

Bank Van Breda did not record significant losses on credit files in 2023, although its clients continued to face the effects of high inflation in 2022. The risk costs for credit losses (including Expected Credit Losses or ECL) remained low at 0.01% of the average credit portfolio. This denotes the outstanding quality of the bank's credit portfolio as well as the resilience of its clients.

All these elements combined led to a substantial 24% increase in net profit to 84.7 million euros. As a result, return on average equity (ROE) increased from 10.1% to 11.8%.

## Solid liquidity and solvency

Adopting a prudent approach, the bank always ensures a generous liquidity position. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) at the end of 2023 were respectively 304% and 150%, both well above the statutory requirement of 100%. The credit portfolio is fully financed through client deposits, so the bank is not dependent on external financing on the financial markets.

The shareholders' equity (group share) rose to 762 million euros, contributing to the bank's strong solvency position, which represents the main protection for deposit holders. The Common Equity Tier1 ratio (CET1 ratio) stood at 17.7%. The solvency expressed as shareholders' equity to assets (leverage ratio) amounted to 8.3%, a multiple of the legally required 3%.

## ESG overview 2023

Based on the material topics identified by Bank Van Breda and the materiality analysis performed at AvH group level, 'Safe harbour', 'Business ethics' and 'Protection of data and privacy' are potentially considered of material importance at AvH level. Moreover, Bank Van Breda pays particular attention to 'Asset accumulation and protection', 'Respect for laws and regulations', 'Staff and Customer satisfaction'.

## Safe harbour

'Safe harbour' inherently encompasses safeguarding the financial stability of the bank and contribute to the Belgian economic fabric. Thanks to prudent management, the bank's equity has never been under threat during crisis periods or in turbulent financial markets. The bank has never received state aid.

The rapid succession of the COVID crisis, the energy crisis, the sharp upsurge in inflation, rising personnel costs, interest rate hikes and the 'war for talent' posed major challenges for entrepreneurs and the liberal professions. The bank reaffirmed its role as a safe harbour and chose to be in dialogue with and close to the client. Due to prudence and bankruptcy prevention, net additions to loan provisions continued to be limited in 2023. The quality of its credit portfolio and the resilience of its clients once again proved to be particularly significant.

With its credit portfolio, Bank Van Breda targets a very specific niche group of clients with economic activities in Belgium: liberal professions, family SMEs and independent entrepreneurs. This focus and relevant Belgian regulations in this respect significantly reduce the likelihood of major ESG risks.

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Dirk Wouters  
CEO

Self-employed clients have to accrue and protect their own retirement capital, whereby a long term view and consistent distribution are elementary requirements. Even in a year when the interest rate environment changed completely, clients affirmed their confidence. Deposit growth was also supported by rising customer rates, primarily on time deposit accounts. Off-balance sheet products also generated a significant increase, thanks in part to the positive stock market effect. Finally, the Net Promoter Score (NPS) of 53 confirms a high level of customer satisfaction. With this score, Bank Van Breda achieved an NPS in excess of 50 for the seventh time in a row. Internationally, this is considered an outstanding rating.

	2023	2022	2021
<b>Client satisfaction</b>			
Net Promoter Score	53	54	53
<b>Employee satisfaction</b>			
Great place to work <sup>(1)</sup>	98%	-	98%

## Employee engagement



<sup>(1)</sup> Statement 'Overall, I can say that this is an excellent organization to work for' Figures surveyed December 2021 and 2023.

## Business ethics and protection of privacy and data

The deontology and ethical values of the staff are decisive for the way in which Bank Van Breda interacts with its clients and suppliers. Cybercrime and phishing are a growing threat worldwide. Clients consider the protection of their personal data and respect for their privacy of increasing importance. The bank consequently conducts regular awareness campaigns and consistently invests in IT infrastructure and a greater focus on security. Within this context, Bank Van Breda handles and protects everyone's data in compliance with relevant laws and regulations, in an honest and transparent manner.

## ESG realisations

Bank Van Breda regards the health and well-being of its staff as a crucial asset. It pays considerable attention to attracting new talent, developing financial and specialized expertise, as well as promoting cohesion and diversity. A culture and values survey using the methodology of the 'Richard Barret Values Centre' showed that employees of the bank put 3 personal values first: honesty, a sense of responsibility and enthusiasm.



The November 2023 'Great Place to Work' survey confirmed that 98% of employees consider the bank an excellent organization to work for. In March 2024, the bank was nominated again as 'Best Employer' on the basis of this participation. The book entitled 'Medewerkers aan zet' describes the path Bank Van Breda took to evolve into 'an outstanding' organization.

The bank's own ecological footprint is limited. Nevertheless, it aims to adopt an exemplary role in this respect. A CO<sub>2</sub>-reduction plan is being rolled out to reduce emissions by more than 55% by 2030 compared to 2017 levels. New company cars are now plug-in or fully electric. The bank continues to invest in promoting bicycle use, solar panels, charging stations, insulation and energy efficient offices with heat pumps.

Entrepreneurs and liberal professions also play a crucial role in the transition to a more sustainable economy. The importance of ESG factors (ecology, social responsibility and corporate governance) has continued to increase in discussions concerning credit applications. An energy performance certificate (EPC) is standard today in applications for loans with property as collateral. Energy efficiency, the transition to renewable energy and circular enterprise are becoming increasingly important in any business plan. The bank believes that through its network it can bring clients together so that they can motivate each other.

When it comes to investments all clients are systematically surveyed about their sustainability preferences. In doing so, the bank is committed to the combination of three sustainability strategies: exclusion, engagement and integration of non-financial parameters. This approach is applied to the overall portfolios in asset management and covers all own funds. Any investments offered by Bank Van Breda, via Delen Private Bank and via other partners, not only incorporate sustainability features (SFDR Article 8) but also fit within a well-spread portfolio.

## Outlook 2024

After the sharp interest rate hikes in 2022 and 2023, the European Central Bank may ease its monetary policy again during 2024. Inflation fell faster than expected in 2023 and the inflation outlook is favourable. This may lead to a normalization of the yield curve.

Following a year of limited economic growth in the euro zone, growth expectations for 2024 are rather limited. Despite this challenging context, Bank Van Breda remains very well equipped for the future.

The commercial strength and positioning should ensure the continued increase of total client assets. The impact of this increase on the operational result will also depend on the evolution of the financial markets, the interest rate climate and the competitive environment.

Bank Van Breda has a track record of low costs for credit risks, even in an economically turbulent environment. Nevertheless, uncertainty remains about potential credit losses due to limited economic growth (and possibly a mild recession), ongoing geopolitical tensions and inflation. Given its conservative policy on the matter, this impact should remain limited in the future as well.

With its core values of 'fast, friendly & flexible', Van Breda Car Finance continues to invest in customer loyalty and remains committed to being a sound, reliable and fast acting partner for car dealers and brokers.

A team of competent staff, satisfied clients, the reputation and positioning, the ongoing investments, the prudent risk profile and the sound financial structure of the bank all serve as a solid basis for healthy, long term financial growth.

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