

**Long-Term Issuer Rating:** A-  
Outlook: stable

Short-Term Rating: L2

Preferred Sen. Unsec. Debt: BBB+  
Non-Preferred Sen. Unsec. Debt: BBB  
Tier 2 Capital: BB+  
AT1 Capital: BB

**24 September 2019**

### Rating Action:

**Creditreform Rating affirms Belfius Bank SA/NV (Group) long-term issuer rating at 'A-' (Outlook: stable). In addition, our ratings of the Group's bank capital and debt instruments are affected by the change in our rating methodology.**

Creditreform Rating (CRA) has affirmed Belfius Bank SA/NV (Group) – in the following Belfius - long-term issuer rating at 'A-' and the short-term rating at 'L2'. The rating outlook is stable.

At the same time, we affirm the rating of the Tier 2 capital of Belfius at 'BB+' and the rating of Additional Tier 1 at 'BB'. In addition, adjustments in our rating methodology for bank capital and debt instruments occurred because of legislative alterations in the European Union. As a result, CRA reclassifies its rating of senior unsecured debt to preferred senior unsecured debt and affirms it at 'BBB+'. Moreover, CRA assigns the non-preferred senior unsecured debt, which ranks junior to preferred senior unsecured debt, the following rating: 'BBB'.

Please find a complete list of rating actions regarding the bank at the end of this rating update. In addition, we refer to the more detailed report of the Group from July 2018 on our homepage.

### Key Rating Drivers

CRA has affirmed the rating of Belfius and its bank capital and debt instruments as a result of its periodic updating process for the following reasons:

- Stable and adequate capitalization
- Sound quality of assets with a low NPL ratio
- Average earnings figures
- Relatively low RWA ratio despite the continuous increase in recent years

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### Rating Rationale

Belfius's credit affirmation was primarily driven by its adequate capitalization, the sound asset quality and the average earnings figures. By contrast to the statement in our last report, the federal state of Belgium postponed the flotation of some shares of Belfius Bank.

### Profitability

Belfius increased its net profit year-over-year and for the seventh consecutive year in a row. However, the bank displayed a decreased pre-impairment operating profit and could improve its net profit primarily due to some non-recurring income and the reduced tax expenses as a result of the tax reform in Belgium. Moreover, higher operating expense lead to a worsening of the banks cost-to-income ratios.

Notwithstanding, the banks income figures are in line with the average of the peer group.

### Asset Situation and Asset Quality

Belfius maintains its sound quality of assets in 2018. The NPL ratio (from 2018 onwards calculated by stage 3 loans over net loans to customers) is with 2.05% at a relatively low level. The bank's net write-offs on customers loans are considerably low. In addition, the bank displays a below peer group average risk weighted asset (RWA) ratio. However, the RWA ratio has increasing in recent years.

### Refinancing and Capital Quality

The regulatory capital figures of Belfius and its leverage ratio are adequate and in line with the average of the peer group. With a CET1 ratio of 16%, the bank comfortably exceeds the SREP requirement of 10.125% in 2018. Merely the total equity / total assets ratio is below the average of the peer group. According to the banks half-year report, the bank reveals a slight decline in its CET1 ratio to 15.5%.

The ratings bank capital and debt instruments of Belfius are affected by the change in our rating mechanism.

### Liquidity

In our opinion, the overall liquidity situation of the bank is satisfactory.

### Outlook

We consider the outlook of the long-term issuer rating and the rating of bank capital and debt instruments of Belfius as stable. This reflects our view that Belfius is likely to keep its level of profitability while maintaining an adequate capitalization in the upcoming years. In addition, we assume stable asset quality figures. However, we will observe the high concentration risk of Belfius with regard to the market in Belgium as well as the development of its risk-weighted assets.

### Scenario Analysis

In a scenario analysis, the rating of Belfius developed significantly better in the "best case" scenario and significantly worse in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We could upgrade the long-term issuer credit rating of Belfius and its bank capital and debt instruments if we see a material improvement in the bank's capital and earnings figures.

By contrast, a downgrade of Belfius's long-term issuer credit rating and its bank capital and debt instruments is likely if we see that the bank is not able to maintain its level of capitalization. In addition, declining profitability figures as well worsening asset quality might lead to a downgrade of the bank's long-term issuer rating and its bank capital and debt instruments.

### CRA's rating actions at a glance

Belfius Bank SA/NV (Group):

- Long-Term Issuer Rating affirmed at 'A-', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and affirmed at 'BBB+'
- Non-preferred senior unsecured debt rated at 'BBB'
- Tier 2 capital affirmed at 'BB+'
- AT1 capital affirmed at 'BB'

## Ratings Detail

### Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **A- / stable / L2**

### Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred senior unsecured debt (PSU): **BBB+**  
 Non-preferred senior unsecured debt (NPS): **BBB**  
 Tier 2 (T2): **BB+**  
 Additional Tier 1 (AT1): **BB**

## Ratings Detail and History

Please consult our website [www.creditreform-rating.de](http://www.creditreform-rating.de) for additional information regarding the dates of publication.

Figure 1: Ratings Detail and History

Bank Issuer Rating	Rating Date	Publication Date	Result
Initialrating	09.07.2018	25.07.2018	A- / stable / L2
Update	24.09.2019	25.09.2019	A- / stable / L2
Bank Capital and Debt Instruments	Rating Date	Publication Date	Result
Senior Unsecured / T2 / AT1 (Initial)	09.07.2018	25.07.2018	BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	24.09.2019	25.09.2019	BBB+ / BBB / BB+ / BB

### Appendix

Figure 2: Group income statement | Source: eValueRate / CRA

Income Statement	2015	2016	2017	%	2018
<b>Income (€000)</b>					
Net Interest Income	2.023.685	1.943.232	1.951.473	-4,1	1.871.538
Net Fee & Commission Income	497.000	507.470	552.663	+0,5	555.656
Net Insurance Income	-285.881	-258.613	-208.814	-74,2	-53.891
Net Trading Income	51.587	130.095	153.101	-66,0	52.095
Equity Accounted Results	8.292	5.018	4.195	-58,4	1.745
Dividends from Equity Instruments	61.647	88.233	73.083	-2,9	70.981
Other Income	113.623	209.361	141.054	+38,9	195.939
<b>Operating Income</b>	<b>2.469.953</b>	<b>2.624.796</b>	<b>2.666.755</b>	<b>+1,0</b>	<b>2.694.063</b>
<b>Expenses (€000)</b>					
Depreciation and Amortisation	90.003	75.224	74.205	+30,9	97.129
Personnel Expense	610.419	580.201	562.324	+9,3	614.740
Tech & Communications Expense	204.117	204.405	231.156	-3,4	223.362
Marketing and Promotion Expense	36.675	44.948	55.968	-10,2	50.277
Other Provisions	-23.075	-9.123	38.633	< -100	-3.560
Other Expense	777.526	841.138	775.927	+6,5	826.210
<b>Operating Expense</b>	<b>1.695.665</b>	<b>1.736.793</b>	<b>1.738.213</b>	<b>+4,0</b>	<b>1.808.158</b>
<b>Operating Profit &amp; Impairment (€000)</b>					
<b>Pre-impairment Operating Profit</b>	<b>774.288</b>	<b>888.003</b>	<b>928.542</b>	<b>-4,6</b>	<b>885.905</b>
Asset Writedowns	92.340	108.480	33.013	> +100	66.397
<b>Net Income (€000)</b>					
Non-Recurring Income	-	-	67.000	-29,3	47.367
Non-Recurring Expense	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>681.948</b>	<b>779.523</b>	<b>962.529</b>	<b>-9,9</b>	<b>866.875</b>
Income Tax Expense	175.873	244.272	357.007	-39,2	216.886
Discontinued Operations	-	-	-	-	-
<b>Net Profit (€000)</b>	<b>506.075</b>	<b>535.251</b>	<b>605.522</b>	<b>+7,3</b>	<b>649.989</b>
Attributable to minority interest (non-controlling interest)	-1	23	20	> +100	962
Attributable to owners of the parent	506.075	535.229	605.502	+7,2	649.028

Figure 3: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2015	2016	2017	%	2018
Cost Income Ratio (CIR)	68,65	66,17	65,18	+1,94	67,12
Cost Income Ratio ex. Trading (CIRex)	70,12	69,62	69,15	-0,71	68,44
Return on Assets (ROA)	0,29	0,30	0,36	+0,03	0,40
Return on Equity (ROE)	5,84	5,94	6,41	+0,11	6,53
Return on Assets before Taxes (ROAbT)	0,39	0,44	0,58	-0,05	0,53
Return on Equity before Taxes (ROEbT)	7,87	8,65	10,19	-1,49	8,70
Return on Risk-Weighted Assets (RORWA)	1,08	1,15	1,19	+0,06	1,25
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,45	1,67	1,89	-0,22	1,66
Net Interest Margin (NIM)	1,23	1,21	1,30	-0,09	1,21
Pre-Impairment Operating Profit / Assets	0,44	0,50	0,56	-0,02	0,54
Cost of Funds (COF)	1,84	1,39	1,16	-0,04	1,13
Change in %Points					

Figure 4: Development of assets | Source: eValueRate / CRA

Assets (€000)	2015	2016	2017	%	2018
Cash and Balances with Central Banks	576.276	5.111.050	10.236.670	-18,8	8.314.303
Net Loans to Banks	24.318.002	22.002.553	13.801.882	-5,0	13.106.846
Net Loans to Customers	87.189.152	89.705.542	85.406.374	+6,7	91.122.513
Total Securities	25.983.166	25.006.158	30.776.328	-7,2	28.568.764
Total Derivative Assets	30.316.469	29.841.001	21.460.868	-19,1	17.358.391
Other Financial Assets	-	-	-	-	-
<b>Financial Assets</b>	<b>168.383.065</b>	<b>171.666.304</b>	<b>161.682.122</b>	<b>-2,0</b>	<b>158.470.817</b>
Equity Accounted Investments	106.775	97.044	31.481	+52,3	47.949
Other Investments	-	-	-	-	-
Insurance Assets	2.493.533	2.626.630	3.047.914	+2,2	3.116.214
Non-current Assets & Discontinued Ops	3.354.528	28.772	18.782	+1,4	19.047
Tangible and Intangible Assets	1.385.696	1.318.194	1.325.252	+2,7	1.361.070
Tax Assets	571.738	416.509	337.298	+12,1	378.192
Total Other Assets	666.789	567.473	773.885	-0,3	771.863
<b>Total Assets</b>	<b>176.962.124</b>	<b>176.720.926</b>	<b>167.216.734</b>	<b>-1,8</b>	<b>164.165.152</b>

Figure 5: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2015	2016	2017	%	2018
Net Loans/ Assets	49,27	50,76	51,08	+4,43	55,51
Risk-weighted Assets/ Assets	26,57	26,44	30,52	+1,19	31,72
NPLs*/ Net Loans to Customers	2,37	2,64	2,13	-0,09	2,05
NPLs*/ Risk-weighted Assets	4,40	5,07	3,57	+0,01	3,58
Potential Problem Loans**/ NPLs*	23,86	23,52	30,30	+383,31	413,61
Reserves/ NPLs*	73,89	67,15	81,01	-1,39	79,62
Reserves/ Net Loans	1,75	1,77	1,73	-0,10	1,63
Net Write-offs/ Net Loans	0,09	0,16	0,05	+0,02	0,07
Net Write-offs/ risk-weighted Assets	0,16	0,31	0,08	+0,03	0,12
Change in %Points					

\* NPLs are represented from 2018 onwards by Stage 3 Loans.

\*\* Potential Problem Loans are represented from 2018 onwards by Stage 2 Loans.

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (€000)	2015	2016	2017	%	2018
Total Deposits from Banks	11.537.622	12.581.830	11.109.893	-11,5	9.829.132
Total Deposits from Customers	68.162.754	74.171.040	76.266.870	+4,4	79.646.299
Total Debt	33.588.147	30.692.859	29.467.502	-5,3	27.906.341
Derivative Liabilities	30.286.557	29.779.995	21.300.891	-15,9	17.905.358
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	28.333	21.761	61.282	-75,5	15.011
<b>Total Financial Liabilities</b>	<b>143.603.413</b>	<b>147.247.485</b>	<b>138.206.438</b>	<b>-2,1</b>	<b>135.302.141</b>
Insurance Liabilities	2.370.103	2.503.614	2.931.561	+2,0	2.990.670
Non-current Liabilities & Discontinued Ops	3.243.438	-	-	-	-
Tax Liabilities	314.336	333.486	84.521	-63,5	30.825
Provisions	17.094.114	16.402.567	15.121.794	-3,9	14.534.522
Total Other Liabilities	1.677.003	1.222.054	1.427.942	-5,6	1.347.371
<b>Total Liabilities</b>	<b>168.302.407</b>	<b>167.709.206</b>	<b>157.772.256</b>	<b>-2,3</b>	<b>154.205.529</b>
<b>Total Equity</b>	<b>8.659.717</b>	<b>9.011.720</b>	<b>9.444.478</b>	<b>+5,5</b>	<b>9.959.623</b>
<b>Total Liabilities and Equity</b>	<b>176.962.124</b>	<b>176.720.926</b>	<b>167.216.734</b>	<b>-1,8</b>	<b>164.165.152</b>

Figure 7: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (€000)	2015	2016	2017	%	2018
Total Equity/ Total Assets	4,89	5,10	5,65	+0,42	6,07
Leverage Ratio	5,30	5,40	5,60	+0,40	6,00
Phased-in: Common Equity Tier 1 Ratio (CET1)	15,90	16,60	16,10	-	-
Phased-in: Tier 1 Ratio (CET1 + AT1)	15,90	16,60	16,10	-	-
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	17,70	19,40	18,60	-	-
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	14,90	16,10	15,90	+0,10	16,00
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	14,90	16,10	15,90	+1,10	17,00
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	16,20	18,40	18,10	+1,50	19,60
Change in %Points					

Figure 8: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2015	2016	2017	%	2018
Net Loans/ Deposits (LTD)	127,91	120,94	111,98	+2,43	114,41
Interbank Ratio	210,77	174,88	124,23	+9,12	133,35
Liquidity Coverage Ratio	132,00	127,00	130,00	+5,00	135,00
Customer Deposits / Total Funding (excl. Derivates)	49,39	53,77	55,88	+2,55	58,43
Net Stable Funding Ratio (NSFR)	108,00	110,00	116,00	+0,00	116,00
Change in %Points					

### Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating.

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA. Subject to a peer group analysis were 40 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website [www.creditreform-rating.de](http://www.creditreform-rating.de). The rating was carried out on the basis of the rating methodology for bank ratings, the methodology for the rating of bank capital and unsecured debt instruments as well as the methodology for the rating of government-related banks in conjunction with Creditreform`s basic document "Rating Criteria and Definitions".

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document "Rating Criteria and Definitions" is published on the following homepage:

[www.creditreform-rating.de/de/regulatory-requirements/](http://www.creditreform-rating.de/de/regulatory-requirements/).

On 24 September 2019, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Belfius Bank SA/NV (Group), and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

### Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

### Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:



1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data“ information card.

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