S&P Global Ratings

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Belfius Bank SA/NV

Primary Credit Analyst:
Anastasia Turdyeva, Dublin + (353)1 568 0622; anastasia.turdyeva@spglobal.com

Secondary Contact:
Letizia Conversano, Paris + 353 (0)1 568 0615; letizia.conversano@spglobal.com

Research Contributor:
Aashish Mundhra, CRISIL Global Analytical Center, an S&P affiliate, Pune

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Belfius Bank SA/NV

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Stable/A-1
Resolution Counterparty Rating
A+/--/A-1

SACP: a- → **Support: +1** → **Additional factors: 0**

SACP		
Anchor	a-	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support	
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A/Stable/A-1
Resolution counterparty rating
A+/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths	Key risks
Stable and top-tier domestic market position in Belgium with good business diversification between banking and insurance services.	Deterioration in the economic environment can drive credit risk, especially in the corporate and small and midsize enterprise (SME) segments.
Sound capitalization and a comfortable liquidity buffer.	Challenges to efficiency improvements on the back of continuous investments and inflationary pressures.
Low credit risk in most of its lending activities.	Geographical concentration in a single country.

Belfius Bank SA/NV (Belfius) should be able to preserve its sound solvency levels in the coming years. S&P Global Ratings anticipates that Belfius' risk-adjusted capital (RAC) ratio will stay about 10.7%-11.3% over the next two years compared with 10.9% at year-end 2022. We expect net interest income to be almost flat over the coming year but still sufficient to absorb increasing operating costs amid ongoing investments and inflationary pressures. Overall, we expect a return on average common equity of about 7.4%-7.9% over the next two years, down from our estimation of 8.7% for 2023.

Potential asset quality pressure from the current challenging economic environment should be manageable. We anticipate that Belfius' nonperforming assets (NPAs) could increase incrementally to 2.1%-2.3% in 2023-2025 from 1.94% at mid-2023 (as per S&P Global Ratings' calculation) reflecting a still-challenging economic environment and elevated interest rates. Under our current base-case scenario the rise in nonperforming loans (NPLs) will be manageable for Belfius given its prudent risk management standards, high share of lower-risk residential mortgages and public sector loans in the portfolio, and good coverage levels (about 57% coverage of Stage 3 loans) as of end-June 2023.

Like the overall Belgian banking sector, Belfius' funding and liquidity profile will remain comfortable, in our view. We expect that core customer deposits (as per S&P Global Ratings' calculation, excluding certificates of deposits) will continue to dominate the bank's funding, representing 75% of total funding as of June 30, 2023. The repayment of the remaining ECB funding through targeted long-term refinancing operations (€2.7 billion, 1.6% of its liabilities as of mid-2023) should not present a problem considering the available liquidity buffer (€45 billion, accounting for 25% of total assets) and continuous wholesale market access.

Belfius' robust additional loss-absorption capacity (ALAC) represents a cushion for the senior unsecured debt holders, and our long-term issuer credit rating on the bank will continue to benefit from one notch of ALAC uplift. We anticipate that Belfius' ALAC will remain 4.0%-4.5% of our risk-weighted assets (RWA) over the next two years, which is well above the 3% standard threshold.

Outlook

The stable outlook reflects our view that Belfius' solid franchise, good business diversification, and disciplined underwriting standards will see it maintain its creditworthiness over the next two years. The bank's profitability, supported by its bancassurance model and the high interest rate environment, also positions it well to deliver its 2025 strategy.

Downside scenario

We could lower the rating if Belfius departs from its current capital management policy. This could happen if the bank unexpectedly upstreams higher dividends to its shareholders or faces significant unforeseen one-off costs that weaken its RAC ratio below 10%. Though not our base-case scenario, we could also lower the rating if we see a risk that profitability falls significantly after the rebound since 2021.

Upside scenario

We consider an upgrade remote. However, we could consider raising the ratings if Belfius' ALAC buffer increases substantially and sustainably above 6% of our RWA metric.

Key Metrics

Belfius Bank SA/NV--Key ratios and forecasts					
	--Fiscal year ended Dec. 31 --				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	3.9	10.0	8.7-10.7	0.4-0.4	0.8-0.9
Growth in customer loans	4.7	7.6	5.4-6.6	2.7-3.3	2.7-3.3
Growth in total assets	2.2	-6.6	(2.0)-(2.4)	1.7-2.1	1.7-2.1
Net interest income/average earning assets (NIM)	1.7	1.7	1.8-2.0	1.8-1.9	1.7-1.9
Return on average common equity	8.8	8.8	8.2-9.1	7.5-8.2	7.0-7.7
Return on assets	0.5	0.6	0.5-0.7	0.5-0.6	0.5-0.6
New loan loss provisions/average customer loans	0.0	0.1	0.1-0.1	0.1-0.1	0.1-0.1
Gross nonperforming assets/customer loans	2.0	1.9	2.0-2.3	2.1-2.3	2.0-2.3
Risk-adjusted capital ratio	10.9	10.9	10.6-11.1	10.7-11.2	10.6-11.2

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For A Bank With Dominant Domestic Lending Activities

Our 'a-' anchor for a commercial bank operating only in Belgium (unsolicited; AA/Stable/A-1+) is based on a Banking Industry Country Risk Assessment economic risk score of '2' and an industry risk score of '3'. We apply weighted average economic risk to Belfius, which rounds off to '2' because most of its loans are in Belgium.

We view the economic risk trend for the Belgian banking sector as stable. Under our base-case scenario, we expect domestic GDP will continue to outperform the eurozone average and grow by 1.0% in 2023, 1.2% in 2024, and 1.8% in 2025. After inflation peaked at 10.3% in 2022, we expect it will fall to 3.5% in 2023, and even further in 2024 and 2025. However, we expect the automatic wage-indexation mechanism and strong labor market will largely shield private consumption. We estimate that the unemployment rate will remain as low as 5.6%. The higher cost of debt--in a higher-interest-rate environment--has been slowing down domestic private sector credit growth, which we now expect to normalize at about 4% over the next few years. As a result, residential house prices will also cool down after years of dynamic growth. In particular, we expect house prices will decrease (in real terms) by 7.2% in 2023 and 3.5% in 2024, before starting to recover in 2025. At this stage, we see such a correction as short-lived and the recovery as driven by structural factors such as the country's limited land. We see a deterioration in banks' asset quality as likely from 2024, although moderate compared to the current historic lows. Belgian banks' asset quality is structurally supported by fixed-rate long-term mortgages, which represent the largest part of banks' loan portfolios. We anticipate that an increase in NPLs will come mostly from lending to corporates and SMEs. We expect Belgian banks will maintain prudent provisioning and that credit impairment charges will remain stable at a through-the-cycle level of about 20 basis points (bps) to 25 bps.

Our assessment of the industry risk trend for Belgium-based banks is also stable. The higher-interest-rate environment, still relatively low deposit betas applied by banks on savings deposits, and the bancassurance business model will continue to support banks' profitability, counterbalancing increasing costs. These costs relate to inflationary pressure;

continued investment in digital, information technology (IT), compliance requirements; and increasing bank levies. We also expect deposit betas could increase faster than initially planned following the issuance of the 3.3% gross-of-tax-yield one-year government bond. Customer deposits remain the core of banks' funding, fully financing outstanding loans. We anticipate that the loan-to-deposit ratio--as per our calculation--will likely increase from the current 83% in the context of higher interest rates. We consider that Belgian systemwide funding benefits from the depth of the domestic financial market and potential funding support from the European Central Bank (ECB), among other factors.

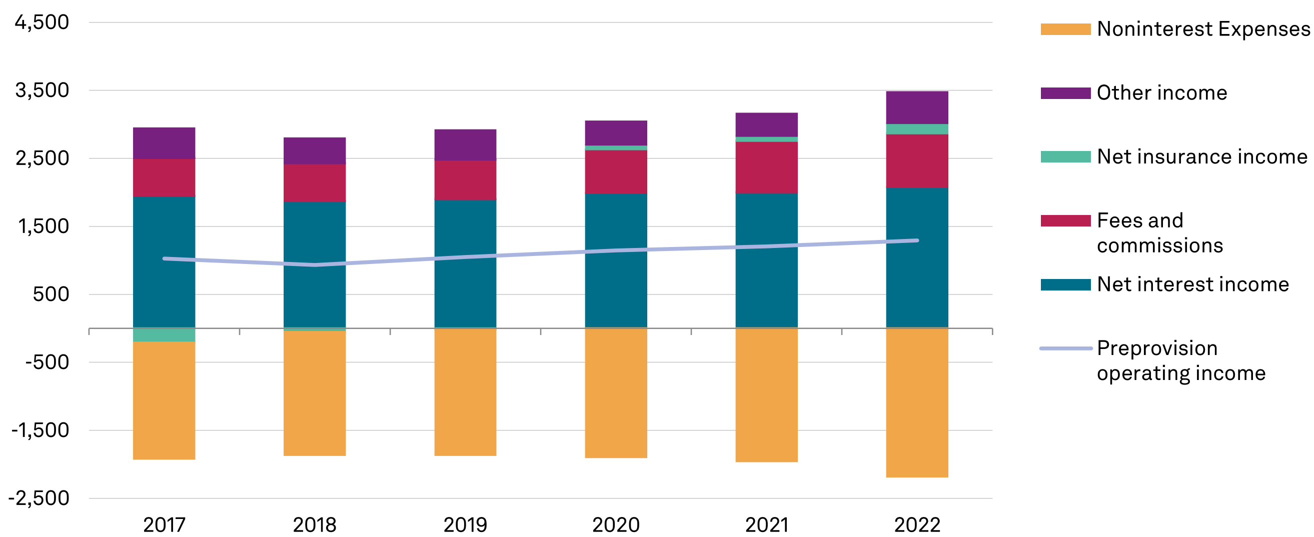
Business Position: A Resilient Franchise In Belgium

In our view, Belfius' business position benefits from a solid, resilient franchise thanks to its bancassurance model. It is the third-largest bank in Belgium with a market share of about 18% in domestic mortgages and above 50% in loans granted to the public sector. We expect the share of public sector loans to decline gradually in line with Belfius' strategy to increase its SME and corporate loans. Notably, the public finance portfolio is low risk and resilient to economic swings but provides modest profitability compared to other segments.

Belfius has exhibited moderate yet resilient profitability that has improved steadily since 2015. This growth is underpinned by successful improvements in its retail and commercial banking franchise, as well as its corporate finance segment, marked by significant market share gains. Revenue diversification between banking, insurance, and asset-management business lines supports top-line stability and helps mitigate Belfius' business concentration in a single country compared to more diversified peers. Various insurance products contribute approximately one-fourth to the group's revenue. We anticipate continued revenue resilience from the bank's well-balanced business mix in the quarters ahead.

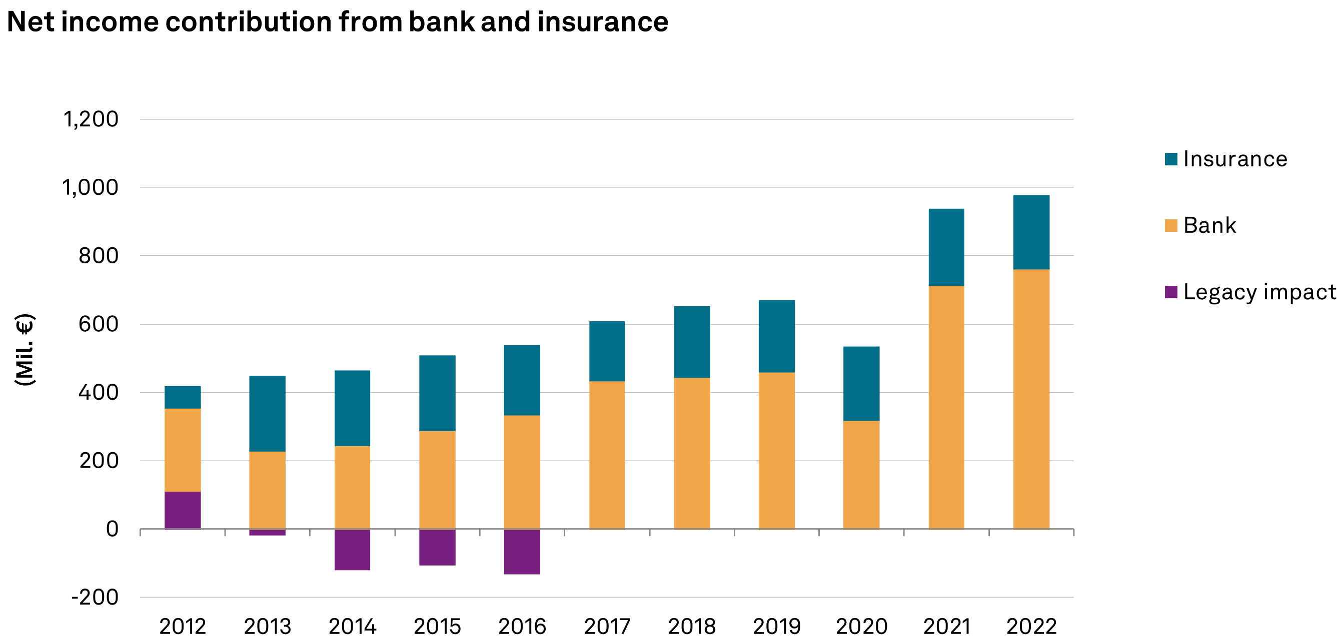
Chart 1

Increasing pre-provision income over the last five years
Pre-provision income structure, items in € millions



Source: S&P Global Ratings.

Chart 2



Source: Belfius Bank. Legacy impact not disclosed after 2016.

Belfius Bank is largely on track with its "Inspire 2025" strategy. We understand the group aims to be at the center of customers' daily life and operations. Therefore, for individuals, the group's strategy largely focuses on improving the customer offering, notably through the digitalization of daily banking services, the availability of personal investment advisors, and access to real estate and mobility services via its digital platform. The group reinforces services to entrepreneurs and enterprises via a range of financing solutions, life and non-life insurance, and cross-selling between entrepreneurs and enterprises and its private wealth management business division. We consider the focus on efficiency notably via increasing recourse to digital channels as critical to managing costs in an inflationary environment and sustaining profitability through the cycle. However, we do not think Belfius will sustain cost-to-income ratio of 45% it reported as of mid-2023 owing to elevated inflation and its ongoing investment plans.

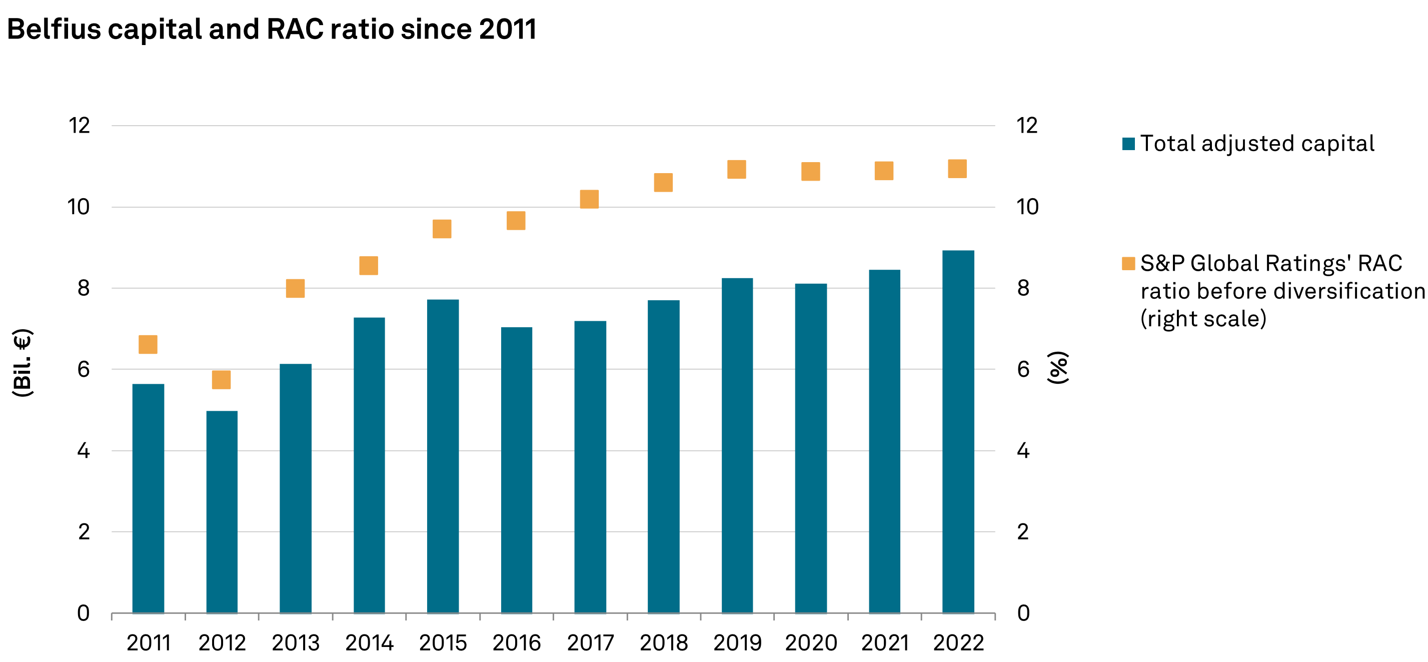
Belfius remains government owned, even if it operates like a private bank. In summer 2018, the Belgian government postponed a partial privatization. The government has not been vocal about Belfius future over the past few years, and we understand that given ongoing economic challenges, there are other priorities. We doubt any privatization could reasonably occur in the next couple of years, even though we understand that an IPO remains the preferred option in the longer term.

Capital And Earnings: Prudent Capital Management And Stable Earnings Support Strong Capital Buffers

We view Belfius as a well-capitalized bank with solid earnings capacity leveraging on its bancassurance business model.

We have observed a stabilization of the bank's capital position since 2019 and expect its prudent capital management and stable retained earnings to preserve its sound solvency level. Also, the implementation of IFRS 17 from Jan. 1, 2023, has led to strengthened capital adequacy of the group's insurance entity (see "Belgium-Based Belfius Insurance Ratings Raised To 'A' From 'A-'; Outlook Stable," Nov. 30, 2023) and will benefit our RWAs calculation for Belfius Bank from 2023 onward. We project the RAC ratio (before diversification) to hover around 10.7%-11.3% over the next two years.

Chart 3



Source: S&P Global Ratings.

In terms of regulatory capital ratios, with a fully loaded common equity Tier 1 (CET1) ratio of 16.5% on June 30, 2023, Belfius is above its supervisory review and evaluation process (SREP) minimum capital requirement of 10.07%. The large difference between our RAC ratio and the bank's CET1 ratio at mid-2023 stems from the full deduction of capital invested in insurance activities and the higher risk weights we apply to retail and corporate exposures.

In the 2023 EU stress test, Belfius demonstrated somewhat better resilience when compared to the 70 largest participating banks. Even under severe hypothetical stress conditions, Belfius would maintain the ability to distribute dividends while managing a fully loaded CET1 ratio depletion of minus 4.12% over the test period, which is better than the average of minus 4.59% for all participating banks.

We incorporate into our forecast S&P Global Ratings' RWAs rising by about 5.5%-6.0% in 2023 and about 4.0%-4.5% in 2024, above the expected loan book growth for year-end 2024, because we anticipate the commercial lending portfolio to expand with the increasing weight of the corporate loan book. We assume the share of public sector loans will gradually decrease but remain stable in absolute terms.

We expect Belfius's net income will be €940 million-€990 million in 2023 and above €900 million in 2024-2025. Rising costs because of high inflation and continuous investments in strategic development and the digitalization will continue to weigh on efficiency. We expect the cost-to-income ratio to remain 62%-65% in the coming two years. As we anticipate some moderate asset quality deterioration, we project an increase in cost of risk to 8-10 bps from the 5 bps we expect for 2023. Overall, we expect a return on average common equity of about 7.4%-7.9% over the next two years, compared with our estimation of 8.7% for 2023. We also assume the dividend payout ratio remains stable at 40%, in line with the past two years.

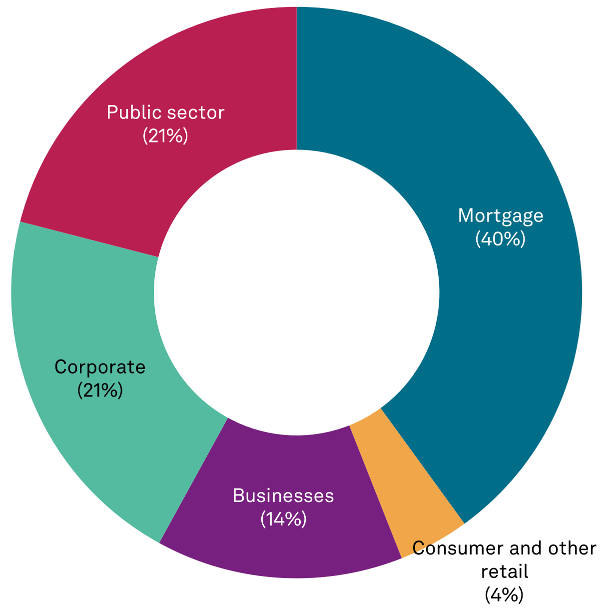
Risk Position: Geographically Concentrated But Predominantly Exposed To Lower-Risk Segments

Although the group is not immune to asset-quality pressure, mortgage loans (approximately 40% of the loan portfolio) and public finance loans (21%) form a substantial part of its exposures. We expect this portfolio, being lower risk and more resilient to economic swings, to continue to perform well.

Chart 4

Loan book by sector (June 2023)

A well diversified book with still high share of low-risk public sector



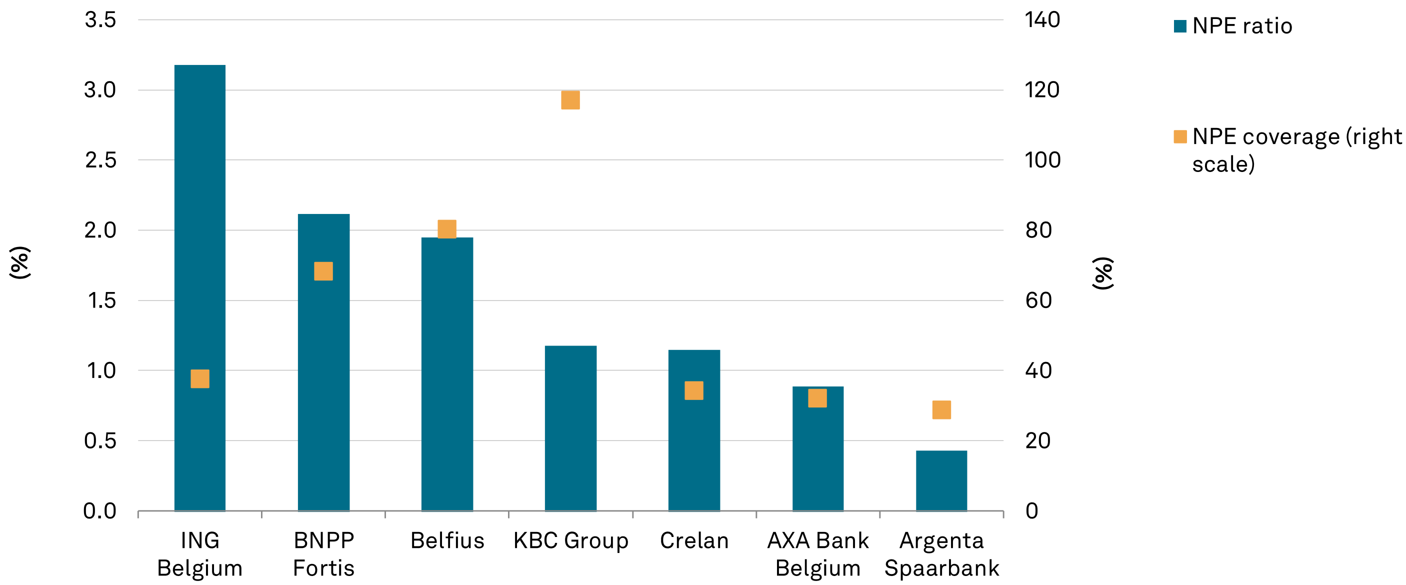
Source: Belfius Bank Belfius Bank (report as of June 30, 2023).

We anticipate more pressure on asset quality to come from exposure to SME and corporate loans, which continues to grow (34% at end-June 2023 versus 25% in 2012). We also see construction and real estate, together accounting for about 30% of the corporate loan portfolio as of mid-2023, as a pocket of risk for the bank. However, the overall performance of this portfolio remains quite benign and, despite some increase in probability of default for the construction sector over the past year, it remains low at 1.85% as of end-June 2023.

We expect that Belfius' NPAs will increase incrementally to 2.1%-2.3% in 2023-2025 from 1.94% at mid-2023 (as per S&P Global Ratings' calculation) reflecting the still-challenging economic environment and elevated interest rates. However, under our current base case, we expect Belfius to manage the anticipated increase in NPAs and we think cost of risk will remain contained to 10-15 bps. This reflects Belfius' prudent risk management standards and loan mix, as well as good coverage levels (about 57% coverage of Stage 3 loans) as of end-June 2023.

Chart 5

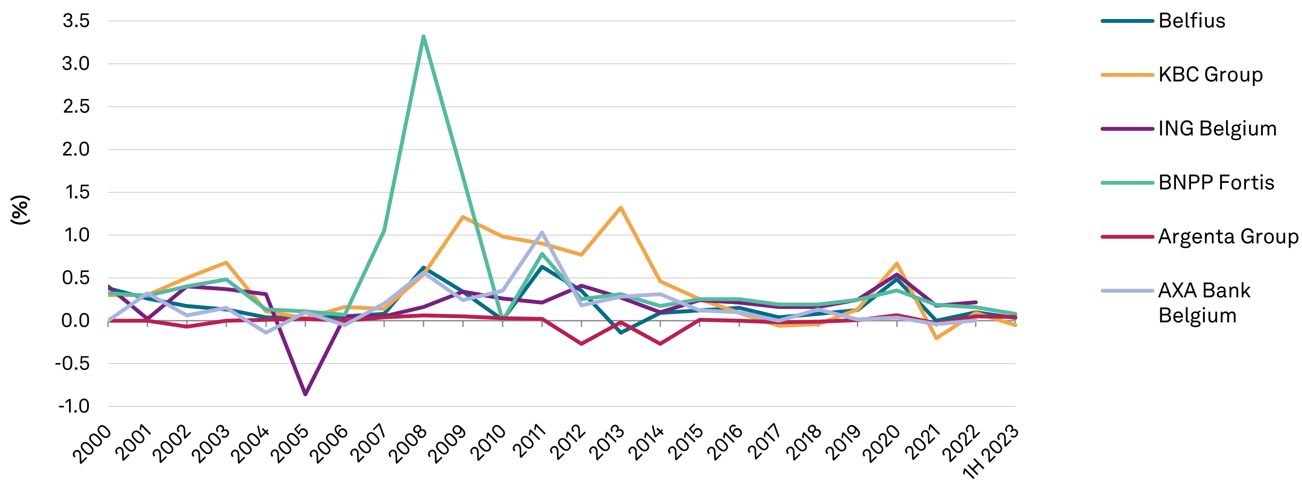
Asset quality domestic peer comparison



Data as of June 30, 2023 for all except ING Belgium (Sep. 30, 2023) and AXA Bank (December 2022). Source: S&P Global Ratings.

Chart 6

Credit cost comparison with domestic peers



H1 2023 data not available for ING Belgium and AXA Bank Belgium. Source: S&P Global Ratings.

Although previously the legacy assets inherited from Dexia Bank Belgium (bond portfolio, credit guarantees, and derivatives) weighed on our view of the bank's credit risk, this is no longer the case because this exposure has reduced. The notional amount of the run-off portfolio has decreased from €14.0 billion in first-half 2022 to €12.7 billion in first-half 2023. Despite being well managed, the run-off portfolios will take a very long time to mature and will continue to weigh on the balance sheet for many years, in our view. However, the overall credit risk within this run-off portfolio is quite limited.

We believe Belfius has very solid asset-liability management expertise, which has helped it manage the implications of rapidly increasing interest rates, monitor the pace of repricing its loan books, and adapt to the increasing cost of funding resources. At mid-2023, Belfius estimated that a 95 bps increase/decrease in the rate curve would cumulatively affect, over three consecutive years, its net interest income by 3.5% (about €73 million) and minus 4.5% (about €95 million), respectively.

Funding And Liquidity: Balanced Funding Profile Thanks To A Stable Deposit Base

We view Belfius' funding and liquidity profile as sound and in line with domestic peers'. Its stable funding ratio was 110% at end-June 2023 and is in line with European peers', having gradually improved from 80% in 2012 in tandem with the bank's deleveraging plan.

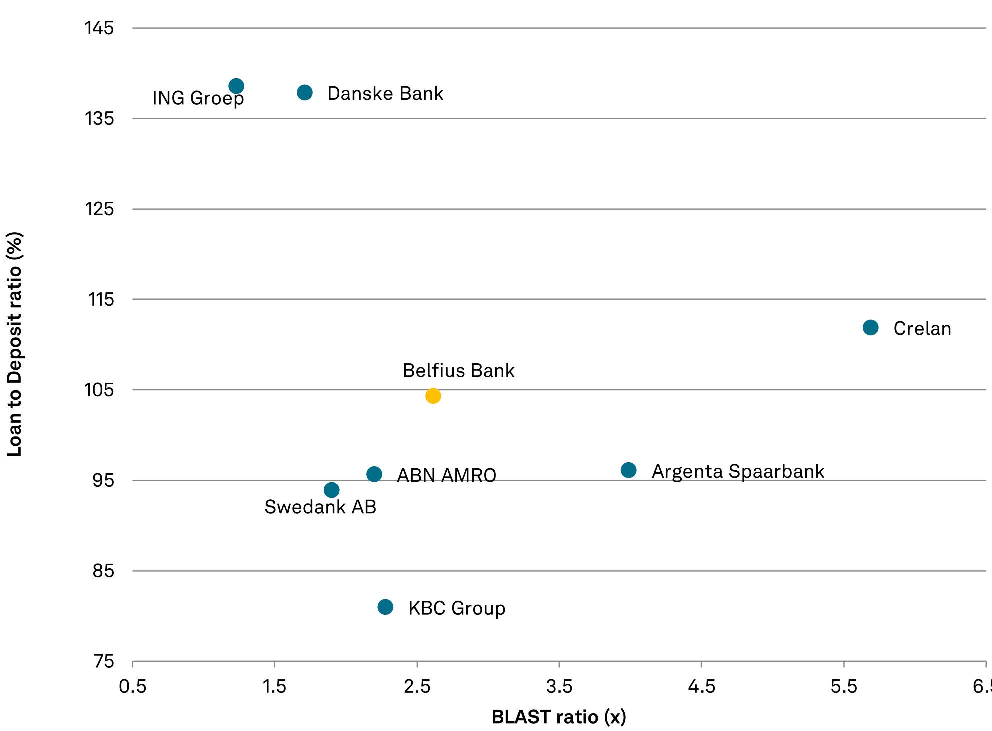
The bank has a strong deposit franchise and we anticipate that Belfius will maintain a comfortable liquidity buffer, with limited recourse to short-term debt. The bank's quite granular and sticky deposit base, due to the entrenched retail franchise, represents about 75% of the funding base.

In September 2023, the Belgian government proposed "bons d'Etats" to its population. Thanks to an interest gross rate of 3.3% and advantageous fiscal treatment, Belgian residents bought roughly €22 billion of this issuance, which therefore lowered Belgian banks' deposit bases and liquidity positions. Belfius saw a €3.5 billion outflow of deposits to "bons d'Etats" out of the €107.7 billion in core deposits (as per S&P Global Ratings' definition, excluding certificates of deposits) the bank had reported as of mid-2023. This outflow had a minimal negative impact on Belfius' loans-to-deposits (LTD) ratio of about 2 percentage points, increasing it to 106%. Considering Belfius' sound funding and liquidity metrics--with a 12-month average liquidity coverage ratio of 156% and a net stable funding ratio of 133%--we do not see this one-off event as affecting our funding and liquidity assessment.

Belfius benefits from its access to a reasonably diversified mix of funding sources, both on a secured and unsecured basis. The bank's reliance on wholesale funding is moderate. Wholesale funding maturing in the next 12 months accounts for about 4.8% of Belfius' total funding base (net of TLTRO) at end-June 2023 and is generally in line with peers'. Wholesale issuances will continue to focus on compliance with the minimum requirement for own funds and eligible liabilities and liquidity management. Belfius has also demonstrated its ability to access wholesale markets through the cycle.

Chart 7

Belfius's funding and liquidity profile is in line with peers



Source: S&P Global Ratings. Data as of June 30, 2023.

Liquidity metrics are largely in line with those of peers and the top 50 European banks. We estimate the ratio of net broad liquid assets to short-term customer deposits was 20.5% at year-end 2022 versus the average of 19.7% for peers. This ratio measures liquid asset coverage of deposits after a run-off of short-term wholesale funding.

At June 30, 2023, Belfius had an outstanding targeted longer-term refinancing operations (TLTRO) III participation of only €2.7 billion, down from €6.0 billion at year-end 2022. Therefore, upcoming maturities of TLTRO should not pose risks, especially factoring in the bank's good liquidity buffer. As of mid-2023 Belfius estimated its liquidity reserves at €45 billion (versus €119 billion of commercial funding), which comprised €24 billion of cash placed with central bank, €8 billion of high-quality liquid bonds, and €12 billion of assets eligible for repurchase at the ECB.

Support: One Notch Of Uplift For ALAC

We apply one notch of ALAC support to our long-term rating on Belfius because we believe that it has a sufficient buffer of subordinated bail-in-able instruments to provide protection to senior debtholders in a resolution scenario, reducing the likelihood of default. The ALAC ratio stood at 4.6% of S&P Global Ratings' RWAs at year-end 2022 after Belfius issued number of instruments ahead of schedule to take advantage of market conditions in 2022. We estimate the ALAC ratio will stabilize and remain within 4.0%-4.5% of our RWAs over the next two years, which is well above our 3% standard threshold qualifying for one notch of support. Belfius' regulatory bail-in cushion--the minimum requirement for own funds and eligible liabilities (MREL)--was 30% on June 30, 2023, versus the 27.6% minimum requirement (including 4.37% combined buffer requirement).

Additional Rating Factors

No additional factors affect the ratings.

Environmental, Social, And Governance

ESG factors are a neutral consideration in our credit analysis of Belfius. The bank, like many other peers, faces environmental risks mainly through its portfolio exposure to carbon transition and physical risks. Despite the challenges relating to availability of relevant data and evolving reporting standards, Belfius is gradually incorporating climate risk considerations into its risk appetite frameworks and reporting.

Due to a material share of retail operations, Belfius is structurally exposed to conduct risks and is required to meet high compliance standards by the regulator. These risks are mitigated through comprehensive internal policies and procedures.

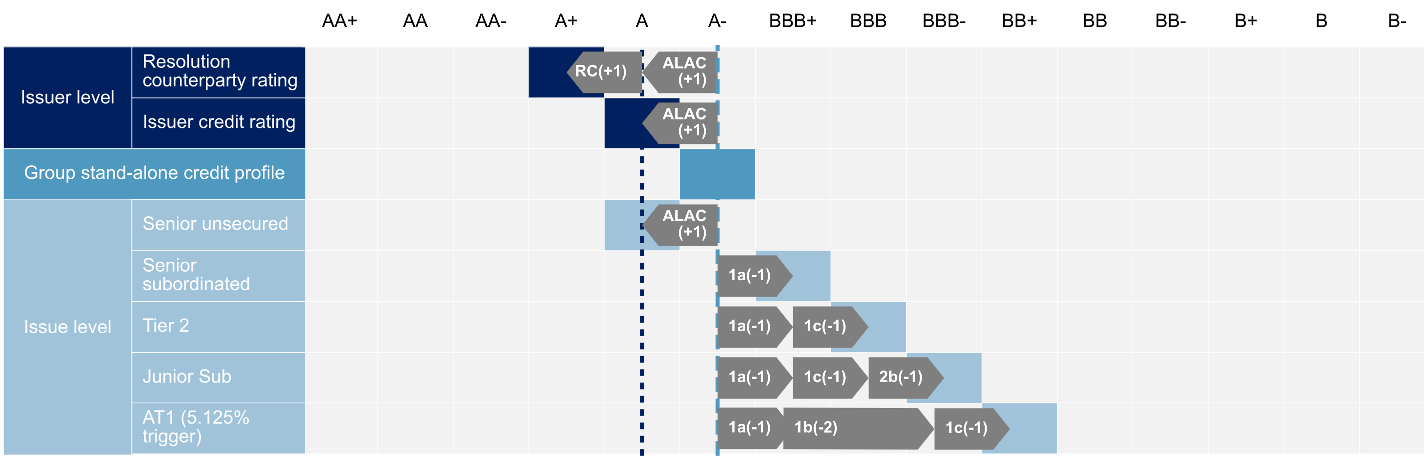
Belfius is majority owned by the Belgian state but the large presence of independent directors and Belgium's developed legal and regulatory frameworks mitigate governance risks, in our view.

Group Structure, Rated Subsidiaries, And Hybrids

We see the insurance activities as core to Belfius's strategy. Our long-term ratings on the operating insurance subsidiary, Belfius Insurance, reflect the insurance company's strength, noting its 'a' SACP. This is one notch higher than the SACP on parent Belfius Bank but in line with the long-term rating on the bank, which benefits from one notch of ALAC uplift.

The ratings on the subordinated and hybrid issues reflect our analysis of the instruments and their respective features.

Belfius Bank SA/NV: Notching



Key to notching

Group stand-alone credit profile

Issuer credit rating

RC	Resolution counterparty liabilities (senior secured debt)
ALAC	Additional loss-absorbing capacity buffer
1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent
2b	Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

Resolution Counterparty Ratings (RCRs)

Our 'A+' long-term RCR on Belfius is one notch above the long-term issuer credit rating. The RCR reflects our typical approach under our framework when the ICR ranges from 'BBB-' to 'A+' along with our jurisdiction assessment for Belgium.

An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Key Statistics

Table 1

Belfius Bank SA/NV--Key figures

	--Year-ended Dec. 31--				
(Mil. €)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	165,497.9	162,330.4	174,276.8	169,996.7	154,673.6
Customer loans (gross)	114,064.8	107,177.1	99,646.4	95,175.9	91,678.7
Adjusted common equity	8,242.6	8,405.9	7,933.8	7,584.1	7,720.9
Operating revenues	1,873.5	3,473.5	3,157.7	3,039.6	2,895.8
Noninterest expenses	1,183.6	2,180.1	1,951.7	1,895.4	1,844.5
Core earnings	477.9	924.3	922.1	544.7	683.8

*Data as of June 30.

Table 2

Belfius Bank SA/NV--Business position

	--Year-ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (currency in millions)	1,882.8	3,551.4	3,187.6	3,052.0	2,900.9
Commercial & retail banking/total revenues from business line	N/A	78.2	79.1	77.3	78.6
Other revenues/total revenues from business line	N/A	21.8	20.9	22.7	21.4
Return on average common equity	8.7	8.8	8.8	5.3	6.9

*Data as of June 30. N/A--Not applicable.

Table 3

Belfius Bank SA/NV--Capital and earnings

	--Year-ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	17.3	17.3	17.1	18.0	16.4
S&P Global Ratings' RAC ratio before diversification	N/A	10.9	10.9	10.9	10.9
S&P Global Ratings' RAC ratio after diversification	N/A	10.1	10.1	10.2	10.2
Adjusted common equity/total adjusted capital	94.3	94.4	94.1	93.8	94.0
Net interest income/operating revenues	64.3	59.9	63.4	65.5	65.6
Fee income/operating revenues	20.7	22.7	24.0	21.1	20.0
Market-sensitive income/operating revenues	3.7	1.3	0.8	2.6	5.2
Cost to income ratio	63.2	62.8	61.8	62.4	63.7
Preprovision operating income/average assets	0.8	0.7	0.6	0.6	0.6
Core earnings/average managed assets	0.5	0.5	0.5	0.3	0.4

*Data as of June 30. N/A--Not applicable.

Table 4

Belfius Bank SA/NV--Risk-adjusted capital framework data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	63,483.3	2,413.5	3.8	1,727.8	2.7
Of which regional governments and local authorities	18,414.6	758.7	4.1	792.1	4.3
Institutions and CCPs	6,850.7	1,505.5	22.0	1,201.9	17.5
Corporate	55,037.5	36,572.2	66.4	43,556.3	79.1
Retail	55,208.0	5,244.2	9.5	19,418.8	35.2
Of which mortgage	39,752.5	2,051.2	5.2	9,249.4	23.3
Securitization§	108.8	46.8	43.0	40.7	37.4
Other assets†	2,343.9	1,832.1	78.2	2,565.9	109.5
Total credit risk	183,032.1	47,614.2	26.0	68,511.4	37.4
Credit valuation adjustment					
Total credit valuation adjustment	--	320.7	--	1,069.8	--
Market Risk					
Equity in the banking book	486.6	471.6	96.9	4,266.1	876.8
Trading book market risk	--	2,980.4	--	3,368.6	--
Total market risk	--	3,452.0	--	7,634.7	--
Operational risk					
Total operational risk	--	3,667.5	--	4,226.9	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	64,796.1	--	81,442.9	100.0
Total Diversification/ Concentration Adjustments	--	--	--	6,411.3	7.9
RWA after diversification	--	64,796.1	--	87,854.2	107.9
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio before adjustments		11,219.0	17.3	8,902.9	10.9
Capital ratio after adjustments‡		11,219.0	17.3	8,902.9	10.1

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2022', S&P Global Ratings.

Table 5

Belfius Bank SA/NV--Risk position

		--Year-ended Dec. 31--			
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	12.9	7.6	4.7	3.8	4.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	7.9	7.4	6.5	7.2

Table 5

Belfius Bank SA/NV--Risk position (cont.)					
	--Year-ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total managed assets/adjusted common equity (x)	21.6	21.4	24.2	24.8	22.3
New loan loss provisions/average customer loans	0.0	0.1	(0.0)	0.5	0.1
Net charge-offs/average customer loans	0.1	0.0	0.0	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	1.9	1.9	2.0	2.2	2.0
Loan loss reserves/gross nonperforming assets	80.2	88.5	87.0	88.0	80.7

*Data as of June 30. N/A--Not applicable.

Table 6

Belfius Bank SA/NV--Funding and liquidity					
	--Year-ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	75.4	76.3	72.4	70.8	72.5
Customer loans (net)/customer deposits	104.3	96.8	93.2	97.1	103.9
Long-term funding ratio	92.0	91.4	87.9	87.6	93.1
Stable funding ratio	110.1	115.5	114.4	108.2	105.1
Short-term wholesale funding/funding base	8.6	9.3	13.0	13.3	7.5
Regulatory net stable funding ratio	133.0	135.0	136.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	2.6	2.7	2.3	2.0	2.6
Broad liquid assets/total assets	18.1	19.7	22.6	19.5	13.4
Broad liquid assets/customer deposits	29.9	32.5	41.4	38.1	26.7
Net broad liquid assets/short-term customer deposits	18.7	20.5	23.8	19.7	16.8
Regulatory liquidity coverage ratio (LCR) (x)	156.0	173.0	195.0	N/A	N/A
Short-term wholesale funding/total wholesale funding	34.5	38.8	46.5	45.2	27.0
Narrow liquid assets/3-month wholesale funding (x)	7.8	8.9	2.6	2.4	5.3

*Data as of June 30. N/A--Not applicable.

Belfius Bank SA/NV--Rating component scores	
Issuer Credit Rating	**A/Stable/A-1**
SACP	a-
Anchor	a-
Economic risk	2
Industry risk	3
Business position	Adequate
Capital and earnings	Strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	+1

Belfius Bank SA/NV--Rating component scores (cont.)	
Issuer Credit Rating	**A/Stable/A-1**
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology , Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions , Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- ARCHIVE | General Criteria: Hybrid Capital: Methodology And Assumptions , July 1, 2019
- General Criteria: Group Rating Methodology , July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology , July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Guarantee Criteria , Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Belgium, December 4, 2023
- Belgium-Based Belfius Insurance Ratings Raised To 'A' From 'A-'; Outlook Stable, November 30, 2023
- Banking Industry Country Risk Assessment Update: November 2023, November 29, 2023
- Credit Conditions Europe Q1 2024 Adapting To New Realities, Nov. 28, 2023
- Economic Outlook Eurozone Q1 2024: Headed For A Soft Landing, November 27, 2023
- Belgium, September 18, 2023
- Banking Risk Indicators: November 2023 Update, Nov. 6, 2023
- Global Banks Country-By-Country Outlook 2024, Nov. 16, 2023
- Eurozone Banks: Higher Reserve Requirements Would Dent Profits And Liquidity, Oct. 24, 2023
- The Resolution Story For Europe's Banks: Making The Regime Fit For Purpose, Oct. 4, 2023

Ratings Detail (As Of December 28, 2023)*	
Belfius Bank SA/NV	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Certificate Of Deposit	
Local Currency	A/A-1
Junior Subordinated	BB+
Junior Subordinated	BBB-
Senior Secured	AAA/Stable
Senior Subordinated	BBB+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BBB
Issuer Credit Ratings History	
16-Dec-2021	A/Stable/A-1
10-Nov-2016	A-/Stable/A-2
26-Apr-2012	A-/Negative/A-2
Sovereign Rating	
Belgium	AA/Stable/A-1+
Related Entities	
Belfius Insurance	
Issuer Credit Rating	A/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:
Financial Institutions EMEA; Financial_Institutions_EMEA_Mailbox@spglobal.com