21, an investment insurance product losing pace on the market in view of the low rates. Total Life reserves fell slightly to EUR 15.3 billion.

Among the most financially robust European bank-insurers

The robust position Belfius holds in terms of liquidity and solvency arises from its successful diversification strategy for funding, irreproachable risk management and sustainable commercial performances.

The **CET 1 Basel III ratio (Phased-in)** remained practically stable compared with the end of 2016. It was held at 16.3% as at 30 June 2017, an extremely solid level. The **CET 1 Basel III ratio (Fully Loaded)** remained unchanged at an excellent 16.1%. The **Solvency II ratio** of Belfius Insurance was 228% (against 217% at the end of 2016), one of the best in Europe.

With an **LCR ratio** of 128%, Belfius broadly meets the liquidity requirements imposed by the ECB and the BNB.

Belfius Total Equity increased to EUR 9.3 billion during the first half-year, a further rise of EUR 0.3 billion.



Conclusion

Several factors underpin the excellent half-yearly results achieved by Belfius: on the one hand, the additional income attributable to good financial management and to a favourable context for the financial markets and, on the other hand, constant attention paid to strict cost management and profitable growth of commercial activities over the years. These excellent results are the fruit of a long-term vision, focussed on the gradual and consistent consolidation of our results rather than on quick profits.

Belfius remains true to that long-term strategy. That is what shaped Belfius as it is today. It is vital within the context of the new banking culture in which Belfius sees itself as a pioneer, and it is rooted in a DNA which rests on values such as customer orientation, transparency, commitment, an enterprise spirit and authenticity.

Likewise, **Belfius intends to remain true to its Belgian footing** and to its ambition to contribute at a maximum to the future of the Belgian economy and its society. Not only by remaining Belgian and taking decisions in and from Belgium, but also by using Belgian savings in a pertinent way and re-injecting funds into long-term investments on which the citizens, enterprises and public authorities must be able to continue to rely. By paying our taxes and our dividends here, by placing our historic expertise and our affinity with the public and social sector at their service at a local level, and by continuing to focus our main activities on Belgium.

Several strategic objectives set by Belfius for 2020 regarding profitability, operational efficiency, solvency, liquidity, loan growth and customer satisfaction have already been achieved today or will be more quickly than envisaged. They will then be refined. Against this background, Belfius will continue **to guarantee its financial robustness.** Because the objectives in terms of profits cannot involve unconsidered risks to its own solidity and the interests of customers or staff members, and because this is quite simply the responsibility of a bank-insurer.

Jos Clijsters, Chairman of the Board of Directors: *“Again this year, and subject to approval by all the competent authorities, our excellent half-yearly results offer us the opportunity to pay an interim dividend in an amount of EUR 75 million to our shareholder. At the end of July, the latter also announced its view on the future of Belfius and, in line with the unanimous opinion of the Board of Directors, opted for partial privatisation by way of an initial public offering. We are convinced that this choice will enable Belfius successfully to continue its development in its key strategic fields whilst also continuing to focus on the long term, its financial solidity and its sustainable role for Belgium’s economy and its society.”*

Marc Raisière, CEO: *“The first half-year was marked by the in-depth implementation of our bank-insurance model, sustained efforts in terms of cost control and the growth of commercial volumes both in investments and loans and in Non-Life insurance. The strong increase of our net income, despite the persistent low interest rate environment, could not be achieved without the continuing confidence of our customers, and also the everyday commitment of our staff members, in our offices and in the networks, and likewise our independent agents and their staff members. I would therefore like to thank them most sincerely for their efforts and their dedication.”*

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