



# **Belfius 1H 2015**

**Presentation to analysts and investors**

*August 2015*

# Highlights

## ■ Strong performance by Belfius in 1H 2015 in all domains:

- **Net income** (Group share) : **EUR 272 m** (up 22% yoy), with excellent growth of net income of the Franchise to EUR 330 m (up 38% yoy)
- Very **good commercial results** from a growing Franchise, particularly in Retail & Commercial
- Focus on **client satisfaction** and integrated **bank-insurance strategy** a clear benefit to the group
- **Higher Franchise income** combined with **successful cost control program** resulting in **improving operational efficiency** :
  - **C/I-ratio of Franchise** down from 70% in 1H 2014 to **58%** in 1H 2015
- Growing capital base leading to further improved solvency position:
  - **Fully loaded CET 1 ratio** at **14.0%**, up 75 bps vs Dec. 14
  - **Phased-in CET 1 ratio** at **15.1%**, up 42 bps vs Dec. 14
- **Net Asset Value** increased further by EUR 0.3 bn since end 2014 to reach EUR 8.2 bn by end of June 2015
- Successful funding diversification leading to **continued solid liquidity stance**:
  - A solid **LCR of 133%** and **NSFR of 104%**
  - The **ending** of material **funding to Dexia** since mid February 2015
- **Accelerated tactical de-risking** in Legacy portfolios towards **End-state 2016**
  - **EUR 0.9 bn tactical de-risking executed** in 1H 2015 , leading to Side net income of EUR -58 m

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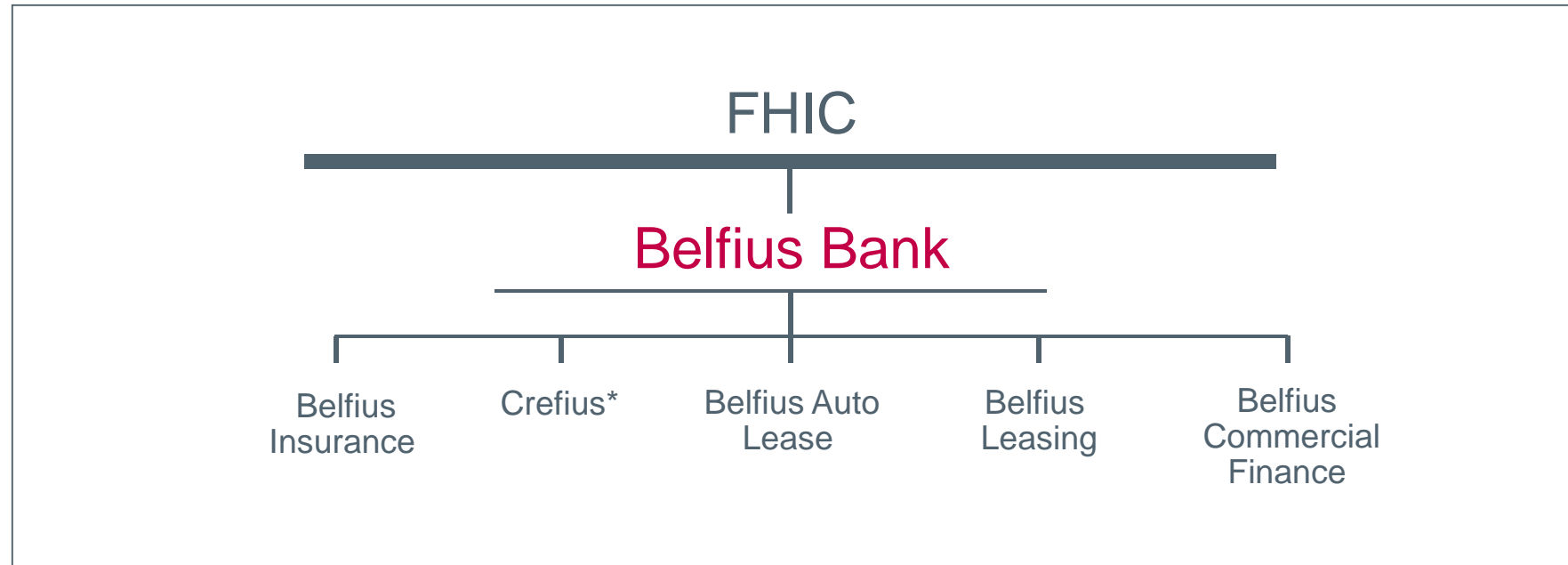
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## Part 1

### **BELFIUS AT A GLANCE**

## ■ Belfius at a glance

A bank-insurer ... with one sole shareholder



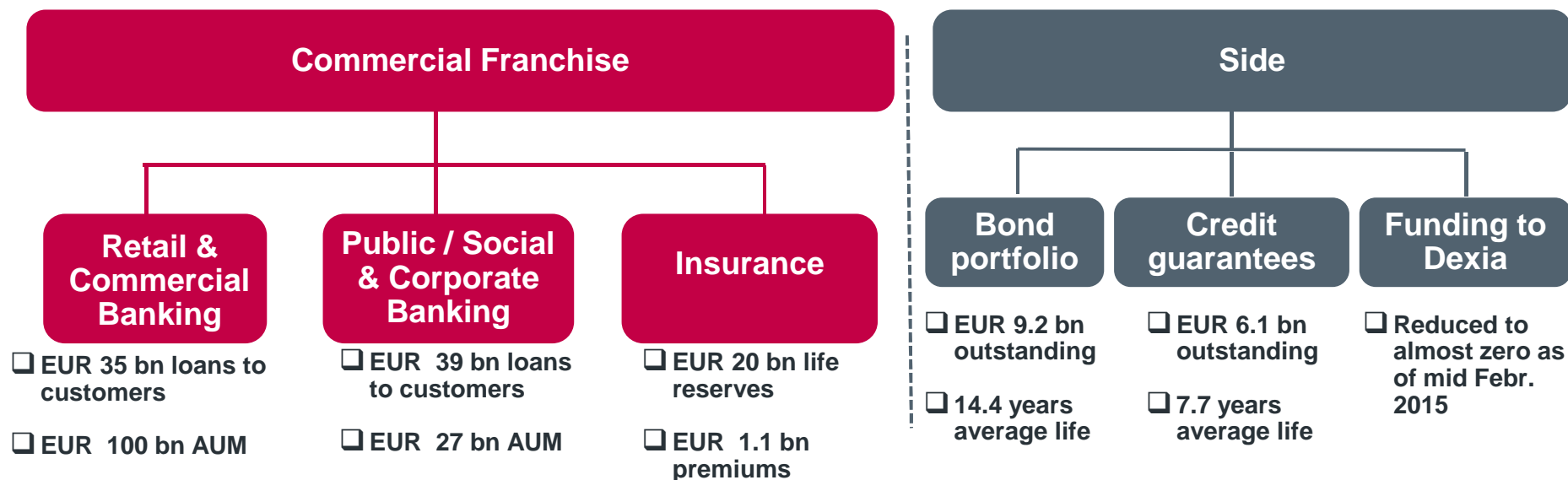
- Since October 2011, the Belgian federal state, through the Federal Holding and Investment Company (FHIC) has been the sole shareholder of the bank
- In March 2012, Belfius was launched as the new name of the bank-insurer
- Since its acquisition by the Belgian federal state, Belfius has achieved to demonstrate a strong stand-alone franchise value, has been able to unwind successfully from its previous shareholder and to continuously improve its risk profile

# Belfius at a glance

An integrated Belgian bank-insurer

- More than 50 years of experience as bank and insurer of proximity for more than 3.5 million individual account holders, liberal professions, self-employed and companies
- 150 years of experience as the partner to the public and social sector in Belgium

## June 2015 FIGURES



## STRATEGY

Further develop commercial franchise towards a local relationship bank-insurer in two client markets

Retail & Commercial

Public & Corporate

Managed towards end-state 2016 without affecting commercial franchise

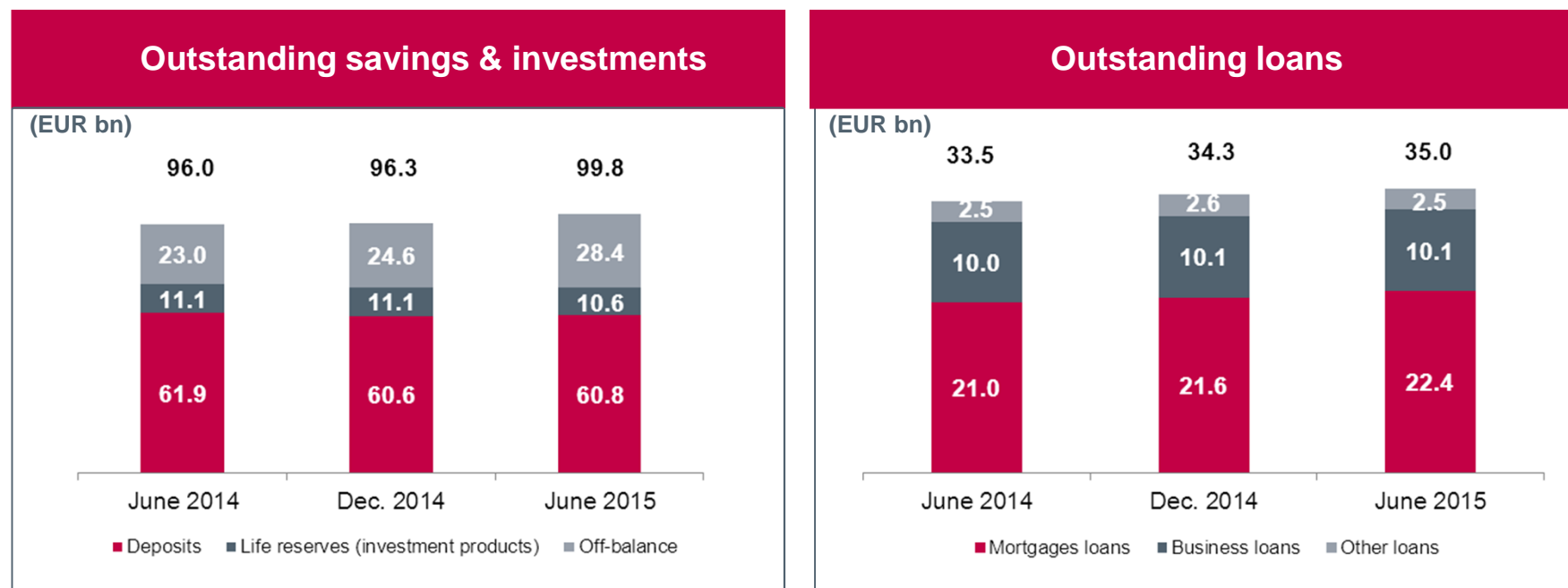
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## Part 2

### VALUABLE COMMERCIAL FRANCHISE

# Valuable commercial franchise

## Retail & Commercial - activity figures (1/2)

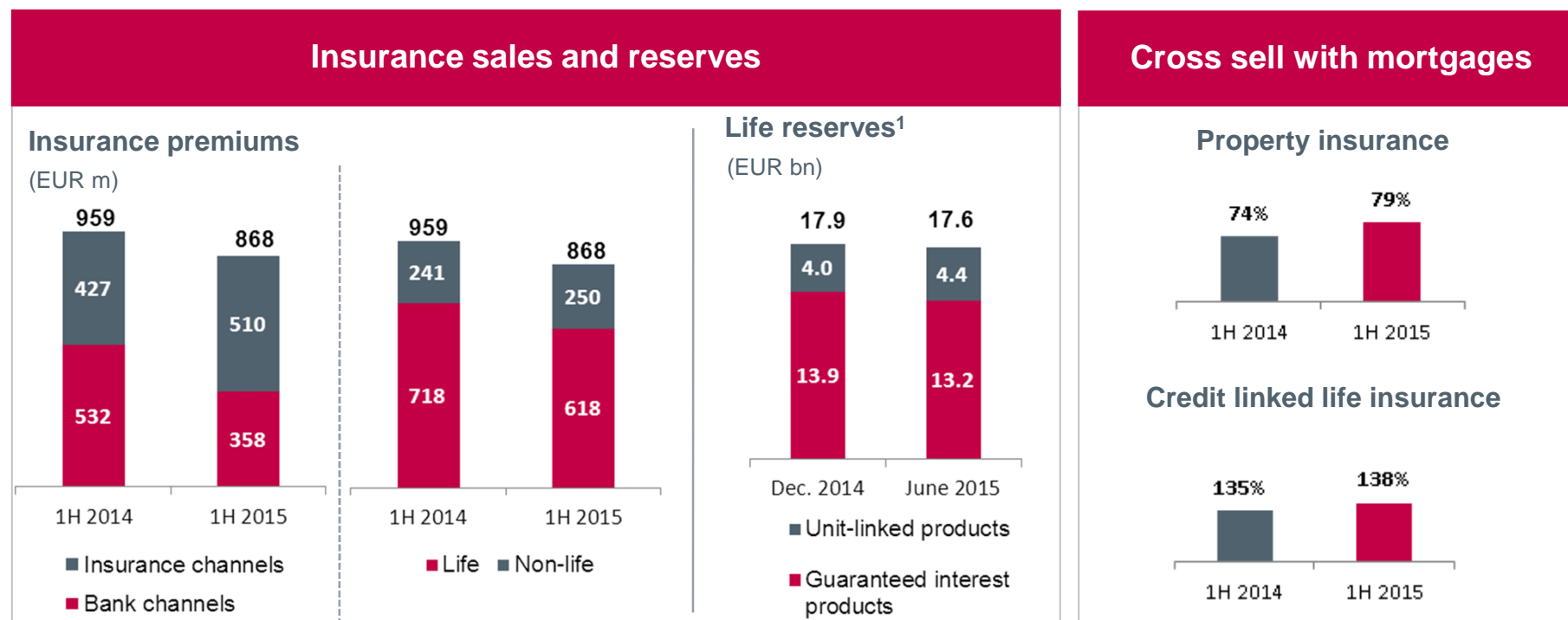


- **RC Franchise** is showing excellent dynamics
- Total assets under management stood at EUR 99.8 bn, up EUR 3.5 bn compared to Dec. 14
  - Off-balance sheet products increased strongly by EUR 3.8 bn or 15.4% following client preference towards & good performance of Belfius in mutual funds and mandates
  - On-balance sheet deposits remained stable as a result of an important growth in current & savings accounts (+7.2%) and less investments in long-term savings products (-15.7%)
  - Life reserves (investment products) decreased (-4.5%) due to limited production in a low interest rate environment combined with important redemptions
- Outstanding loans increased by 2% compared to Dec. 14, mainly driven by a strong growth (+3.7%) in mortgage loans



# Valuable commercial franchise

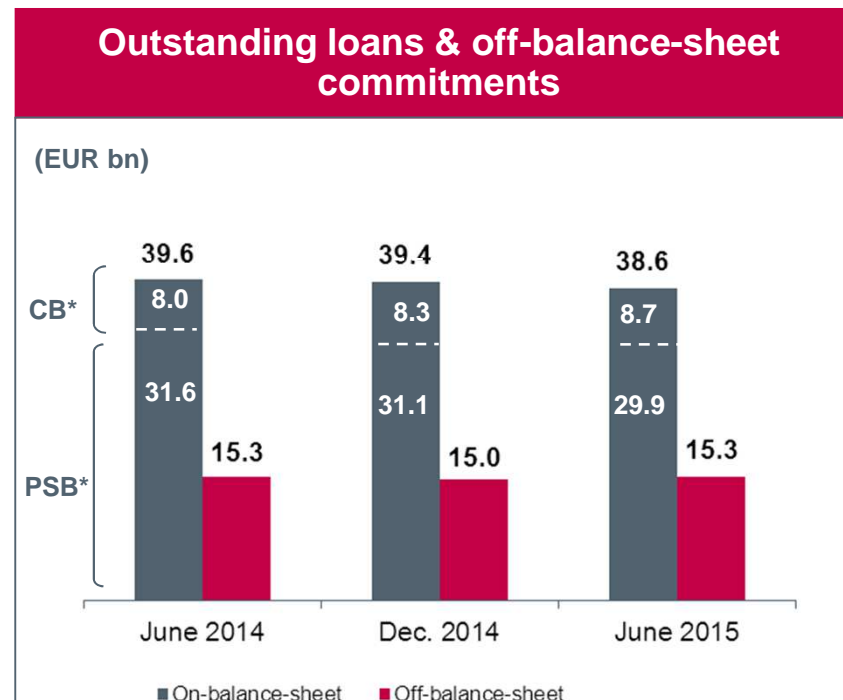
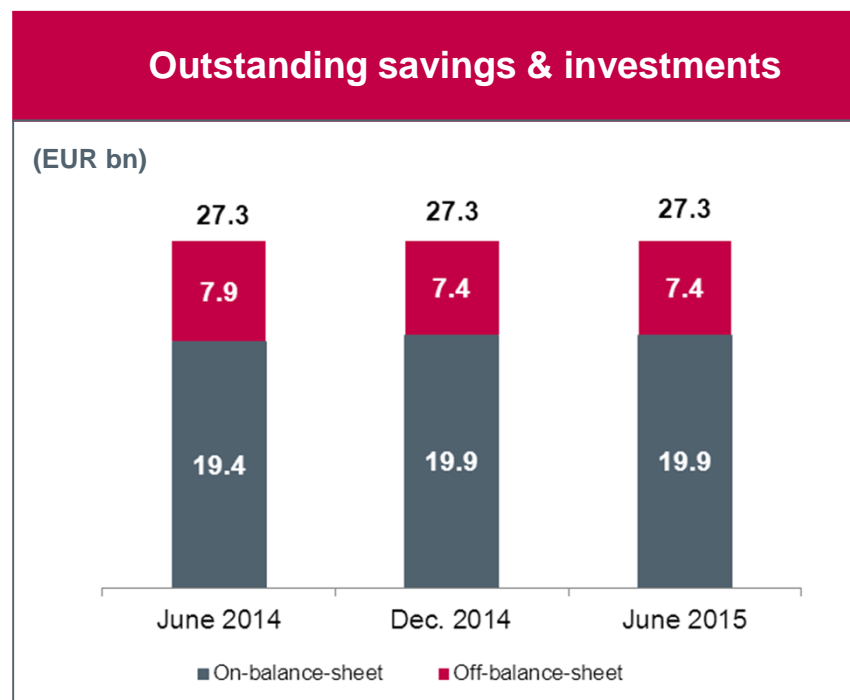
## Retail & Commercial - activity figures (2/2)



- **Total insurance premiums** from RC-clients decreased by 10%
  - **Non-Life insurance premiums** went up 3.5% in 1H 2015, thanks to the bank-insurance strategy and increased cross selling activities especially with mortgage loans
  - **Life insurance premiums** stood at EUR 618 m, impacted by the low interest rate environment
  - **Life reserves** stood at almost EUR 17.6 bn, down compared to Dec. 2014, with further growth in less capital intensive unit-linked products (Branch 23) which rose by 10%, whereas guaranteed interest products reserves (Branch 21 & 26) fell by 5%
- Mortgage related **cross sell ratios** continue to increase, testimonial of good bank-insurance development

# Valuable commercial franchise

## Public & Corporate - activity figures



- Belfius remains the **preferred partner of Public & Social Profit sector in Belgium**
- Total assets under management stood at EUR 27.3 bn, stable compared to Dec. 14
- Outstanding loans in PSB\* are decreasing mainly due to relatively low demand, renewed interest from competitors for the PSB sector and the increase of alternative financing (a.o. desintermediation, where Belfius is market leader for PSB)
- Outstanding loans in CB\* increased by 5%
- Off B/S commitments are stabilizing at current levels
- Total insurance sales to PC clients stood at EUR 199 m in 1H 2015

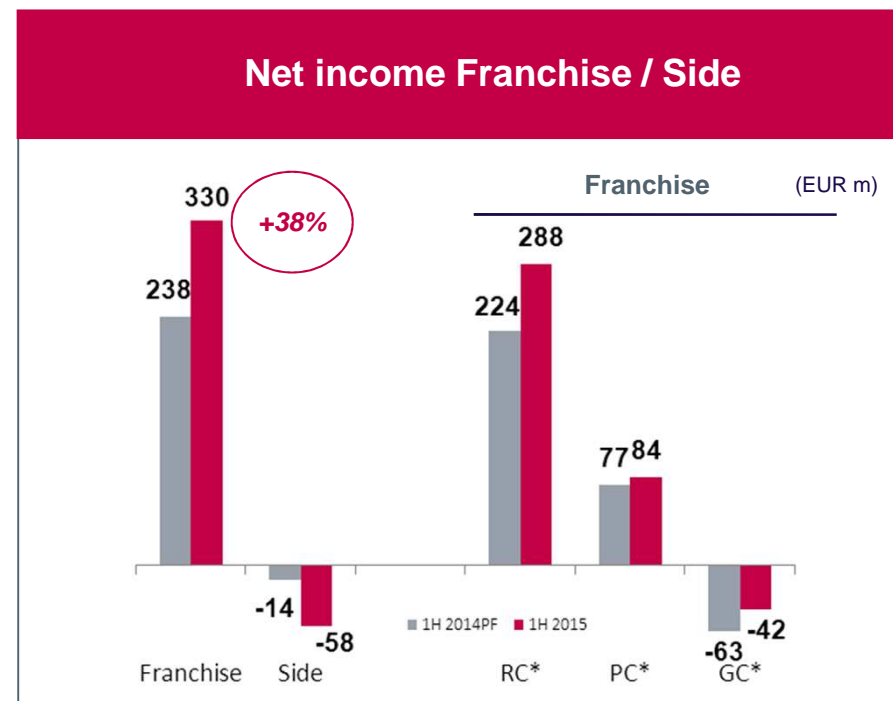
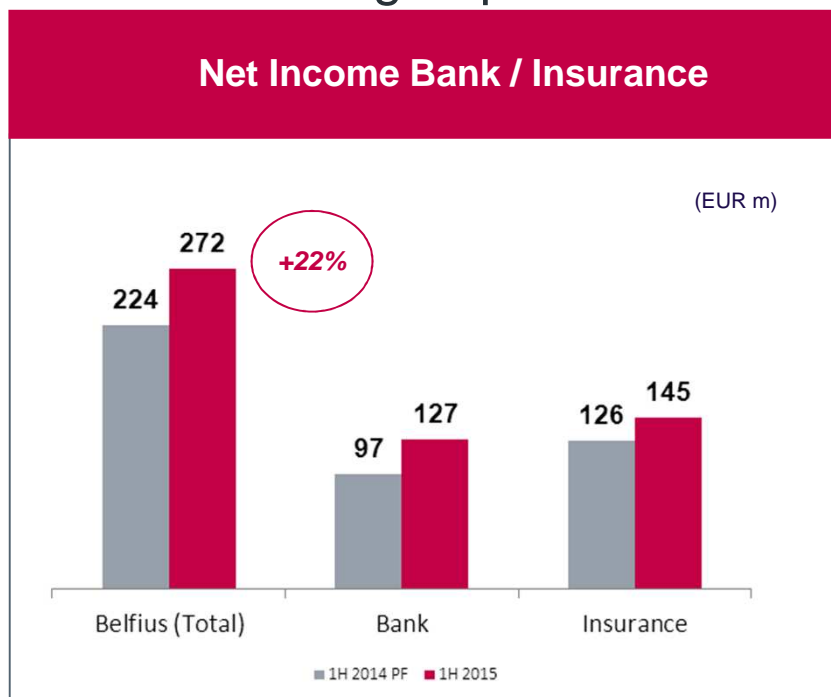
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## Part 3

### **SOLID FINANCIALS**

# Solid financials

## Net income group share



- 1H 2015 **Belfius Net income** stood at EUR 272 m, compared to EUR 224 in 1H 2014, up 22%
  - Net income of the bank stood at EUR 127 m, while the insurer contributed EUR 145 m
- 1H 2015 **Franchise Net income** strongly increased to EUR 330 m, up 38%, mainly thanks to excellent income dynamics and strict cost control management
  - **RC** Net Income amounted to EUR 288 m, up 28%
  - **PC** Net Income amounted to EUR 84 m, up 9%
- 1H 2015 **Net income of Side** activities stood at EUR -58 m, mainly due to the accelerated tactical de-risking towards end-state 2016

*1H 2014 PF : New IFRIC 21 results in the upfront recognition of bank levies, whereas before these contributions were booked on a pro rata basis. As a consequence, the 1H 2014 results have been restated (see also appendix 1)*

# Solid financials

Positive evolution of most components of the statement of income (1/2)

(EUR m)	1H 2014 PF	1H 2015	Evolution
<b>Income</b>	<b>1,027</b>	<b>1,084</b>	<b>5.5%</b>
Of which			
Net interest income	1,051	1,020	
Net fee and commission income	215	257	
Technical margin on insurance activities	-163	-124	
Net income on invest., from financial instruments at FV & dividend income	43	137	
Other income & expenses	-119	-206	
<b>Expenses</b>	<b>-729</b>	<b>-673</b>	<b>-7.7%</b>
<b>Gross operating income</b>	<b>298</b>	<b>411</b>	<b>37.7%</b>
Cost of risk	-4	-33	x 8.2
Impairments on (in)tangible assets	0	0	n.s.
<b>Pre-tax income</b>	<b>294</b>	<b>378</b>	<b>28.5%</b>
Tax expenses	-71	-106	48.7%
<b>Net income after taxes</b>	<b>223</b>	<b>272</b>	<b>22.1%</b>
Non-controlling interests	1	0	n.s.
<b>Net income group share</b>	<b>224</b>	<b>272</b>	<b>21.7%</b>
<b>Cost to income ratio</b>	<b>71%</b>	<b>62%</b>	
<b>Return on Equity</b>	<b>6.0%</b>	<b>6.9%</b>	

- **Net income** of EUR 272 m, up 22%
- **Income** at EUR 1,084 m, up 5.5%
  - Lower **interest income** (-3%), mainly due to the repayment of the GGB\* which came to maturity in February 2015, the prepayments of mortgage loans and the decrease of BR 21 life insurance reserves
  - **Net fee income** strongly increased (+19%) as a result of higher off B/S investments by clients and growth in mandates & mutual funds
  - **Income on investments and from financial instruments** mainly impacted by the accelerated de-risking & positive fair value adjustments (CVA, FVA) on derivatives and capital gains realised on the insurance ALM-portfolio
  - **Other income & expenses**: negative evolution is mainly related to recognition of new European Bank BRRD/SRF levy

\* GGB = government-guaranteed bonds

PF : The 1H 2014 figures have been restated following the retroactive application of IFRIC 21. - see also Appendix 1

# Solid financials

Positive evolution of most components of the statement of income (2/2)

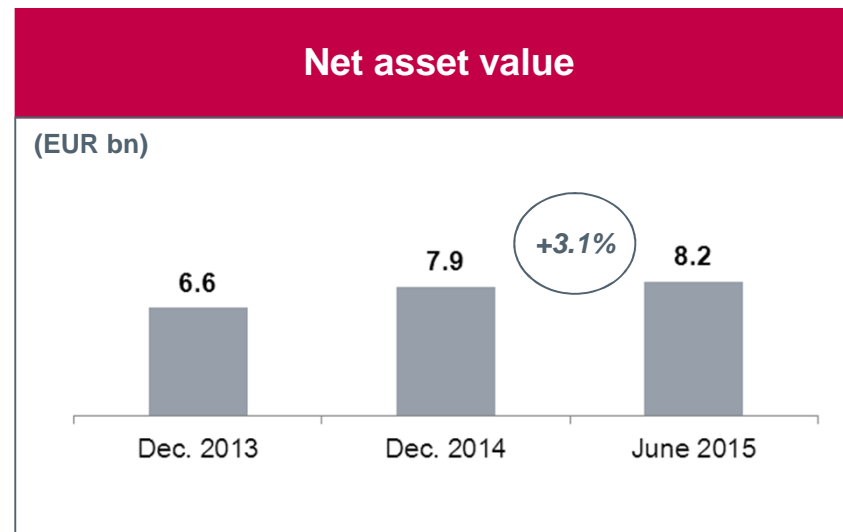
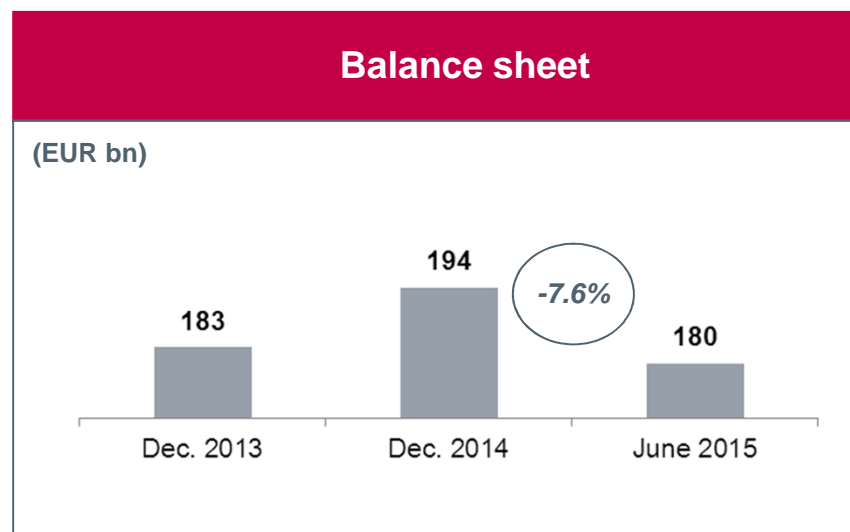
(EUR m)	1H 2014 PF	1H 2015	Evolution
<b>Income</b>	<b>1,027</b>	<b>1,084</b>	<b>5.5%</b>
Of which			
Net interest income	1,051	1,020	
Net fee and commission income	215	257	
Technical margin on insurance activities	-163	-124	
Net income on invest., from financial instruments at FV & dividend income	43	137	
Other income & expenses	-119	-206	
<b>Expenses</b>	<b>-729</b>	<b>-673</b>	<b>-7.7%</b>
<b>Gross operating income</b>	<b>298</b>	<b>411</b>	<b>37.7%</b>
Cost of risk	-4	-33	x 8.2
Impairments on (in)tangible assets	0	0	n.s.
<b>Pre-tax income</b>	<b>294</b>	<b>378</b>	<b>28.5%</b>
Tax expenses	-71	-106	48.7%
<b>Net income after taxes</b>	<b>223</b>	<b>272</b>	<b>22.1%</b>
Non-controlling interests	1	0	n.s.
<b>Net income group share</b>	<b>224</b>	<b>272</b>	<b>21.7%</b>
<b>Cost to income ratio</b>	<b>71%</b>	<b>62%</b>	
<b>Return on Equity</b>	<b>6.0%</b>	<b>6.9%</b>	

- **Expenses** decreased by 7.7% thanks to continued strict cost control
- **Cost of risk** impacted by higher cost of risk in Side; cost of risk in Franchise still low  
testimonial of is good credit quality
- **C/I ratio** improved to 62% compared to 71% in 1H 2014
- **Return on Equity** improved to 6.9% compared to 6.0% in 1H 2014

PF : The 1H 2014 figures have been restated following the retroactive application of IFREC 21. « Levies » - see also Appendix 1

# Solid financials

Decrease of balance sheet, continuous increase of NAV



## ■ Balance sheet

- Total balance sheet decreased to EUR 180 bn over 1H 2015, mainly due to the repayment of the GGB\* issued by DCL\*\* which came to maturity in February 2015 and the decrease of the fair value of derivatives & assets classified under AFS as well as the related collateral following interest rate evolution in 1H 2015

## ■ Net asset value

- Total shareholders' equity further increased to EUR 8.2 bn by the end of June 2015, mainly thanks to the net income for the period while the gains and losses not recognised in the statement of income remained stable

\* GGB = government-guaranteed bonds \*\* DCL = Dexia Crédit Local

# Solid financials

## Strongly increasing Franchise results

(EUR m)	1H 2014 PF	1H 2015	Evolution
<b>Income</b>	<b>1,031</b>	<b>1,157</b>	<b>12.3%</b>
Of which			
Net interest income	1,008	1,043	
Net fee and commission income	216	257	
<b>Expenses</b>	<b>-721</b>	<b>-666</b>	<b>-7.7%</b>
<b>Gross operating income</b>	<b>309</b>	<b>491</b>	<b>58.7%</b>
Cost of risk	-11	-23	109.2%
Impairments on (in)tangible assets	0	0	n.s.
<b>Pre-tax income</b>	<b>298</b>	<b>468</b>	<b>57.1%</b>
Tax expenses	-60	-138	128.8%
<b>Net income after taxes</b>	<b>237</b>	<b>330</b>	<b>38.8%</b>
Non-controlling interests	1	0	n.s.
<b>Net income group share</b>	<b>238</b>	<b>330</b>	<b>38.4%</b>
<b>Cost to income ratio</b>	<b>70%</b>	<b>58%</b>	
<b>RONRE*</b>	<b>11%</b>	<b>14%</b>	

- **Franchise net income** at EUR 330 m, up 38% vs 1H 2014
  - The contribution of the bank stood at EUR 185 m and EUR 145 m came from the insurer
- **Income** at EUR 1,157 m, up 12%, despite higher bank levies and impacts of mortgage prepayments
  - Continued improving interest income (+3.5%)
  - Strong increase in fee income (+19%) in line with increased client interest in off B/S products
- **Expenses** decreased by 7.7 %
- Continued low level of **cost of risk**
- **C/I ratio** improved to 58% compared to 70% in 1H 2014
- **RoNRE** increased to 14%

\* RoNRE : Return on Normative Regulatory Equity, NRE allocated such as to set Franchise at 10.5% CET 1 ratio FL & Side at 13% CET 1 ratio FL



# Solid financials

## Increasing RC results

(EUR m)	1H 2014 PF	1H 2015	Evolution
<b>Income</b>	<b>894</b>	<b>984</b>	<b>10.1%</b>
Of which			
Net interest income	801	784	
Net fee and commission income	199	234	
<b>Expenses</b>	<b>-555</b>	<b>-555</b>	<b>-0.1%</b>
<b>Gross operating income</b>	<b>339</b>	<b>429</b>	<b>26.7%</b>
Cost of risk	-23	-10	-56.2%
Impairments on (in)tangible assets	0	0	n.s.
<b>Pre-tax income</b>	<b>315</b>	<b>419</b>	<b>33.0%</b>
Tax expenses	-91	-131	44.5%
<b>Net income after taxes</b>	<b>224</b>	<b>288</b>	<b>28.3%</b>
Non-controlling interests	0	0	n.s.
<b>Net income group share</b>	<b>224</b>	<b>288</b>	<b>28.3%</b>
<b>Cost to income ratio</b>	<b>62%</b>	<b>56%</b>	
<b>RONRE</b>	<b>18%</b>	<b>24%</b>	

- **RC net income** of EUR 288 m, up 28% vs 1H 2014
- **Income** at EUR 984 m, up 10% thanks to
  - Limited decrease in interest income (-2%) due to the switch from B/S (mainly decrease BR 21) to off B/S products & impact mortgage prepayments
  - Strong increase in fee income (+18%) in line with increased client interest in off-balance sheet products
  - Insurance business with RC clients generates around one third of RC income
- **Expenses** remained stable
- **Cost of risk** remains low
- **C/I ratio** improved to 56% compared to 62% in 1H 2014
- **RoNRE** increased to 24%

# Solid financials

## Increasing PC results

(EUR m)	1H 2014 PF	1H 2015	Evolution
<b>Income</b>	<b>213</b>	<b>244</b>	<b>14.5%</b>
Of which			
Net interest income	194	193	
Net fee and commission income	20	26	
<b>Expenses</b>	<b>-106</b>	<b>-104</b>	<b>-2.7%</b>
<b>Gross operating income</b>	<b>106</b>	<b>140</b>	<b>31.8%</b>
Cost of risk	6	-14	n.s.
Impairments on (in)tangible assets	0	0	n.s.
<b>Pre-tax income</b>	<b>112</b>	<b>126</b>	<b>12.8%</b>
Tax expenses	-35	-42	21.2%
<b>Net income after taxes</b>	<b>77</b>	<b>84</b>	<b>9.1%</b>
Non-controlling interests	0	0	n.s.
<b>Net income group share</b>	<b>77</b>	<b>84</b>	<b>9.1%</b>
<b>Cost to income ratio</b>	<b>50%</b>	<b>43%</b>	
<b>RONRE</b>	<b>19%</b>	<b>19%</b>	

- **PC net income** of EUR 84 m, up 9% vs 1H 2014
- **Income** at EUR 244 m, up 14.5% thanks to
  - Interest income remained stable
  - Fee income increased by 27 %
  - Insurance business with PC clients generates around 12 % of PC income
- **Expenses** decreased by 2.7%
- **Cost of risk** remains low
- **C/I ratio** improved to 43% compared to 50% in 1H 2014
- **RoNRE** stood at 19%

# Solid financials

Impact of Side in line with former guidance

(EUR m)	1H 2014 PF	1H 2015
Income	-4	-73
Expenses	-7	-6
Gross operating income	-11	-80
Cost of risk	7	-10
Impairments on (in)tangible assets	0	0
Pre-tax income	-4	-90
Tax expenses	-11	32
Net income after taxes	-14	-58
Non-controlling interests	0	0
Net income group share	-14	-58

- **Side net income** of EUR -58 m
- **Income** impacted by the accelerated tactical de-risking programme (EUR -75 m de-risking losses in 1H15), positive fair value adjustments and lower outstanding volumes (*repayment of GGB\**)
- **Expenses** decreased with EUR 1 m
- **Cost of risk** mainly impacted by the increase of collective provisions, due to some downgrades in the UK-utilities sector and negative impacts of weakening €

\* GGB = government-guaranteed bonds

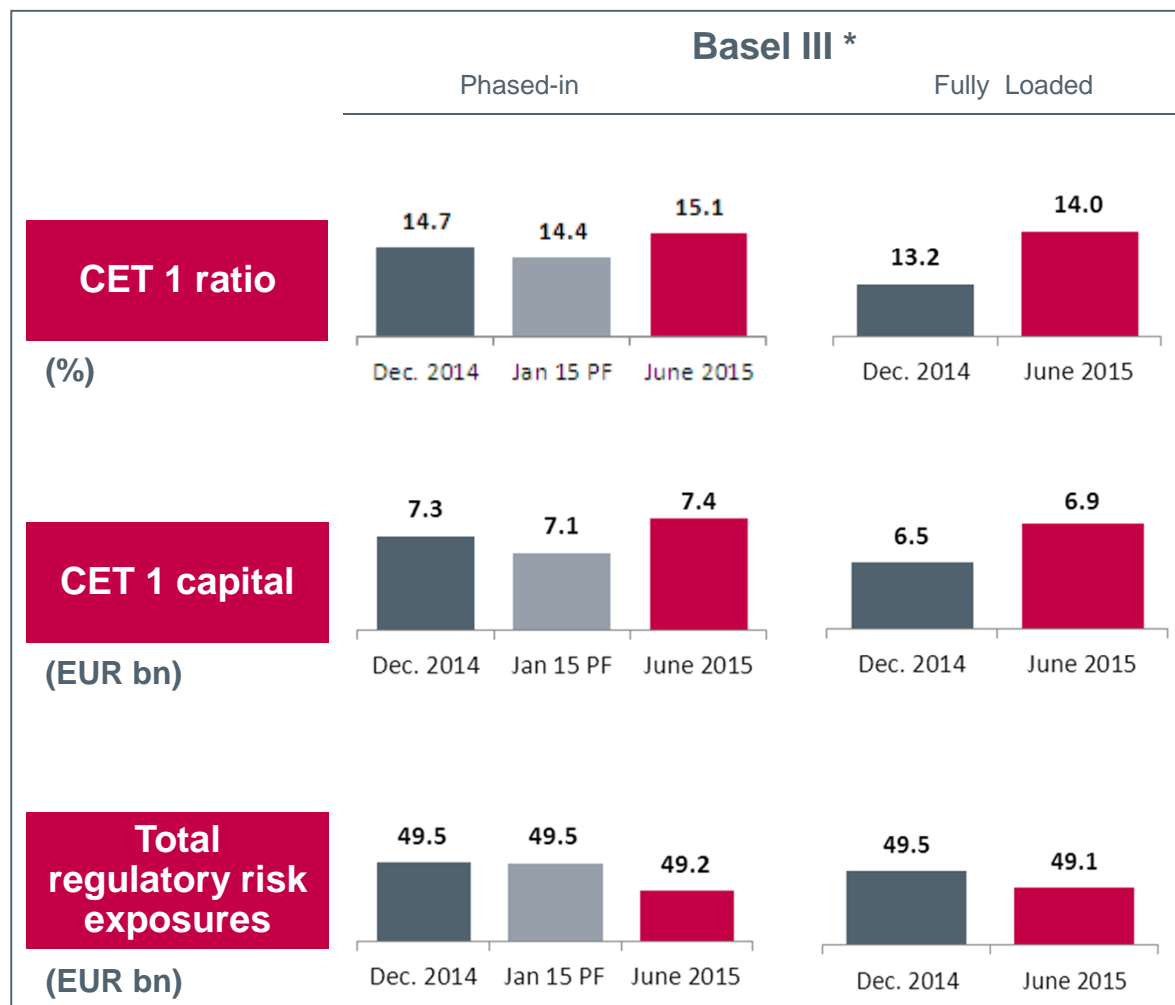
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## Part 4

### ROBUST SOLVENCY & LIQUIDITY

# Robust solvency & liquidity

## Solvency position continues to stay robust



### Further increase of the Solvency ratios in 1H 2015

- Fully loaded Basel III **CET 1 ratio** stood at **14%**, up 75 bps compared to Dec. 2014
- Phased-in Basel III **CET 1 ratio** stood at **15.1%**
  - The shift in grandfathering on 1 Jan. 2015 (i.e. 40% vs 20% in 2014) has a negative impact of 28 bps)
- Decrease of total regulatory risk exposures, mainly resulting from further tactical de-risking partly offset by higher risks on \$ and £ denominated assets (*weaker €*)
- Solvency I ratio** Belfius Insurance stood at **210% (\*\*)**
- Solvency II ratio** Belfius Insurance amounted to **227% (\*\*)**

\* According to : (i) Danish compromise : For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill and (ii) prudential filter for negative AFS reserve on sovereign portfolio for up to 5% of such portfolio

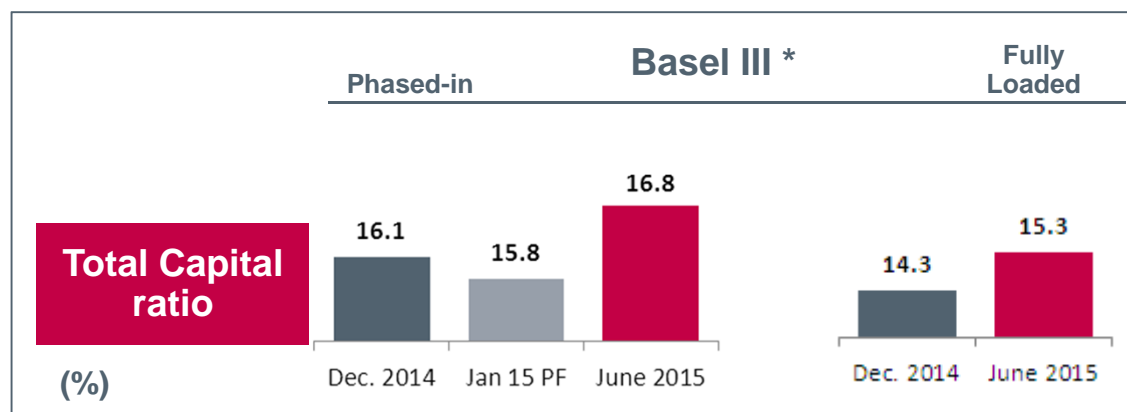
\*\* After dividend. Solvency II is not yet applicable, hence the ratio is based on internal interpretation of current (draft) texts and estimates regarding Solvency II.

# Robust solvency & liquidity

## Total capital position continues to increase

### ■ Further increase of the Total Capital ratio in 1H 2015

- Fully-loaded Basel III Total Capital ratio stood at 15.3%, up 100 bps vs Dec. 2014
- Phased-in Basel III Total Capital ratio at 16.8%, up 69 bps vs Dec. 2014  
*The shift in grandfathering on 1 Jan. 2015 (i.e. 40% vs 20% in 2014) has a negative impact of 29 bps*



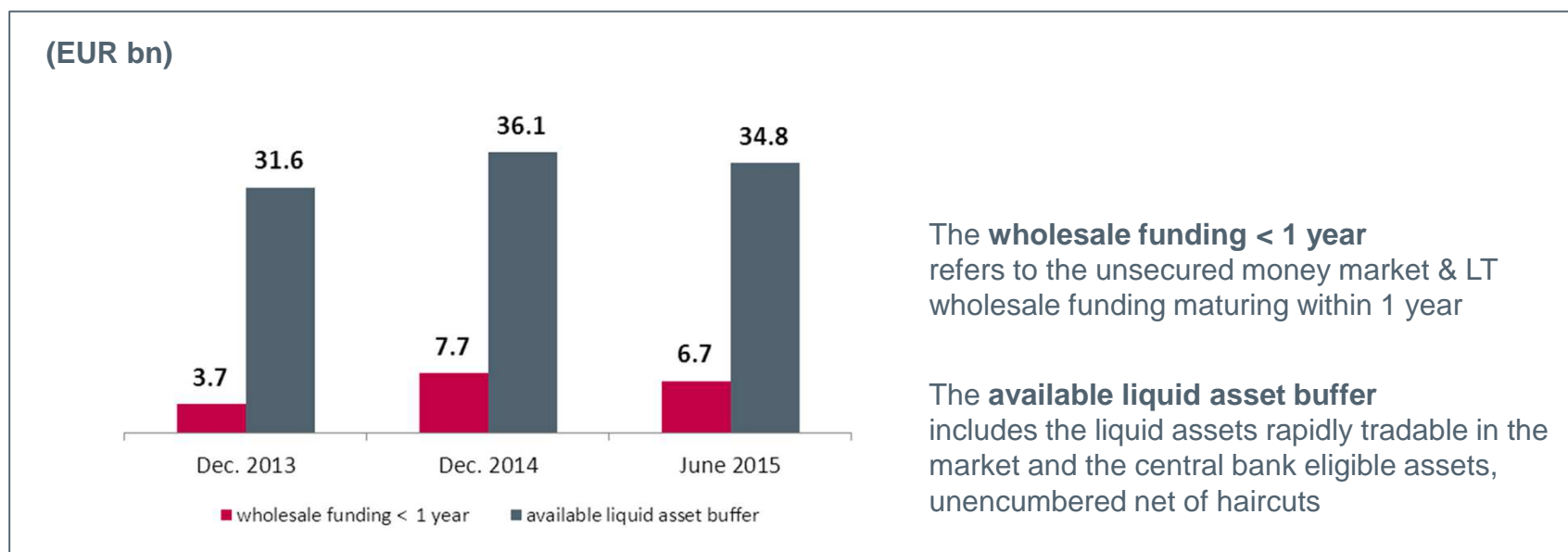
### ■ The phased-in Leverage ratio stood at 4.6% (EU Delegated Act)

\* According to : (i) Danish compromise : For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill ; (ii) prudential filter for negative AFS reserve on sovereign portfolio for up to 5% of such portfolio and (iii) Fully Loaded : only full Basel III compliant T2 included.

## ■ Robust solvency & liquidity

Liquidity profile of Belfius continues to benefit from executed strategy

- Execution of the funding plan leads to continued strong **liquidity profile**, despite a challenging interest rate environment
  - **LCR\*** stood at 133% and **NSFR\*\*** at 104% as of 30 June 2015
  - The bank has an **available liquid asset buffer** of EUR 35 bn as of 30 June 2015, almost 5 times the wholesale funding maturing within 1 year

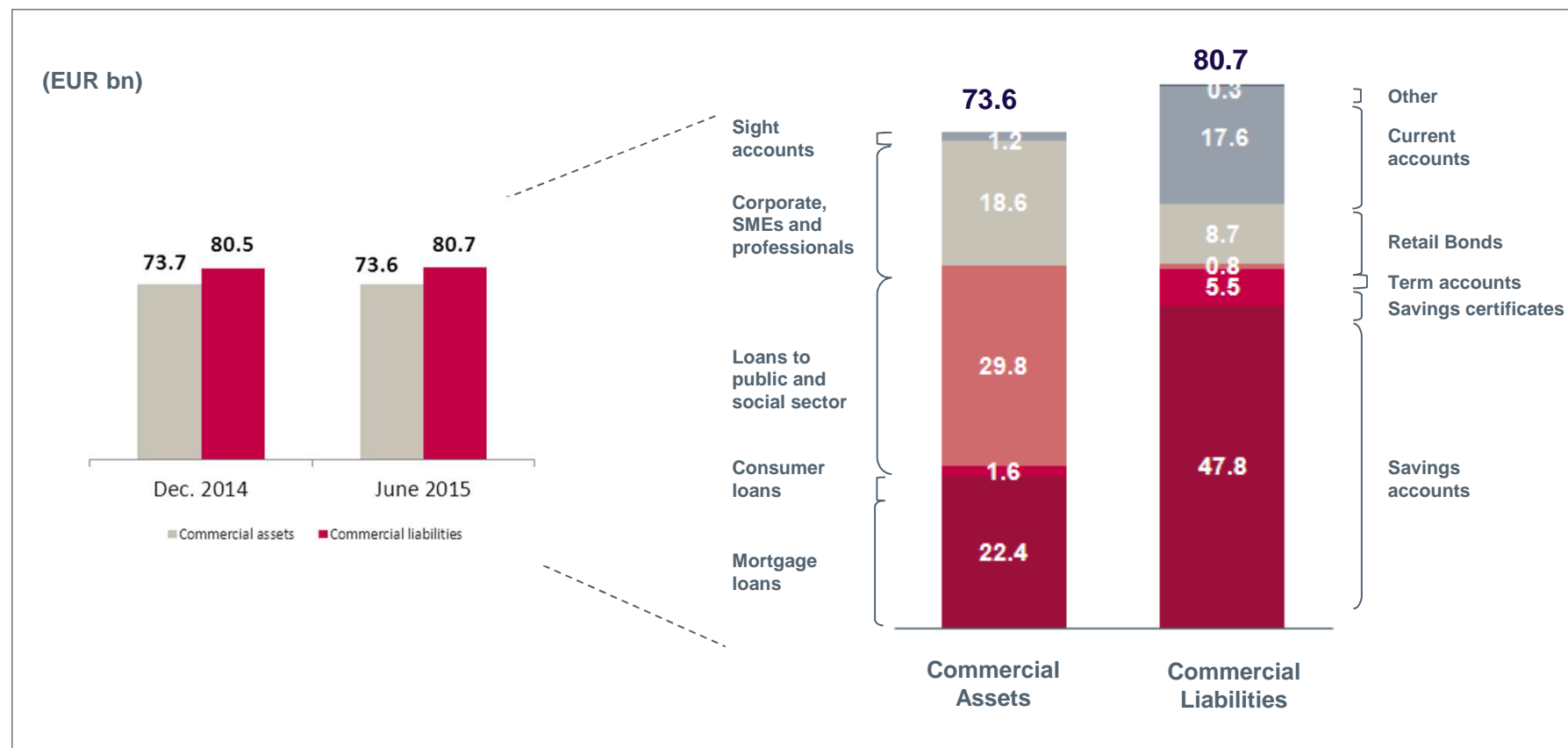


\* The Liquidity Coverage Ratio (LCR) refers to the ratio between the stock of high quality liquid assets and the total net cash outflow over the next month under stress and is based on Belfius' interpretation of the current Basel Committee guidelines, which may change in the future

\*\* The Net Stable Funding Ratio (NSFR) refers to the ratio between the available amount of stable funding and the required amount of stable funding and is based on Belfius' interpretation of the current Basel Committee guidelines, which may change in the future

# ■ Robust solvency & liquidity

A sound L/D - ratio in the commercial balance sheet



- The **commercial balance sheet** shows an increasing excess of funding of EUR 7.1 bn in 1H 2015 versus EUR 6.8 bn year-end 2014
- **Loan-to-deposit ratio** moved to 91% end June 2015 compared to 92% end 2014



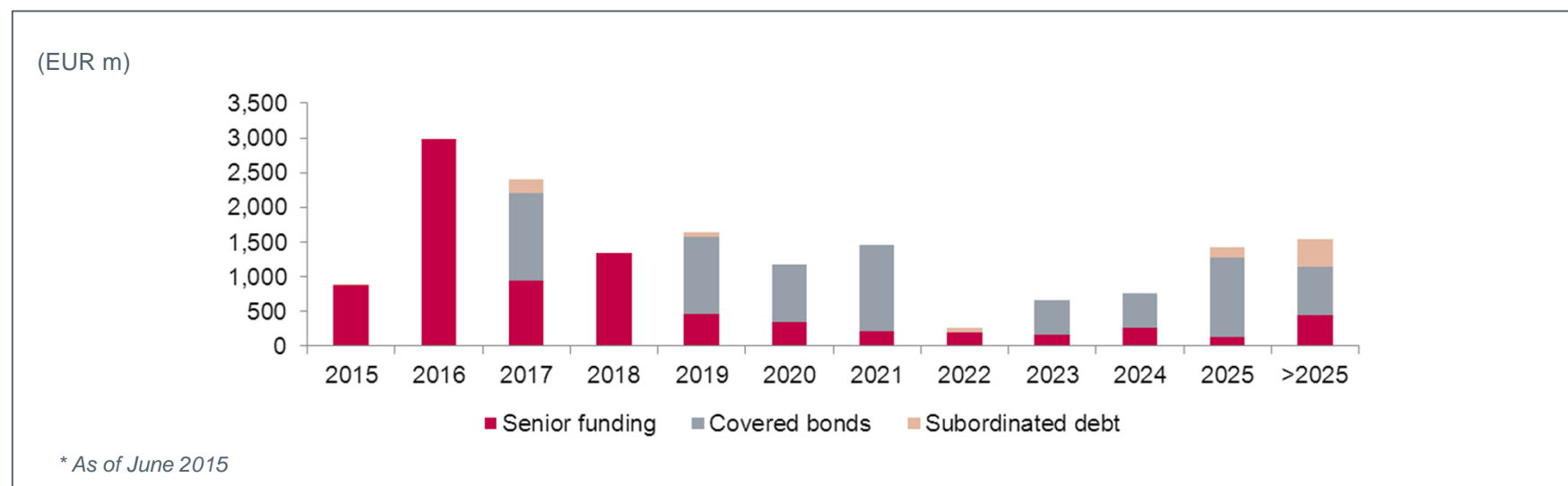
## ■ Robust solvency & liquidity

Belfius continues to diversify its funding, climbing up the ladder of “juniority”

### ■ The highlights of Belfius’ funding plan are :

- Belfius was the first issuer of Belgian covered bonds (Nov. 2012) with the set up of its Mortgage Pandbrieven Programme
- Set up of EMTN programme, with Belfius as an active issuer of private placements
- Set up of ECP programme and reactivating the CD programme
- Development of N-Bonds format for Mortgage Pandbrieven
- Set up of second Belfius covered bond programme being the Public Pandbrieven Programme (as first Belgian issuer)

### ■ Redemption profile of medium/long term wholesale funding\*



# Robust solvency & liquidity

Belfius' various issuing programmes

	Outstanding End June 2015	Issuer	Listing
<b>Belfius Euro Commercial Paper Programme</b> (Institutional)	EUR 0.8 bn (end 2014 : EUR 960 m)	Belfius Financing Company with guarantee of Belfius Bank	Not listed
<b>Belfius CD Programme</b> (Institutional)	EUR 3.4 bn (end 2014 : EUR 2.7 bn)	Belfius Bank	Not listed
<b>Belfius Mortgage Pandbrieven Programme</b> (Institutional)	EUR 5.5 bn (end 2014 : EUR 4.5 bn)	Belfius Bank	Euronext Brussels
<b>Belfius Public Pandbrieven Programme</b> (Institutional)	EUR 1.75 bn (end 2014 : EUR 1.75bn )	Belfius Bank	Euronext Brussels
<b>EMTN Programme</b> (Institutional)	EUR 4.9 bn (end 2014 : EUR 4.7 bn)	Belfius Bank	Luxembourg Stock Exchange
<b>Belfius Notes Issuance Programme</b> (Retail)	EUR 8.7 bn (end 2014 : EUR 10 bn)	Belfius Bank, and Belfius Financing Company with guarantee of Belfius Bank	Not listed

# Robust solvency & liquidity

## Ratings

### Ratings of Belfius Bank as at 27 August 2015

	Long-term rating	Outlook	Short-term rating
Fitch	BBB+	Positive	F2
Moody's	Baa1	Positive	Prime-2
Standard & Poor's	A-	Negative	A-2

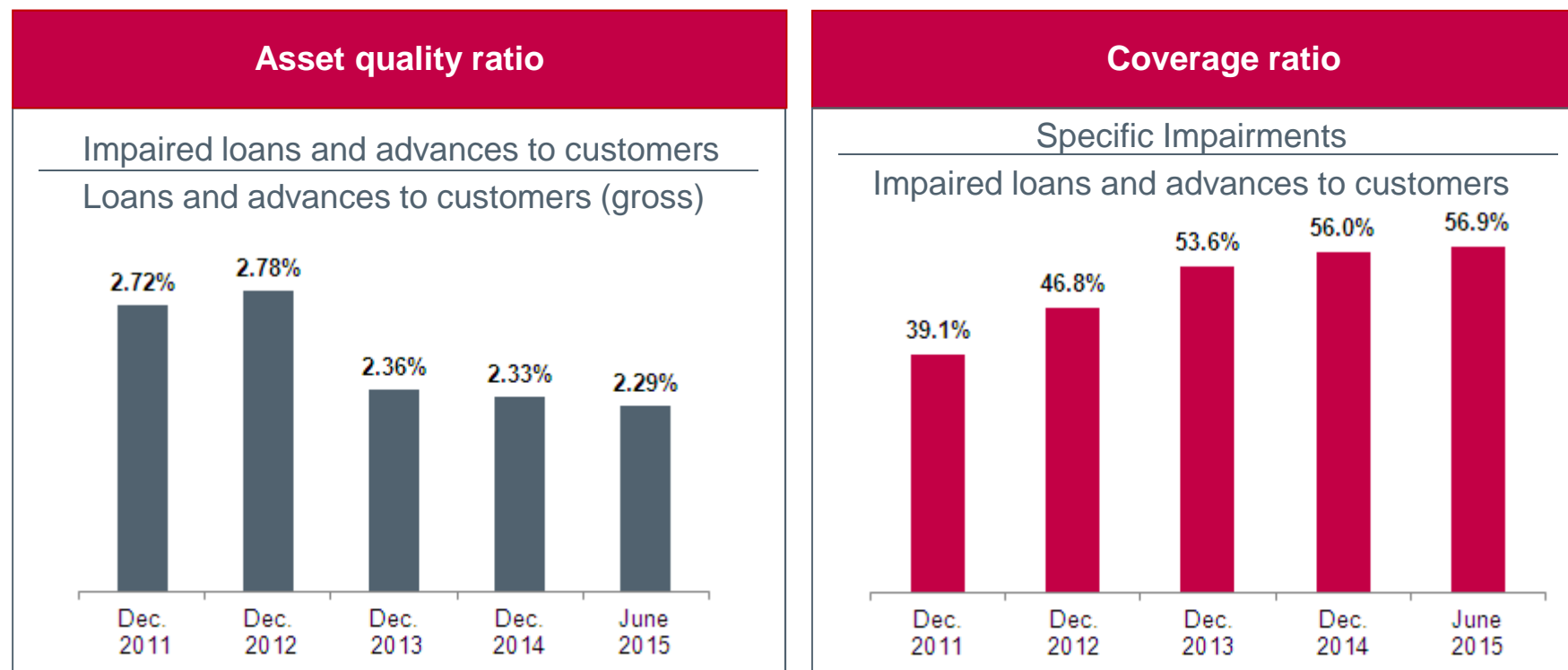
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## Part 5

### SOUND RISK PROFILE, TOWARDS END-STATE SIDE

## ■ Sound risk profile, towards end-state Side

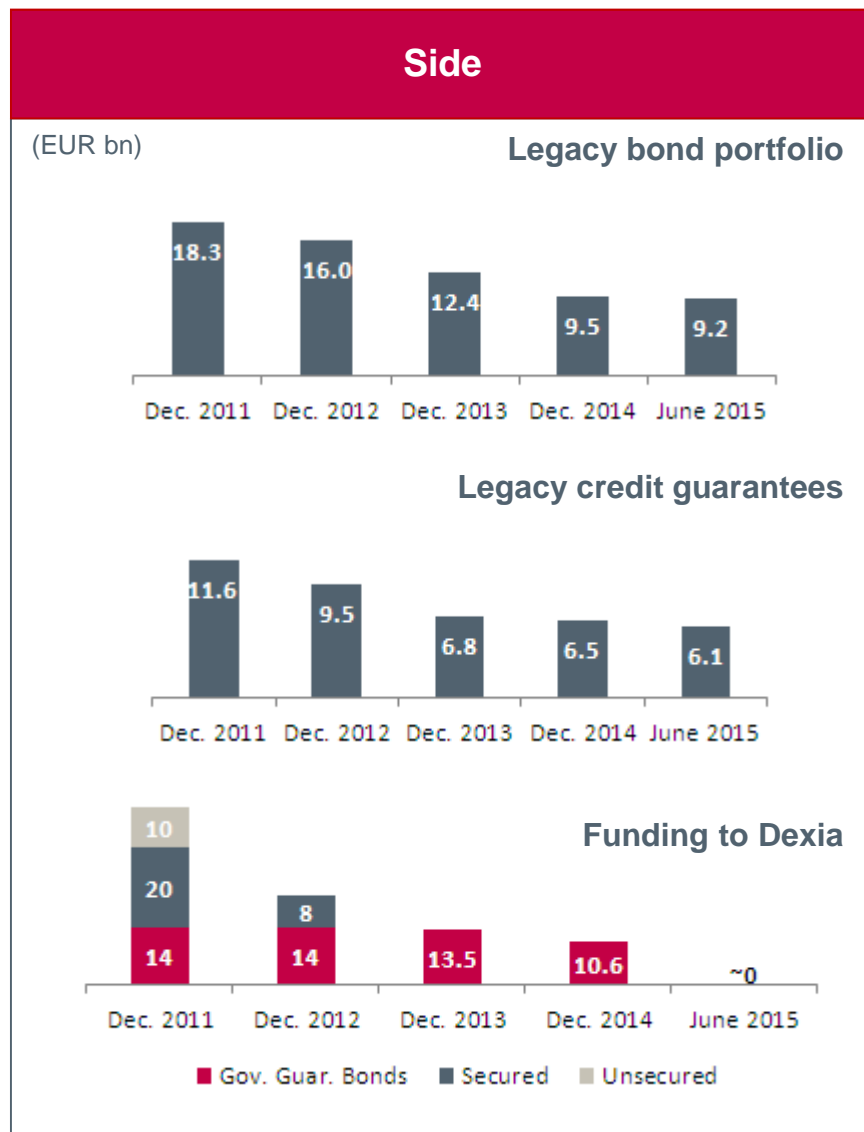
Continued strong asset quality indicators



- Despite still challenging economic environment, **asset quality ratio further improves**
- **Coverage ratio** continues to increase (June 2015 at 56.9%) and still compares very favourably to EU-market averages

# Sound risk profile, towards end-state Side

Excellent de-risking track record



- Since 2011, Belfius has implemented a tactical de-risking plan alongside its focus on the development of its commercial activities

## ■ Legacy bond portfolio

- Since 2011 the legacy bond portfolio has decreased by EUR 9.1 bn (or -50%) of which two-third due to tactical de-risking and one third of natural amortizations

- In 1H 2015, EUR 0.4 bn of de-risking executed

## ■ Legacy credit guarantees\*

- Since 2011 the legacy credit guarantees portfolio has reduced by EUR 5.5 bn

- In 1H 2015, EUR 0.5 bn of de-risking executed<sup>1</sup>

<sup>1</sup> includes the unwinding of a transaction which was settled at the beginning of July

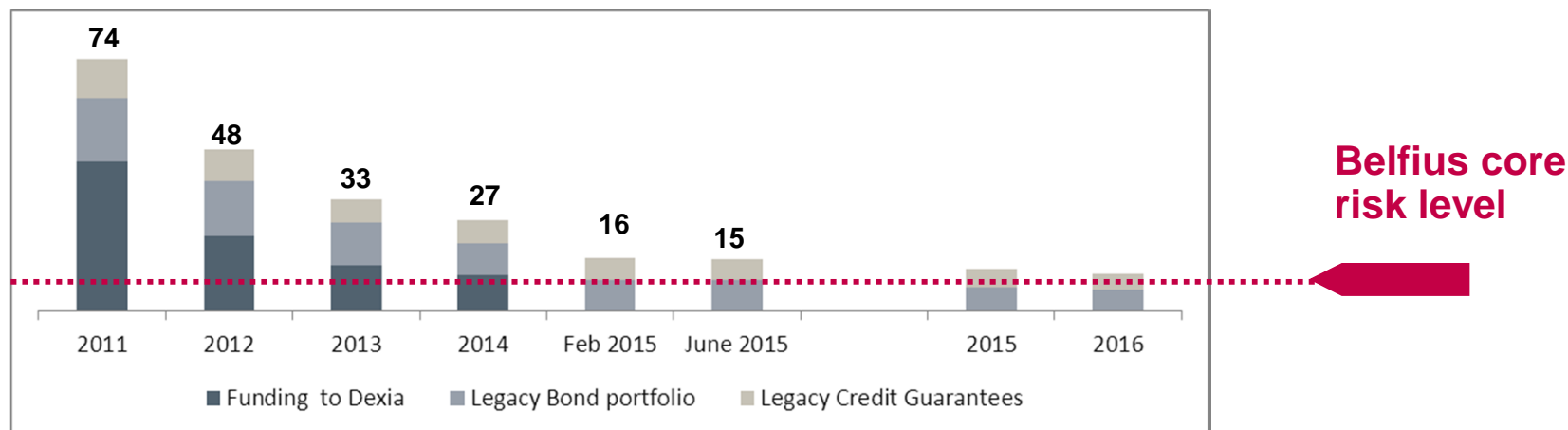
## ■ Funding to Dexia

- The remaining amount of government-guaranteed bonds has been paid back at the beginning of 2015
- As of June 2015 the funding to Dexia stands at approx. at EUR 65 m

\* The Legacy credit guarantees refer to the intermediation transactions whereby, on different types of reference obligations, the former Dexia Bank sold credit protection to a financial counterpart and purchased credit protection with monoline insurers

# ■ Sound risk profile, towards end-state Side

Bringing Side portfolios to Belfius core risk level (1/2)



- **Belfius inherited large Legacy portfolios from Dexia in 2011**
- **Belfius has since 2011 significantly reduced these Side portfolios, towards a risk profile that is manageable for its scope**
- **In light of Belfius' view on a lower risk profile for itself and the financial sector, Belfius will continue further tactical de-risking, to bring the Side portfolio end-state 2016 to a risk level in line with our Core Franchise risk profile**
- **Once that achieved, the remaining portfolio can be integrated in the standard ALM of Belfius**

# ■ Sound risk profile, towards end-state Side

Bringing Side portfolios to Belfius core risk level (2/2)

	2014	June 2015	End - State guidance
<hr/>			
<b>Average rating</b>			
Legacy bond portfolio	A -	A -	A -
Legacy credit guarantees	BBB +	A -	A -
<hr/>			
<b>NIG share of notional</b>			
Legacy bond portfolio	6 %	5 %	0 – 2 %
Legacy credit guarantees	4 %	0 %	0 – 2 %
<hr/>			
<b>Risk concentration</b>			Concentration limits in line with Belfius core risk level
<hr/>			
<b>Liquidity</b>			Further improve LCR impact of Legacy
<hr/>			



# Contents

## Part 6

### **DELIVERING ON COMMITMENTS & WELL POSITIONED FOR THE FUTURE**

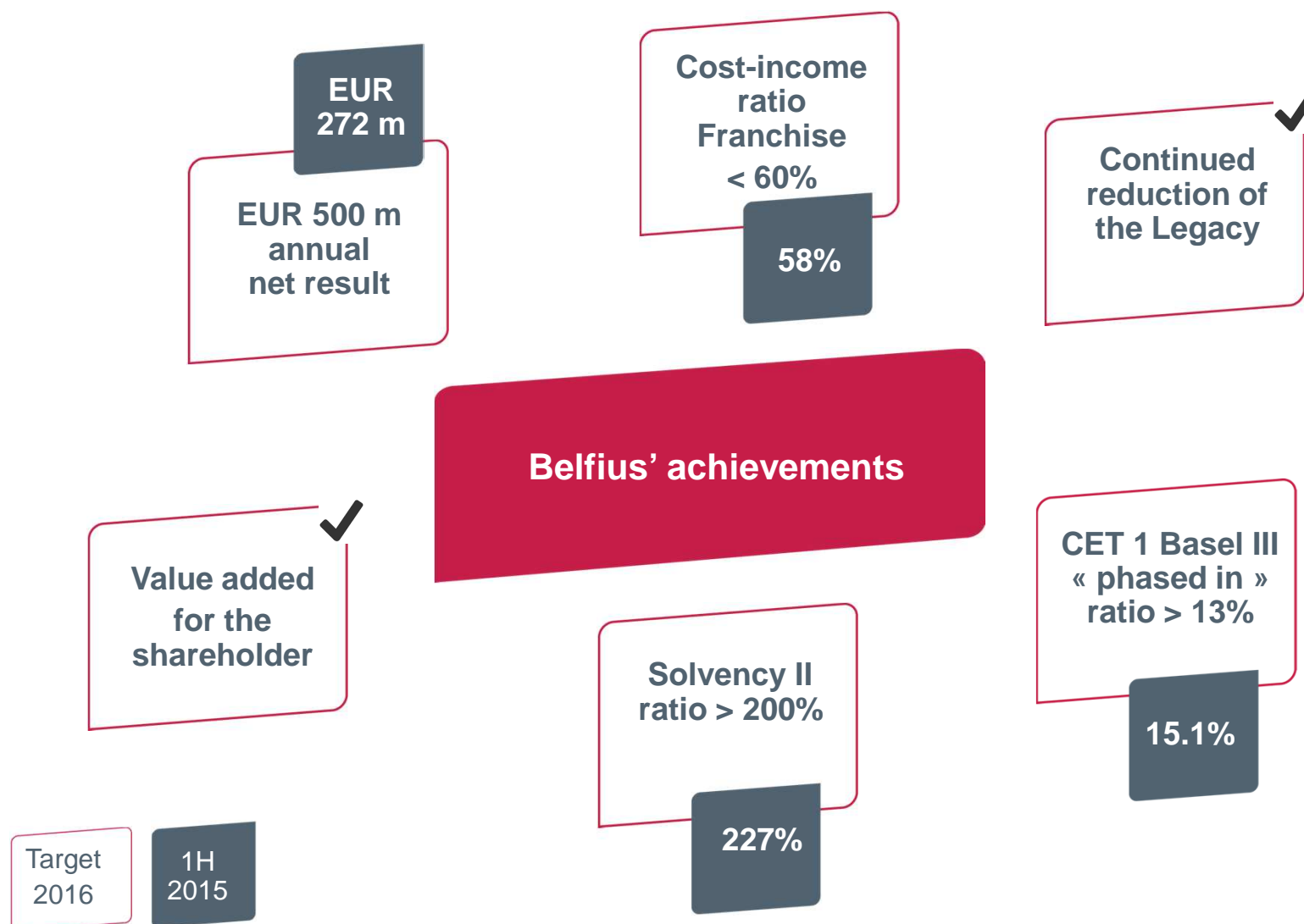
## Wrap up (1/2)

### ■ Strong performance by Belfius in 1H 2015 in all domains:

- **Net income** (Group share) : **EUR 272 m** (up 22% yoy), based on excellent growth of **net income of the Franchise: EUR 330 m** (up 38% yoy),
- Very **good commercial results** from a growing Franchise, particularly in Retail & Commercial segment
- **Higher Franchise income** combined with **continued successful cost control** results in **strongly improving operational efficiency ratio: 58%** down from 70% in 1H 2014
- Solid **capital and liquidity position: CET 1 (PI) at 15.1%, CET 1 (FL) at 14.0%** and **LCR at 133%**
- **Accelerated tactical de-risking** towards **End-state 2016**, bringing down NIG Legacy positions

## ■ Wrap up (2/2)

- As such, Belfius is well positioned for the future and advancing swiftly achieving its 2016 commitments



# Appendices

## Contents

- Section I – Valuable commercial franchise
- Section II – Additional financials
- Section III – Additional information on risk profile
- Section IV – Additional information on insurance

# Appendices

## Section I – Valuable commercial franchise

- Appendix 1 : Retail & Commercial - strategy
- Appendix 2 : Retail & Commercial - description
- Appendix 3 : Public & Corporate - strategy
- Appendix 4 : Public & Corporate - description

# Valuable commercial franchise

## Appendix 1 : Retail & Commercial - strategy

### Belfius' strategy

Sharpen Belfius' brand positioning

High digital touch and best personal advice Anytime, Anywhere, Anyhow  
within segmented approach

Omni-channel & multi-brand strategy in insurance business



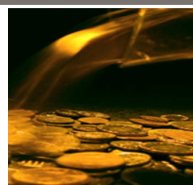
Client satisfaction to 95% for all active clients

Increase overall revenues

Equipment rates



Improve Margins



Acquisition



Further optimize total cost base line

# Valuable commercial franchise

## Appendix 2 : Retail & Commercial - description

### Retail, Private & Business clients

3.5m

Belfius serves 3.2 million individuals & private customers and 0.3 million business clients (self-employed, SME's) combining personal advice through a network of 738 branches and state of the art applications in internet and mobile banking

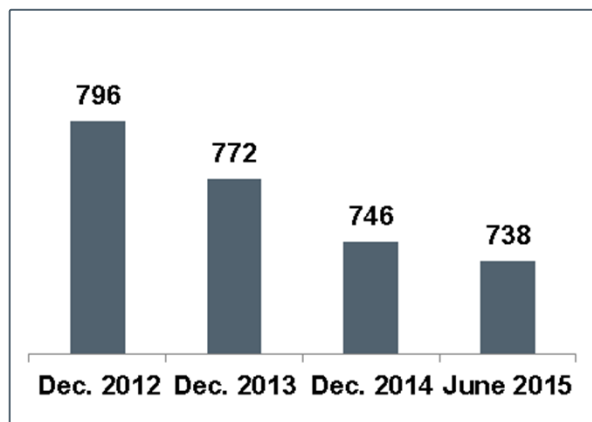
Belfius provides a large range of high quality products and services:

738

- ☐ payments products & treasury management services
- ☐ savings & investments products
- ☐ loans, ST & LT-financing, credit lines and/or guarantees
- ☐ life & non-life , staff or activity related insurance products

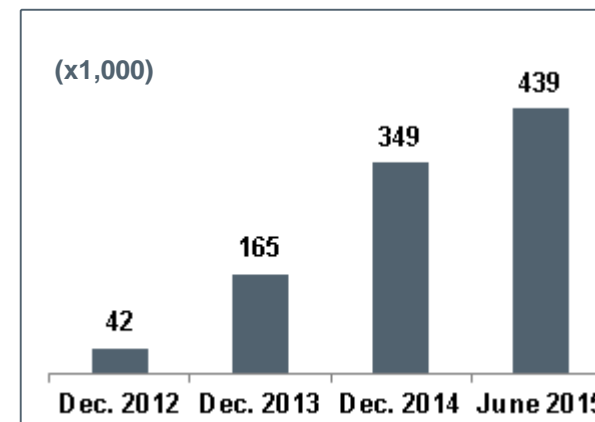
Belfius' distribution offering in line with customer behavioral change

### # bank branches



- ☐ *In the branches, clients are more and more directed to highly valued personal advice*
- ☐ *With more than 439k active users, Belfius demonstrates its leading edge in the mobile and digital offer*
- ☐ *The bank's online portal services 0.9m active users, which represents 5.8m interactions each month*

### # mobile users



# Valuable commercial franchise

## Appendix 3 : Public & Corporate

### Belfius' strategy

Strengthening market leadership in Public & Social Banking

Unlocking the potential of a unique positioning in corporate banking (B2G)

↑ Client satisfaction to 95% for all active clients

Increase overall profitability

#### Increased focus on cross-selling

Increasing customer equipment rates

Bank/insurance model for PWB

Increasing commercial focus on fee business



# ■ Valuable commercial franchise

## Appendix 4 : Public & Corporate - description

12k

### Public and Social clients

preferred banking partner of 12,000 public & social clients such as municipalities, provinces, regions and communities, police areas, healthcare sector, schools, universities, housing sector

6k

### Corporate clients

with 6,000 clients, challenger in the segment of Belgian corporates where Belfius especially represents the link between public authorities and the corporate environment (Business to Government or “B2G”)

## Crucial role in economic activity in Belgium



Either through loan financing

- **Confirmed market leader in lending to local authorities**
- **Smart cities concept**  
EUR 400 m facility line EIB, used for support of intelligent local public projects focusing on energy efficiency, mobility and urban development



Or in accompanying entities issuing public debt

- **Strong debt capital markets activities (DCM)**
- **Participation market share of more than 80% for public & semi-public sector issues**
- **Total DCM – volume** end of June 2015: EUR 5.2 bn

# Appendices

## Section II – Additional financials

- Appendix 5 : Impact IFRIC 21 – banklevies
- Appendix 6 : Consolidated balance sheet – Assets
- Appendix 7 : Consolidated balance sheet – Liabilities, without equity
- Appendix 8 : Consolidated balance sheet – Accounting equity
- Appendix 9 : Focus on AFS reserve
- Appendix 10 : Focus on regulatory capital
- Appendix 11 : Focus on regulatory risks exposures
- Appendix 12 : Focus on capital ratios

# Additional financials

## Appendix 5 : Impact IFRIC 21 - Banklevies

(EUR m)	1H 2014 as published	IFRIC 21 impact	1H 2014 PF	1H 2015
Income	1,108	-81	1,027	1,084
of which banklevies	-78	-81	-159	-231
Expenses	-729	0	-729	-673
Gross operating income	379	-81	298	411
Cost of risk (incl. imp. on (in) tang. assets)	-4	0	-4	-33
Pre-tax income	375	-81	294	379
Tax expenses	-98	28	-71	-106
Net income after taxes	276	-53	223	272
Non-controlling interests	1	0	1	0
<b>Net income group share</b>	<b>277</b>	<b>-53</b>	<b>224</b>	<b>272</b>
of which banklevies	-52	-53	-105	152

- IFRIC\* 21 requires an upfront recognition of certain levies as soon as an obligation event has taken place:
  - In 1H 2015, a total amount of EUR -231 m (before tax) was recorded for these levies
  - In order to allow comparison, the 1H 2014 income (before tax) was restated for EUR -81 m, thus reducing the 1H 2014 net income (after tax) from EUR 277 m (published) to EUR 224 m (pro forma)

(\*) IFRIC : International Financing Reporting Interpretation Committee

## ■ Additional financials

### Appendix 6 : Consolidated balance sheet – Assets

(EUR m)	31/12/2014	30/06/2015	Evolution
<b>Loans and advances</b>	<b>120,630</b>	<b>113,838</b>	<b>-6,792</b>
<i>To banks and central banks</i>	<i>33,472</i>	<i>25,852</i>	<i>-7,620</i>
<i>To customers</i>	<i>87,158</i>	<i>87,986</i>	<i>828</i>
<b>Portfolios</b>	<b>34,022</b>	<b>32,239</b>	<b>-1,783</b>
<i>Financial investments (HTM)</i>	<i>2,835</i>	<i>4,631</i>	<i>1,797</i>
<i>Financial investments (AFS)</i>	<i>25,087</i>	<i>20,875</i>	<i>-4,212</i>
<i>Financial assets at FV through P&amp;L</i>	<i>6,100</i>	<i>6,733</i>	<i>633</i>
<b>Derivatives</b>	<b>31,130</b>	<b>25,806</b>	<b>-5,324</b>
<b>Other</b>	<b>8,625</b>	<b>7,693</b>	<b>-932</b>
<b>Total assets</b>	<b>194,407</b>	<b>179,576</b>	<b>-14,831</b>

- The decrease of **assets** with EUR 14.8 bn (or -7.6%) is a combination of
  - a decrease of loans and advances to banks and central banks (EUR 7.6 bn), as a result of the reimbursements of Dexia-bonds (EUR 10 bn) compensated by higher reverse repo activity (EUR 5.2 bn)
  - a slight increase of loans to customers, up 1% compared to end 2014
  - a decrease of the portfolio (EUR -1.8 bn) due to sales of bonds and a decline of the fair value following interest rate evolution. *To note: the decrease of financial investments (AFS) is also due to the reclass of EUR 1.5 bn bonds to HTM*
  - a decrease (EUR 5.3 bn) of the fair value of the derivatives resulting from higher interest rates compared to year end

## Additional financials

### Appendix 7 : Consolidated balance sheet – Liabilities without equity

(EUR m)	31/12/2014	30/06/2015	Evolution
<b>Total deposits</b>	<b>87,922</b>	<b>81,942</b>	<b>-5,980</b>
<i>Banks and central banks</i>	<i>21,408</i>	<i>13,384</i>	<i>-8,024</i>
<i>Customers</i>	<i>66,514</i>	<i>68,558</i>	<i>2,044</i>
<b>Total debt securities</b>	<b>39,166</b>	<b>38,220</b>	<b>-946</b>
<i>Debt securities</i>	<i>29,113</i>	<i>28,019</i>	<i>-1,094</i>
<i>Debt securities at FV through P&amp;L</i>	<i>9,167</i>	<i>9,279</i>	<i>112</i>
<i>Subordinated debts</i>	<i>886</i>	<i>922</i>	<i>36</i>
<b>Derivatives</b>	<b>38,165</b>	<b>30,913</b>	<b>-7,252</b>
<b>Provisions</b>	<b>18,524</b>	<b>17,593</b>	<b>-931</b>
<b>Other</b>	<b>2,704</b>	<b>2,733</b>	<b>29</b>
<b>Total liabilities</b>	<b>186,481</b>	<b>171,401</b>	<b>-15,080</b>

- The decrease of **liabilities** with EUR 15.1 bn (or -8.1%) is a combination of
  - lower deposits from banks and central banks (EUR -8 bn), following the repayment of LTRO, a decrease of cash collateral and a decrease of repurchase agreements
  - an increase of customer deposits (EUR 2 bn)
  - a decrease of total debt securities (EUR 0.9 bn)
  - a decrease (EUR 7.3 bn) of the fair value of derivatives following higher interest rates compared to year-end

## Additional financials

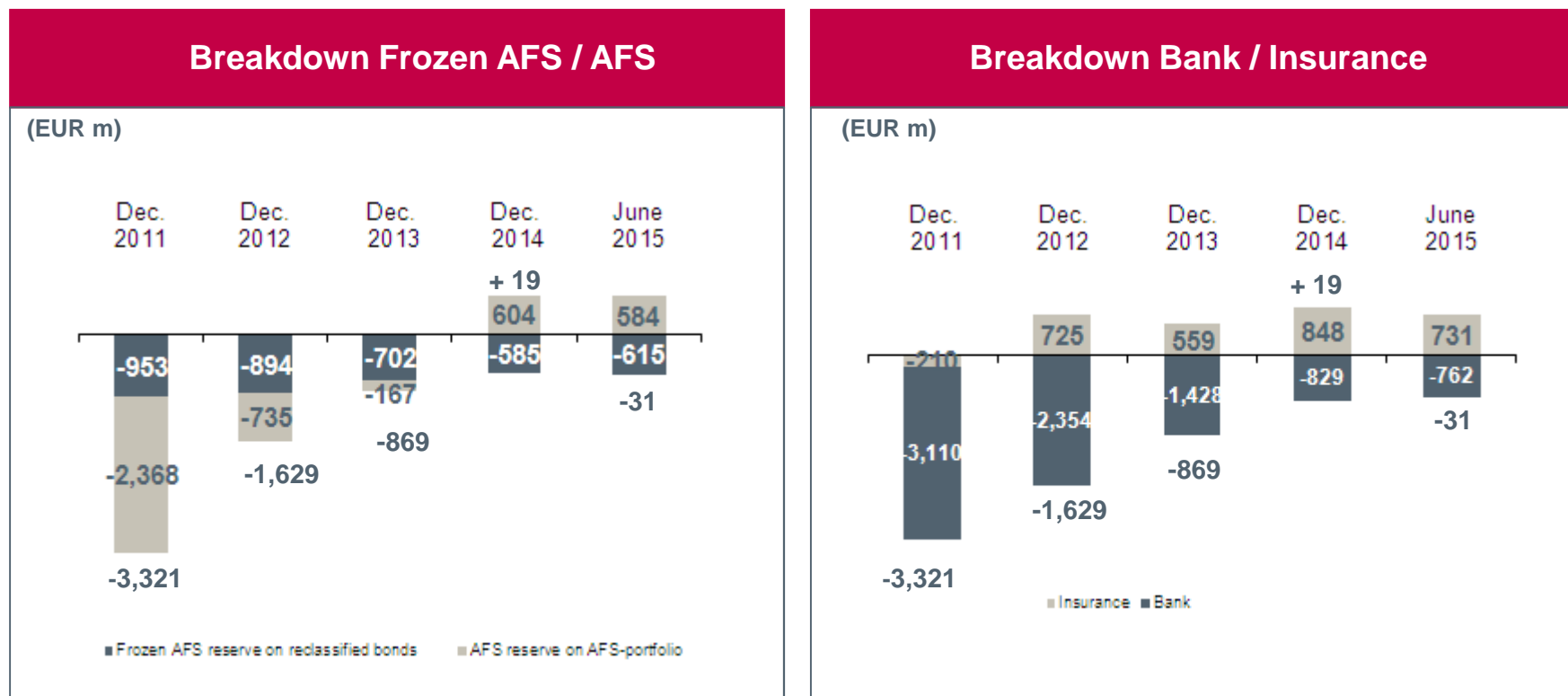
### Appendix 8 : Consolidated balance sheet – Accounting equity

(EUR m)	31/12/2014	30/06/2015	Evolution
<b>Core shareholders' equity</b>	<b>7,804</b>	<b>8,076</b>	<b>272</b>
<i>Subscribed capital + additional paid in capital</i>	3,667	3,667	0
<i>Reserves + retained earnings</i>	3,676	4,137	462
<i>Net income for the period</i>	462	272	-190
<b>Gains and losses not recognised in the statement of income</b>	<b>119</b>	<b>99</b>	<b>-20</b>
<i>Reserve AFS (Available for Sale)</i>	19	-30	-49
<i>Reserve CFH (Cash flow hedge) + other</i>	-10	-12	-2
<i>Remeasurement of Defined Benefit plan</i>	98	111	13
<i>Discretionary participation features</i>	12	30	18
<b>Total shareholders' equity</b>	<b>7,924</b>	<b>8,174</b>	<b>250</b>
<b>Other</b>	<b>3</b>	<b>1</b>	<b>-2</b>
<b>Total equity</b>	<b>7,927</b>	<b>8,175</b>	<b>248</b>

- The increase of **total equity** in 1H 2015 with EUR 248 m is due to
  - the net profit of EUR 272 m reported in 1H 2015
  - a slight decrease of EUR 20 m of gain and losses not recognised in the statement of income

# Additional financials

## Appendix 9 : Focus on AFS reserve\*



- The total AFS reserve stood at EUR - 31 m as at June 2015, a slight decrease of EUR 50 m compared to year-end 2014
  - the increase of the AFS reserve for the banking group (+ EUR 67 m) can be explained by improved credit spreads and further tactical de-risking
  - the decrease of the AFS reserve for the insurer group (- EUR 117 m) is due to the sales from the portfolio and by higher interest rates compared to year-end

# Additional financials

## Appendix 10 : Focus on regulatory capital

	Basel III Phased-in		Basel III Fully Loaded	
	Dec. 2014	June 2015	Dec. 2014	June 2015
<b>Core shareholders' equity</b>	<b>7,805</b>	<b>8,076</b>	<b>7,805</b>	<b>8,076</b>
<i>Elimination of Belfius Insurance (*)</i>	<i>97</i>	<i>98</i>	<i>97</i>	<i>98</i>
<b>Core regulatory equity</b>	<b>7,902</b>	<b>8,174</b>	<b>7,902</b>	<b>8,174</b>
<b>Gains and losses not recognised in the statement of income</b>	<b>-38</b>	<b>-103</b>	<b>-532</b>	<b>-531</b>
Remeasurement Defined Benefit Plan	99	112	99	112
AFS reserve	-815	-750	-815	-750
Transitory measures & filter on govies	678	535	184	107
<b>Items to deduct</b>	<b>-589</b>	<b>-646</b>	<b>-822</b>	<b>-774</b>
Deferred tax assets	-291	-214	-291	-214
Transitory measures	233	129	0	0
Other	-531	-560	-531	-560
<b>Common equity Tier 1 - CET 1</b>	<b>7,276</b>	<b>7,425</b>	<b>6,548</b>	<b>6,869</b>
Tier 2 - Capital instruments	666	677	477	477
Other	39	159	39	159
<b>Total regulatory capital</b>	<b>7,981</b>	<b>8,262</b>	<b>7,063</b>	<b>7,505</b>

(\*) For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"



# Additional financials

## Appendix 11 : Focus on Regulatory Risk Exposures

(EUR bn)	Basel III Phased-in (CRR)		Basel III Fully Loaded (CRR)	
	Dec. 2014	June 2015	Dec. 2014	June 2015
Market risk	1.1	1.5	1.1	1.5
Operational risk	2.7	2.7	2.7	2.7
Credit risk	39.6	38.8	39.5	38.8
Danish compromise (*)	6.1	6.1	6.1	6.1
<b>Total Regulatory Risks Exposures</b>	<b>49.5</b>	<b>49.2</b>	<b>49.5</b>	<b>49.1</b>

(\*) For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"

# Additional financials

## Appendix 12 : Focus on capital ratios

	Basel III Phased-in		Basel III Fully Loaded	
	Dec. 2014	June 2015	Dec. 2014	June 2015
<b>Common equity Tier 1 - CET 1 (EUR m)</b>	<b>7,276</b>	<b>7,425</b>	<b>6,548</b>	<b>6,869</b>
<b>Total regulatory capital (EUR m)</b>	<b>7,981</b>	<b>8,262</b>	<b>7,063</b>	<b>7,505</b>
<b>Total Regulatory Risks Exposures (EUR bn)</b>	<b>49.5</b>	<b>49.2</b>	<b>49.5</b>	<b>49.1</b>
<b>CET 1 ratio</b>	<b>14.7%</b>	<b>15.1%</b>	<b>13.2%</b>	<b>14.0%</b>
<b>Total capital ratio</b>	<b>16.1%</b>	<b>16.8%</b>	<b>14.3%</b>	<b>15.3%</b>

(\*) For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise"

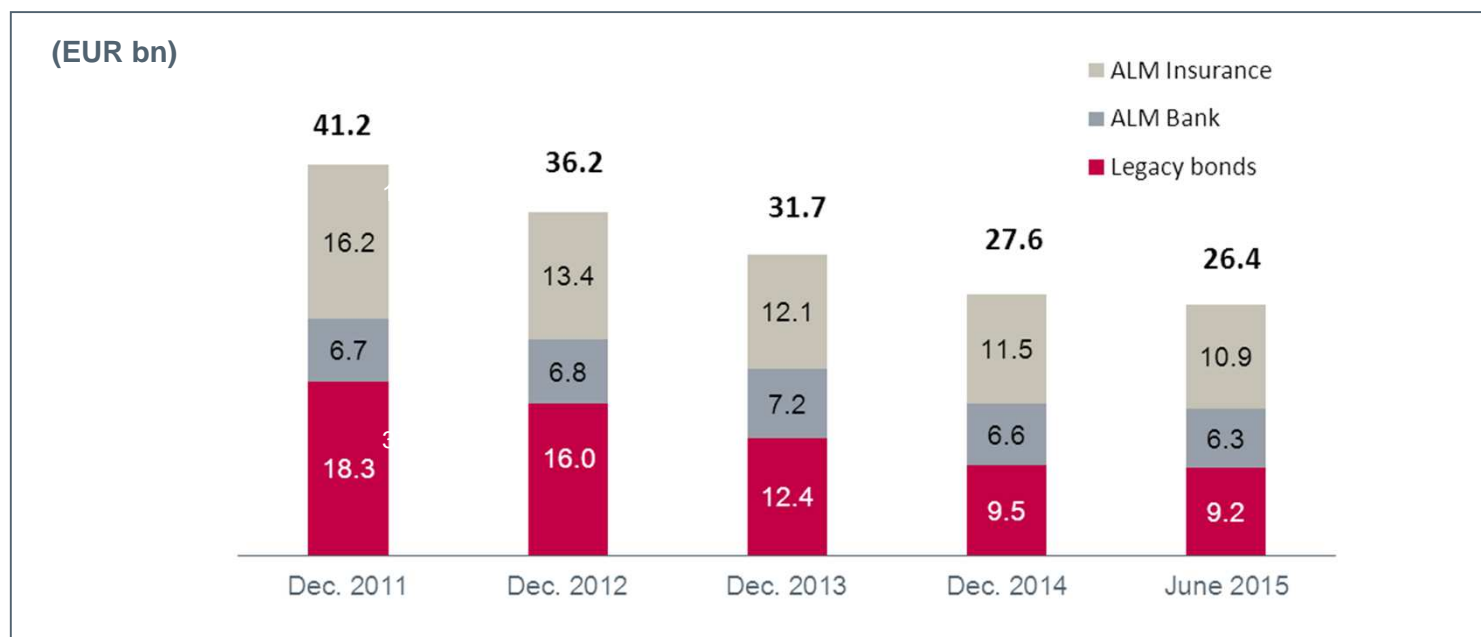
# Appendices

## Section III – Additional information on risk profile

- Appendix 13 : Investment portfolio – Total
- Appendix 14 : Investment portfolio – Legacy bond portfolio
- Appendix 15 : Investment portfolio – ALM Bank
- Appendix 16 : Investment portfolio – ALM Insurance
- Appendix 17 : Legacy credit guarantees
- Appendix 18 : Outstanding exposure on government bonds

## ■ Additional information on risk profile

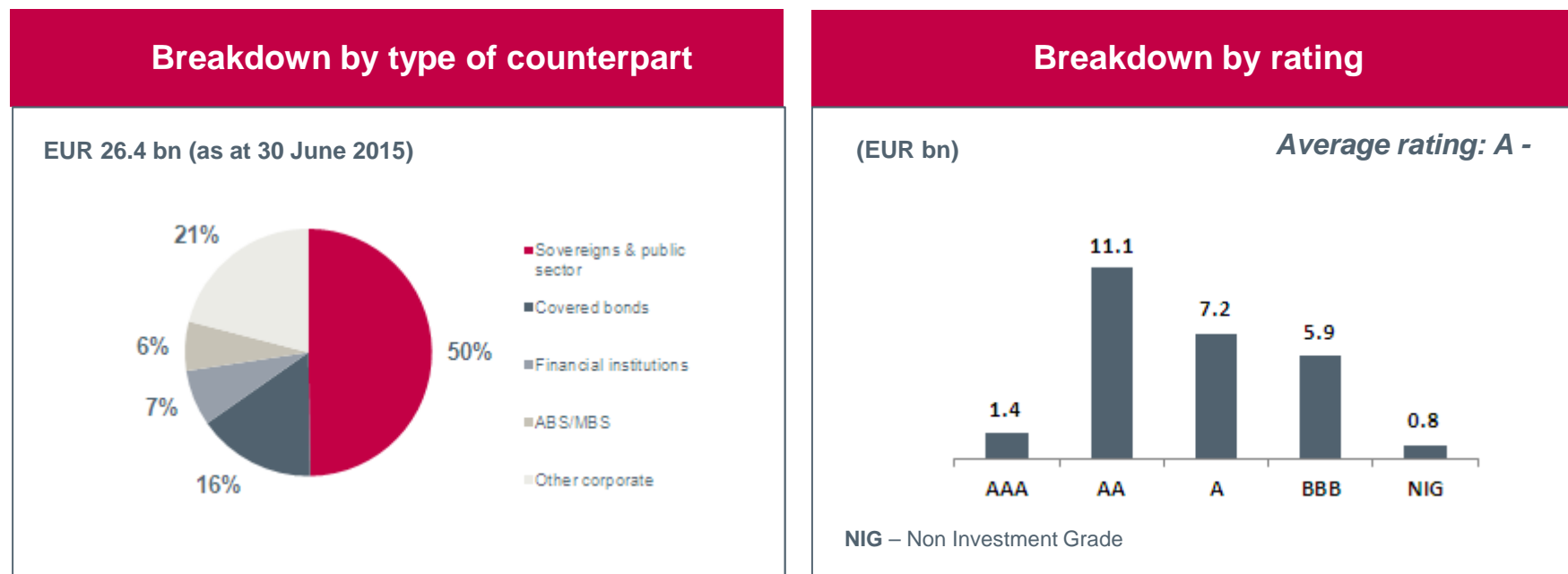
### Appendix 13 : Investment portfolio – Total (1/2)



- Total fixed income investment portfolio consists of three parts: the Legacy bond portfolio, the ALM Bank portfolio and the ALM Insurance portfolio
- **Investment portfolio** stood at EUR 26.4 bn as at 30 June 2015, a reduction of EUR 1.2 bn (or -4%) vs Dec. 2014. Since 2011, the total investment portfolio has been reduced by EUR 14.8 bn (or -36%) mainly due to the further tactical de-risking within the legacy bond portfolio and the natural amortization of the portfolios.

# ■ Additional information on risk profile

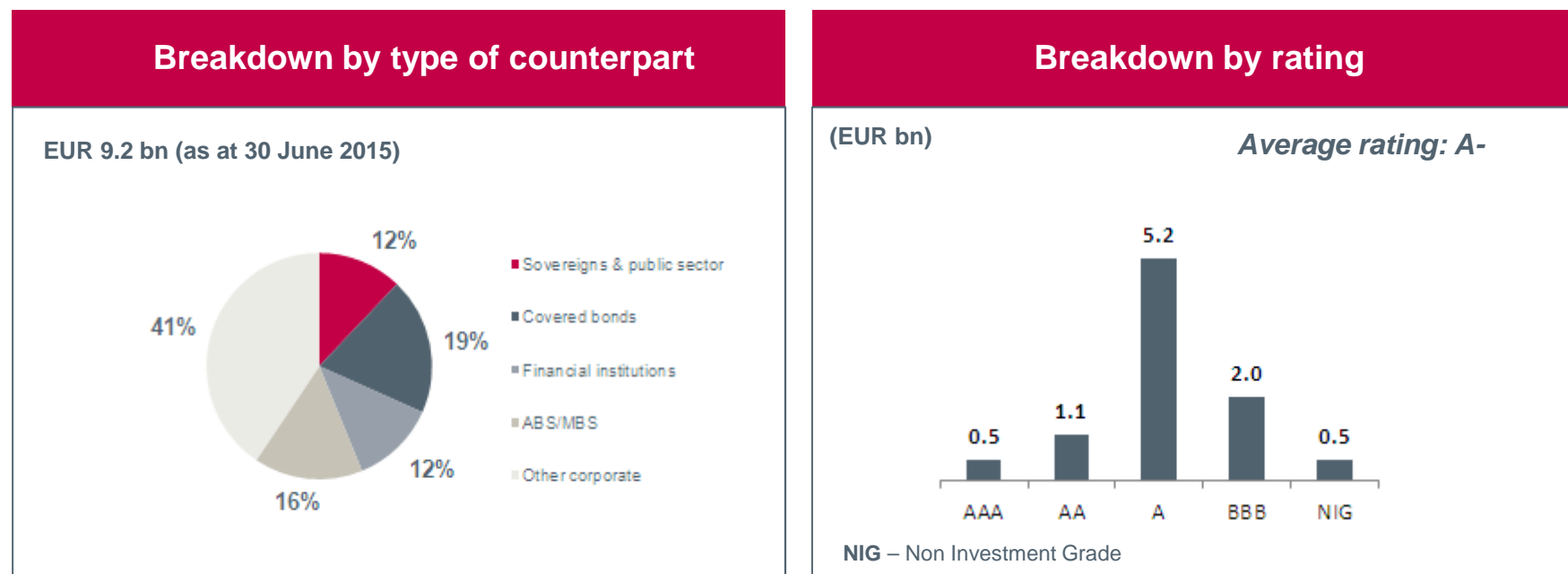
## Appendix 13 : Investment portfolio – Total (2/2)



- The investment portfolio is well diversified
- The investment portfolio remains of good quality:
  - 97% of the portfolio is Investment Grade
  - The average rating stood at A-
- Expected average life: 11.6 years

## ■ Additional information on risk profile

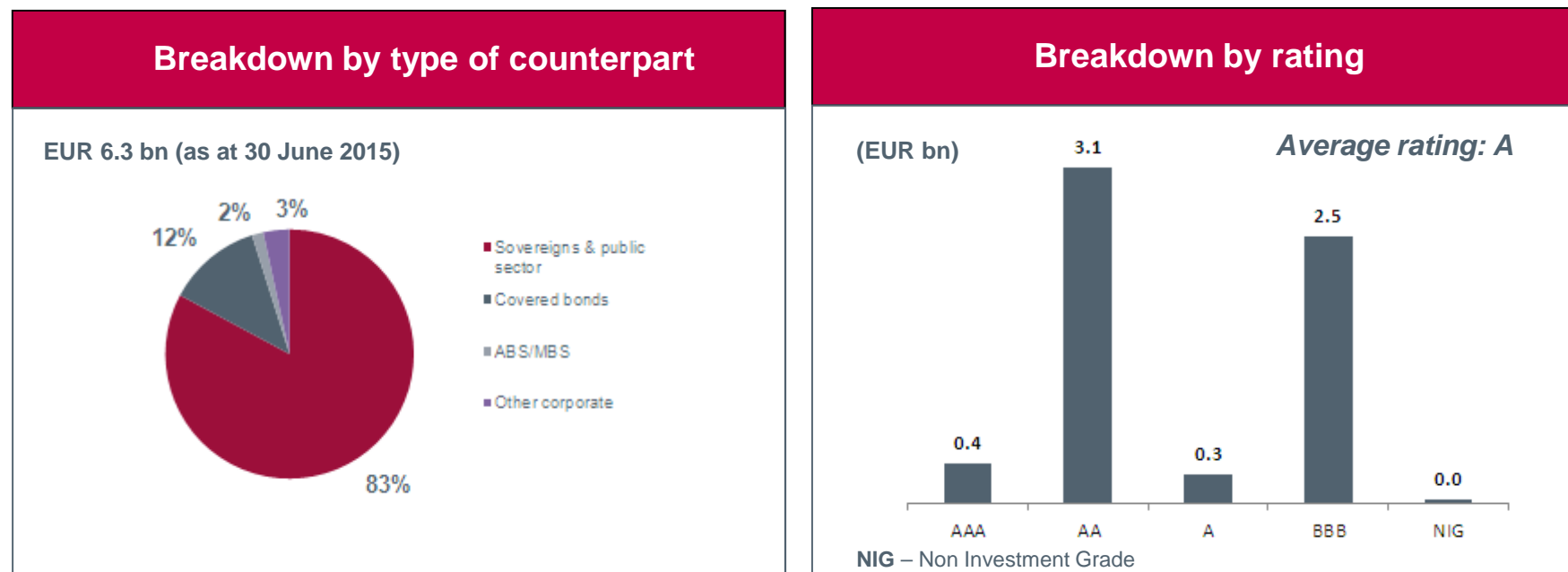
### Appendix 14 : Investment portfolio – Legacy bond portfolio



- Legacy portfolio stood at EUR 9.2 bn as at 30 June 2015, a reduction of EUR 0.3 bn compared to December 14. The tactical de-risking (EUR 0.4 bn) & natural amortization of the portfolio was partially compensated by FX-effects
- The Legacy bond portfolio remains of good quality by the end of June 2015
  - 95% of the portfolio is Investment Grade
  - The average rating stood at A-
- Expected average life: 14.4 years

## ■ Additional information on risk profile

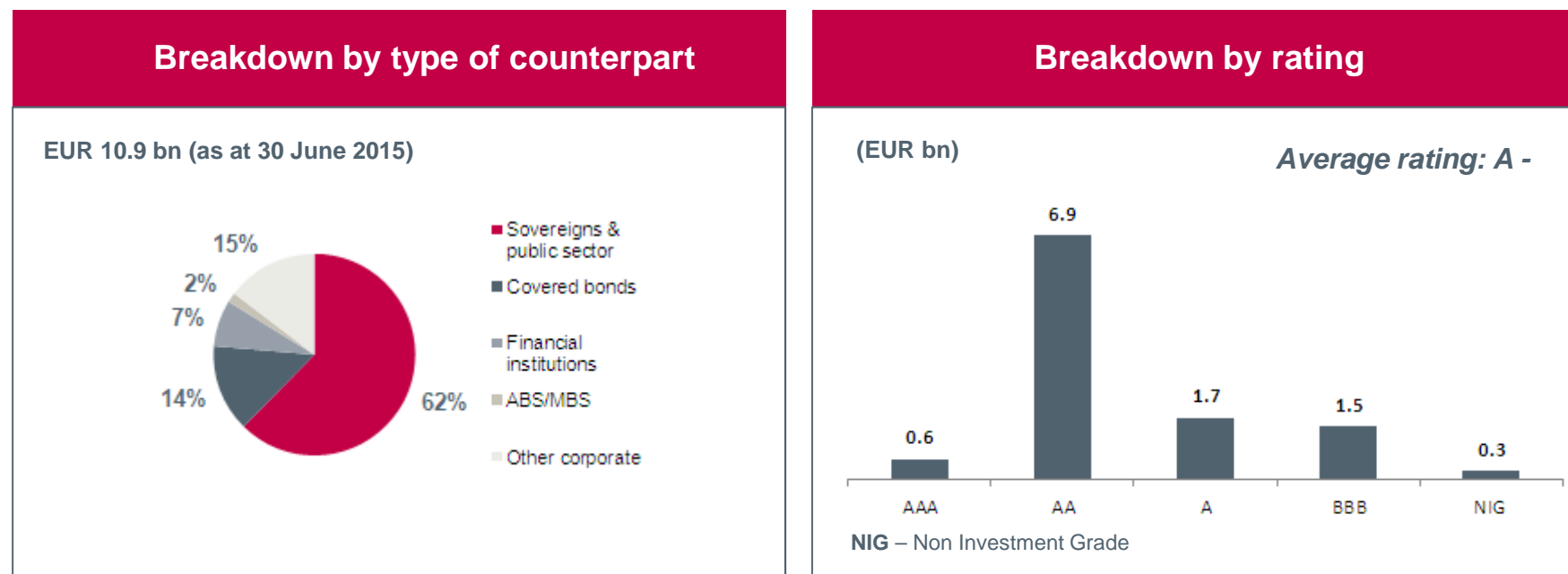
### Appendix 15 : Investment portfolio – ALM Bank



- ALM Bank portfolio stood at EUR 6.3 bn as at 30 June 2015, compared to EUR 6.6 bn as at 31 December 2014
- The ALM bank portfolio is of good quality
  - 99.5% of the portfolio is Investment Grade
  - The average rating stood at A
- Expected average life: 12.8 years

## ■ Additional information on risk profile

### Appendix 16 : Investment portfolio – ALM Insurance

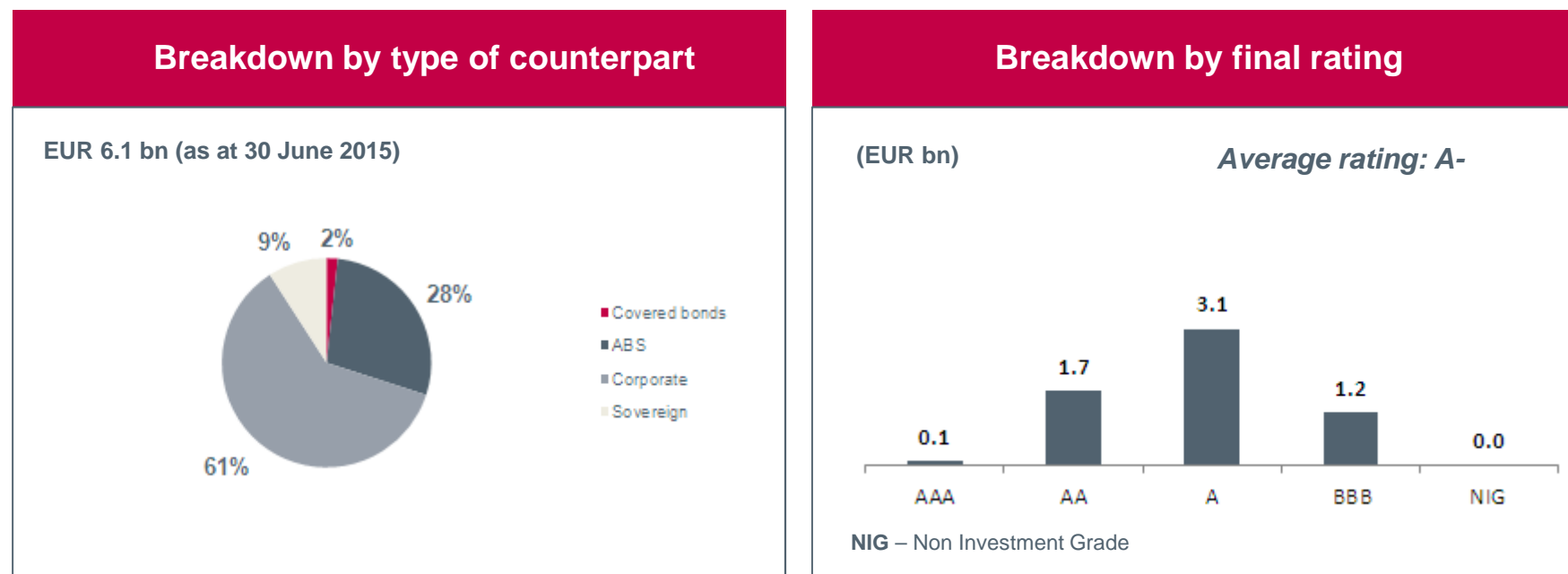


- ALM Insurance portfolio stood at EUR 10.9 bn as at 30 June 2015 compared to EUR 11.5 bn as at December 2014
- The ALM Insurance portfolio remains of good quality:
  - 98% of the portfolio is investment grade
  - The average rating stood at A -
- Expected average life: 8.5 years



# ■ Additional information on risk profile

## Appendix 17 : Legacy credit guarantees



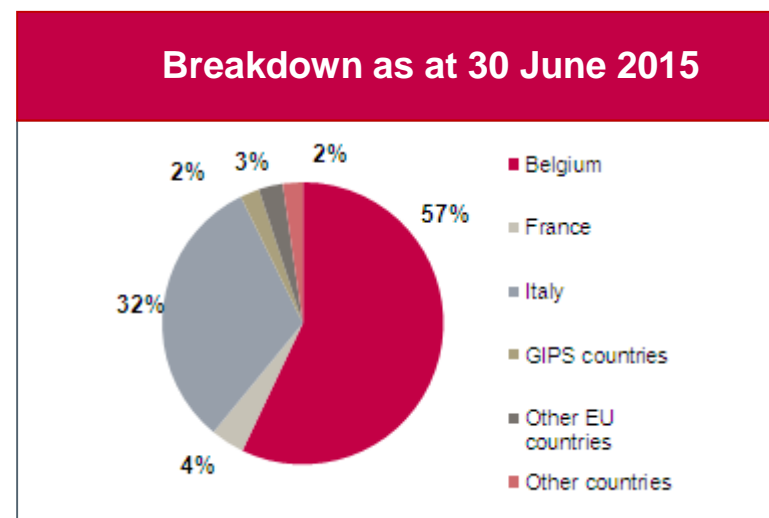
- Legacy credit guarantees portfolio stood at EUR 6.1 bn\* as at 30 June 2015, down 6% compared December 2014.
- Legacy credit guarantees portfolio is of good quality :
  - 100% of the portfolio is Investment Grade, compared to 96% by the end of 2014
  - The average rating stood at A -
- Expected average life: 7.7 years

(\*) includes the unwinding of a de-risking transaction, which was settled at the beginning of July

## ■ Additional information on risk profile

### Appendix 18 : Outstanding exposure on government bonds

(EUR m)	31/12/2013	31/12/2014	30/06/2015
Belgium	8,095	8,732	7,855
France	410	498	536
Italy	4,698	5,251	4,369
GIPS countries	100	204	305
Other EU countries	467	389	383
Other countries	296	294	315
<b>Total</b>	<b>14,066</b>	<b>15,368</b>	<b>13,763</b>



- Total government bond portfolio stood at EUR 13.7 bn as at 30 June 2015 compared to EUR 15.4 bn as at 31 December 2014
- The reduction by EUR 1.6 bn is the result of the sale of Belgian and Italian government bonds and the decrease of the market value of some government bonds
- More than half of the portfolio (57%) remains invested in Belgium government bonds

*Note: Figures are based on Maximum Credit Risk Exposure (MCRE). In case of bonds classified in the available-for-sale category, the MCRE corresponds to the fair value, after deduction of specific provisions (if any).*

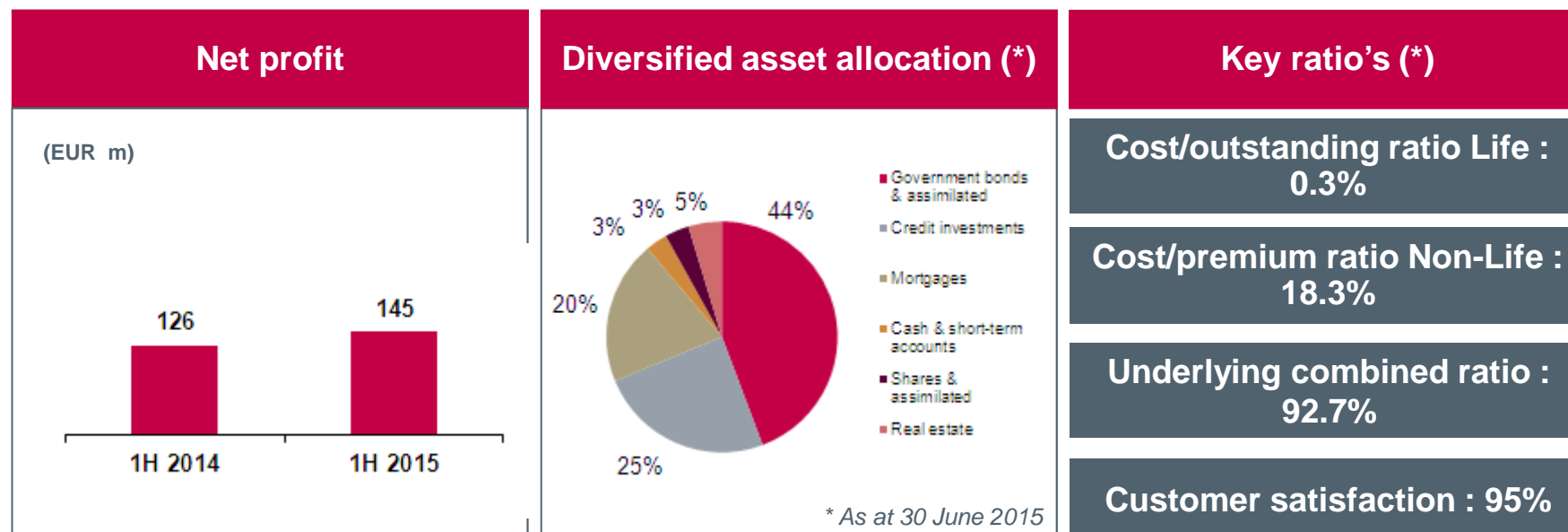
# Appendices

## Section IV – Additional information on insurance

- Appendix 19 : Focus on insurance results
- Appendix 20 : Belfius Insurance - Consolidated balance sheet
- Appendix 21 : Belfius Insurance - Consolidated statement of income

# ■ Additional information on insurance

## Appendix 19 : Focus on insurance results



- Continued focus on integrated bank-insurance approach
  - Net profit stood at EUR 145 m in 1H 2015
  - Solvency I - ratio stood at 210% & Solvency II – ratio\*\* at 227%
- Prudent investment strategy of the asset portfolio
  - Well-diversified asset allocation
  - Financial return on average life outstanding > 4%
- Most efficient insurer on the Belgian market enjoying high customer satisfaction

*\*\* After dividend. Solvency II is not yet applicable, hence the ratio is based on internal interpretation of current (draft) texts and estimates regarding Solvency II.*

## Additional information on insurance

### Appendix 20 : Belfius Insurance – Consolidated balance sheet

(EUR m)	31/12/2014	30/06/2015	Evolution
<b>Total assets</b>	<b>27,003</b>	<b>26,060</b>	<b>-943</b>
<i>of which</i>			
Loans and advances due from banks	1,439	1,108	-331
Financial investments	14,014	13,323	-691
Financial assets measured at fair value through profit and loss	4,074	4,475	401
Mortgage and other loans	6,517	6,123	-394
Investment property	392	412	20
Other assets specific to insurance companies	313	352	39
<b>Total liabilities</b>	<b>24,933</b>	<b>24,088</b>	<b>-845</b>
<i>of which</i>			
Due to banks	1,591	1,240	-351
Technical provisions for insurance companies	18,051	17,157	-894
Financial liabilities measured at fair value through profit and loss	4,074	4,475	401
Other liabilities specific to insurance companies	214	239	25
<b>Total equity</b>	<b>2,070</b>	<b>1,972</b>	<b>-98</b>
<i>of which</i>			
Core shareholders' equity	1,203	1,207	4
Gains and losses not recognized in the statement of income	852	734	-118
Non-controlling interests	3	1	-2
Discretionary Participation Feature	12	30	18

## ■ Additional information on insurance

### Appendix 21: Belfius Insurance – Consolidated statement of income

(EUR m)	1H 2014	1H 2015
<b>Income</b>	<b>267</b>	<b>297</b>
Net technical income	-153	-124
Financial income	418	419
Other income	2	2
<b>Expenses</b>	<b>-99</b>	<b>-101</b>
<b>Gross operating income</b>	<b>169</b>	<b>195</b>
Cost of risk	5	5
<b>Pre-tax income</b>	<b>174</b>	<b>201</b>
Tax expenses	-40	-55
<b>Net income after taxes</b>	<b>134</b>	<b>145</b>
Non-controlling interests	1	0
<b>Net income group share</b>	<b>135</b>	<b>145</b>
<i>of which contribution to consolidated results Belfius Bank</i>	<i>127</i>	<i>145</i>

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