

Belfius Bank

Issuer View • 1. February 2024

Authors: Dr Frederik Kunze // Lukas Kühne

Ratings

	Rating	Outlook
Fitch	A-	Stable
Moody's	A1	Positive
S&P	A	Stable

Homepage

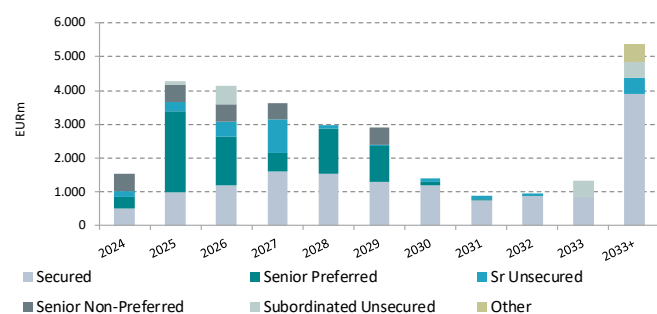
www.belfius.be

Belfius Bank (Belfius) is a national systemically important banking and insurance group (additional capital buffer of 1.5%) that has been wholly owned by the Belgian state since October 2011. In terms of assets, Belfius is the third largest bank in Belgium (June 2023) and serves over 3.8m customers. These include almost a third of all Belgian residents and half of all Belgian companies. Belfius is also the market leader in the public sector with around 12,000 customers. More than 2,000 specialists in over 450 local branches serve as personal contacts. The Group includes various wholly owned subsidiaries, including Belfius Insurance and Belfius Commercial Finance. The commercial loan portfolio is divided into mortgage and consumer loans (42%; H1/2023), corporate and business loans (37%) and public and social loans (21%). Belfius is the second largest provider of mortgage loans on the Belgian market. The segments "Individuals" (60.6% of income in H1/2023), "Entrepreneurs, Enterprises & Public entities" (39.4%) and "Group Center" (0.1%) are reported. The Group Center is mainly responsible for managing the bond and derivatives portfolio. Refinancing largely takes place via deposits (84%; H1/2023) and secured funding (7%). Covered bonds account for the majority of secured funding at EUR 6.5bn. The bank also issued its second green bond with a volume of EUR 750m in senior unsecured format in the first half of 2023. In the long term, Belfius is committed to the Paris Climate Agreement. In order to achieve this climate target, no more coal mining will be financed in future, among other things.

Balance Sheet

(EURm)	2021Y	2022Y	2023H1
Net Loans to Customers	102,679	110,311	112,351
Total Securities	44,002	34,024	33,550
Total Deposits	104,404	108,447	106,931
Tier 1 Common Capital	10,658	10,722	10,707
Total Assets	192,151	179,466	178,250
Total Risk-weighted Assets	65,095	64,796	64,928

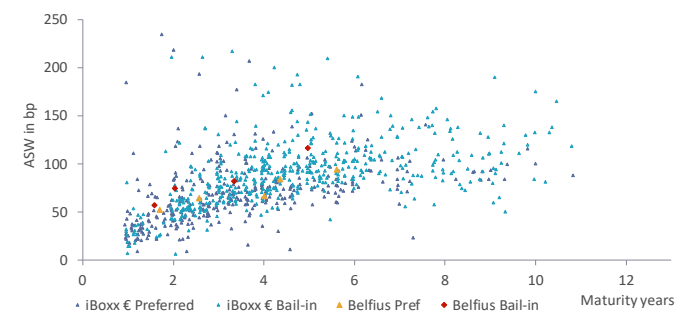
Redemption Profile



Income Statement

(EURm)	2021Y	2022Y	2023H1
Net Interest Income	2,001	2,080	1,204
Net Fee & Commission Inc.	758	790	388
Net Trading Income	25	20	61
Operating Expense	1,477	1,620	736
Credit Commit. Impairment	-1	106	17
Pre-tax Profit	1,226	1,255	676

Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023H1	2021Y	2022Y	2023H1	
Net Interest Margin	1.07	1.14	1.38	Liquidity Coverage Ratio	159.57	194.42	155.91
ROAE	8.42	8.44	8.28	IFRS Tier 1 Leverage Ratio	6.00	6.22	6.24
Cost-to-Income	54.64	54.56	51.48	NPL/ Loans at Amortised Cost	1.98	1.85	2.02
Core Tier 1 Ratio	16.37	16.55	16.49	Reserves/Loans at Amort. Cost	1.71	1.63	1.62

As of 01.02.2024; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Asset risk (focus on the wealthy Belgian market)
- Capitalization
- Funding structure

Risks / Weaknesses

- Concentration risk in the public finance portfolio
- Geographical diversification
- Operating environment (inflation)

Covered Bonds

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Mortgage cover pool totals EUR 9.992bn

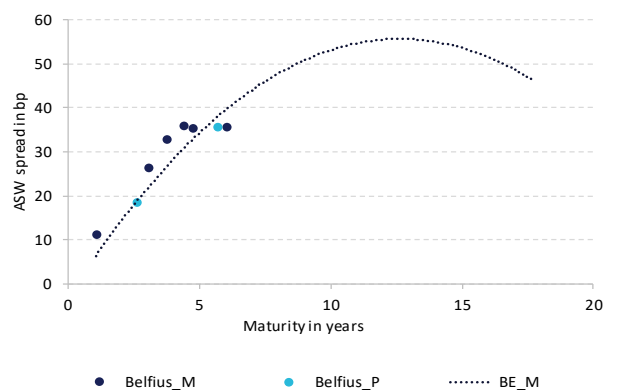
Belfius Bank maintains both a publicly secured and a mortgage-backed covered bond program. As at the reporting date of December 31, 2023, the cover assets of the mortgage pool totalled EUR 12.132bn. The cover assets are offset by mortgage covered bonds with a volume of EUR 9.992bn, resulting in an overcollateralization ratio of 21.4%. This is well above the statutory minimum requirement. The public sector pool – also as at December 31, 2023 – contains cover assets with a volume of EUR 1.686bn. These are offset by public sector covered bonds in the amount of EUR 1.211bn as at the same reporting date. The credit institution is represented in the current composition of the iBoxx EUR Covered benchmark index with a total of eight issues. While the outstanding volume of the six Mortgage Covered Bonds amounts to EUR 4.0bn, the two Public Sector Covered Bonds total EUR 1.0bn.

Programme data

31 December 2023	Public	Mortgage
Covered bonds outstanding	EUR 1.211bn	EUR 9.992bn
Cover pool volume	EUR 1.686bn	EUR 12.132bn
Current OC (nominal / legal)	39.2% / 5.0%	21.4% / 5.0%
Type	93.4% Local/municipal authorities	100% Residential
Main country	100% Belgium	100% Belgium
Main region	14.8% Brussels	15.0% Antwerpen
Number of exposures/loans	19,380	219,772
Share top 10 exposures	9.1%	0.4%
NPL	0.00%	0.00%
Fixed interest (Cover Pool / CBs)	100% / 86.1%	100% / 87.1%
WAL (Cover Pool / CBs)	6.2y / 6.7y	6.8y / 6.3y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA	AAA / - / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research

Spread overview (BMK) – Belgium



Residential cover assets located exclusively in Belgium

The mortgage cover pool consists almost exclusively of primary cover assets (share: 98.6%). In terms of the type of cover assets, the cover pool stands out with its exclusively residential cover. In addition, 95.5% of the corresponding real estate financing is assigned to the "owner occupied" category. The cover pool contains assets located exclusively in Belgium. In terms of regional distribution, Antwerp dominates (share: 15.0%) ahead of Oost-Vlaanderen (13.2%) and Vlaams-Brabant (11.0%). The granularity is reflected in the number of loans (219,772) and the low share of the ten largest exposures (0.4%). The public pool also only has cover assets located in Belgium. By type of debtor, the largest share of primary cover is attributable to the "local/municipal authorities" category (93.4%). Geographically, the assets in the public cover pool are mainly distributed across the regions of Brussels (14.8%), Liège (11.0%) and Hainaut (11.0%).

Rating and regulatory treatment

Both the Public Sector Program (Moody's: Aaa; S&P: AAA) and the Mortgage Program (Fitch: AAA; S&P: AAA) have top ratings from the respective rating agencies. Based on the ratings, a risk weight of 10% is applicable for the issuer's covered bonds in accordance with the CRR. In addition, we believe that EUR benchmark transactions are suitable as Level 1 assets for LCR management purposes. The issuer's covered bonds are also suitable as collateral in transactions with the ECB and new placements can be marketed under the European Covered Bond (Premium) label.

Appendix

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Time of going to press: Thursday, 01 February 2024 (09:03)