State of the Belgian banks

Financial Services

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01. Foreword

Against a moderate economic backdrop, Belgian banks delivered robust results last year, reflecting both strong profitability and resilience. The six largest banks (BNP Paribas Fortis, KBC Group, Belfius, ING Belgium, Crelan, and Argenta) have posted a collective net profit of about EUR 9 billion in 2024, based on fully consolidated financial reporting figures, translating to an average return on equity of 12%. This performance is underpinned by stabilizing net interest income – through growth in lending volumes and successful strategies to attract and retain customer deposits – while diversifying revenue streams and generating higher net fees and commission income, in combination with low net credit losses (primarily due to the release of previous management overlays).

This year, the outlook for Belgian banks remains stable, though somewhat less buoyant than in previous periods. Profitability is expected to remain solid, though net interest margins are likely to gradually narrow as interest rates decline. Credit growth is anticipated to pick up moderately as financing conditions improve, while cost containment and digital investments will be key priorities. Risks remain manageable, with stable capital and liquidity positions, though banks will need to continue monitoring potential vulnerabilities in real estate lending, while remaining vigilant against geopolitical and cyber risks.

Nonetheless, Belgian banks have entered 2025 from a position of strength, with strong earnings and robust capital. Sustaining this performance will require careful management of margin pressures, continued digital transformation, and proactive risk oversight.

This State of the Banks report presents our perspective on the current state of the Belgian banking sector, based on an analysis of the annual and risk reports from the six largest banks. It is designed to provide valuable insights for professionals, stakeholders, and industry practitioners, highlighting the challenges and opportunities that are shaping the banking landscape.

We welcome any feedback on this report and encourage you to reach out to us for further discussions.

Koen De Loose
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02. Executive Summary

Key highlights

Income – Net interest income decreased for most banks due to lower interest rates and heightened deposit competition, but this was more than offset by an average 10.5% increase in net fee and commission income. Asset management, insurance, and payment services were the primary drivers of this growth. Other income sources, such as leasing and insurance, remained important for the largest banks, while smaller banks continued to rely more heavily on NII.

Costs – Operating expenses at major Belgian banks increased modestly in 2024, primarily due to higher staff costs from inflation-linked wage indexation and continued investments in digital transformation and IT infrastructure. Technology expenses rose across the sector, reflecting the need to enhance digital platforms, automate processes, and comply with evolving regulations. Despite these upward pressures, efficiency initiatives helped contain cost-to-income ratios.

Asset quality – Asset quality indicators remained strong despite the cost of risk rising slightly for the largest banks due to higher impairment charges, while others saw moderate declines from non-recurring effects and model changes. Loan staging under IFRS-9 showed positive trends, with more loans migrating to Stage 1 and stable or improving coverage ratios.

Capital – – Capital positions were robust, as all major Belgian banks exceed regulatory CET1 requirements comfortably, with average CET1 management buffers amounting to around 3% of RWA (about EUR 15 billion sector-wide).

Liquidity & Funding – Liquidity and funding metrics were healthy. LCRs for the largest banks stabilized above regulatory thresholds, while other banks improved their liquidity through asset accumulation and deposit strategies. NSFRs also improved, driven by growth in stable customer deposits, ensuring strong long-term funding profiles.

Strategic Outlook

The era of rapid net interest margin (NIM) expansion is drawing to a close, with profitability expected to normalize in 2025. As NIMs compress and Basel IV introduces stricter risk-weighted asset requirements, Belgian banks are prioritizing diversification by expanding fee-based income streams

Cost management remains a strategic imperative amid upward pressures from legacy IT, regulatory demands, and wage inflation. Successfully balancing cost containment with ongoing investment in customer-centric innovation remains vital for sustaining profitable growth.

Artificial intelligence is becoming a cornerstone of innovation in banking. Leading institutions in Belgium are leveraging AI for digital assistants, automated lending, and productivity enhancements, while also investing in workforce training and governance to ensure responsible adoption. This technological shift is expected to fundamentally reshape workforce skills, organizational structures, and resource allocation, with banks positioning themselves to harness its transformative potential.

Regulatory pressures are intensifying. The EU's Digital Operational Resilience Act (DORA) will elevate digital risk management standards, requiring banks to strengthen controls against ICT disruptions and cyber threats. Investments in cybersecurity, business continuity, and third-party oversight are therefore expected to further increase, with digital resilience now a Board-level priority. Meanwhile, new regulation such as FIDA and PSD3/PSR will add complexity and administrative burden, even as supervisory authorities seek to streamline requirements without compromising solvency or liquidity standards.

Sustainability is moving to the core of banking strategy, driven by the first CSRD-compliant sustainability reports and an increased focus on climate risk management. The transition to net zero presents both challenges and opportunities, particularly in developing credible transition plans for financed emissions. However, improving data quality and comparability in sustainability reporting remains a work in progress

Looking ahead, Belgian banks' success will depend on their ability to manage costs, innovate responsibly, and navigate an evolving regulatory and geopolitical landscape, ensuring resilience and competitiveness in 2025 and beyond.

03. Financial Statements Analysis

This analysis is based on the consolidated financial statements and Pillar 3 disclosures of the six largest Belgian banks: BNP Paribas Fortis, KBC Group, Belfius, ING Belgium, Crelan, and Argenta. Figures up to 31/12/2024 are reported on a fully consolidated basis, meaning they include the results of all subsidiaries and affiliates.

Bank	Key operating segments within consolidation scope
BNP Paribas Fortis	— Banking activities in Belgium, Luxembourg, and Turkey — Arval and Leasing Solutions — Other (Personal Finance, Asset Management, etc.)
KBC Group	— Bancassurance activities in Belgium, the Czech Republic, and Central Europe (Slovakia, Hungary, Bulgaria), which include asset management activities, leasing activities, etc.
Belfius	— Bancassurance activities in Belgium (for Individuals, Entrepreneurs, Enterprises, and Public Sector), which include asset management activities, leasing activities etc.
ING Belgium	— Primarily retail and wholesale banking activities, mainly in Belgium, with additional activities in Luxemburg
Crelan	— Retail banking activities (Crelan Federation & Europabank) in Belgium
Argenta	— Retail banking and insurance activities in Belgium & the Netherlands, and asset management activities in Luxembourg

3.1 Income

Introduction

In 2024, the operating income profile of Belgian banks was characterized by a decline in net interest income for most banks, with KBC Group being a notable exception. Meanwhile, net fee and commission income played an increasingly important role, driven by strong growth as banks broadened their range of investment products and advisory services. Asset management activities contributed roughly a quarter of total net fee and commission income, with most banks in scope reporting solid growth in assets under management (AUM), thanks to both net inflows and positive market effects. Furthermore, other income provided some additional support, particularly where leasing, trading or insurance activities at major banks outperformed.

This shift underscores a broader trend among the larger Belgian banks. As traditional interest margins come under pressure from the rate environment and competition, banks are increasingly targeting diversified, fee-based income streams and selective growth in other business lines to sustain profitability and resilience.

Net interest income (total)

EUR 17.0 Bn

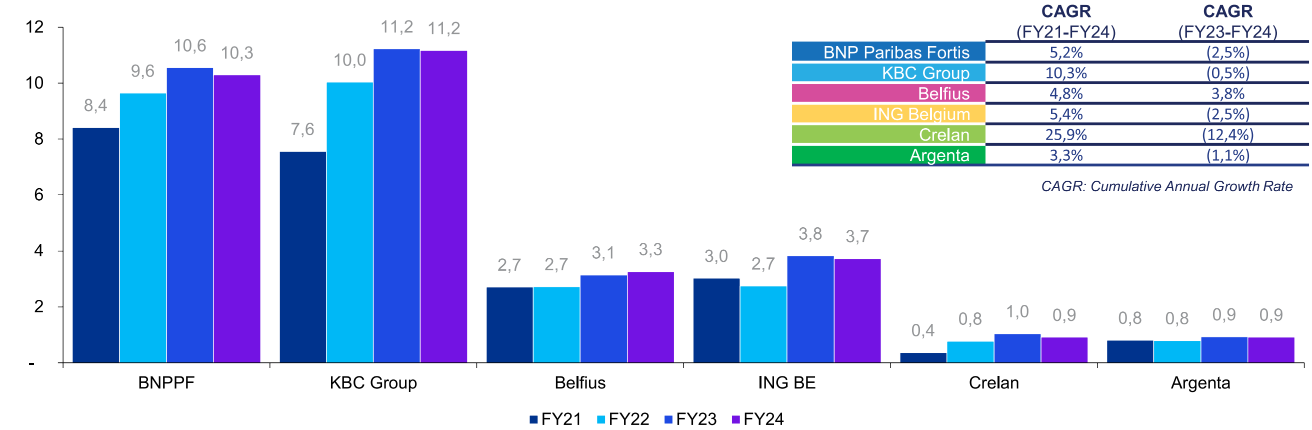
-3.0% from FY23

Net fee & commission income (total)

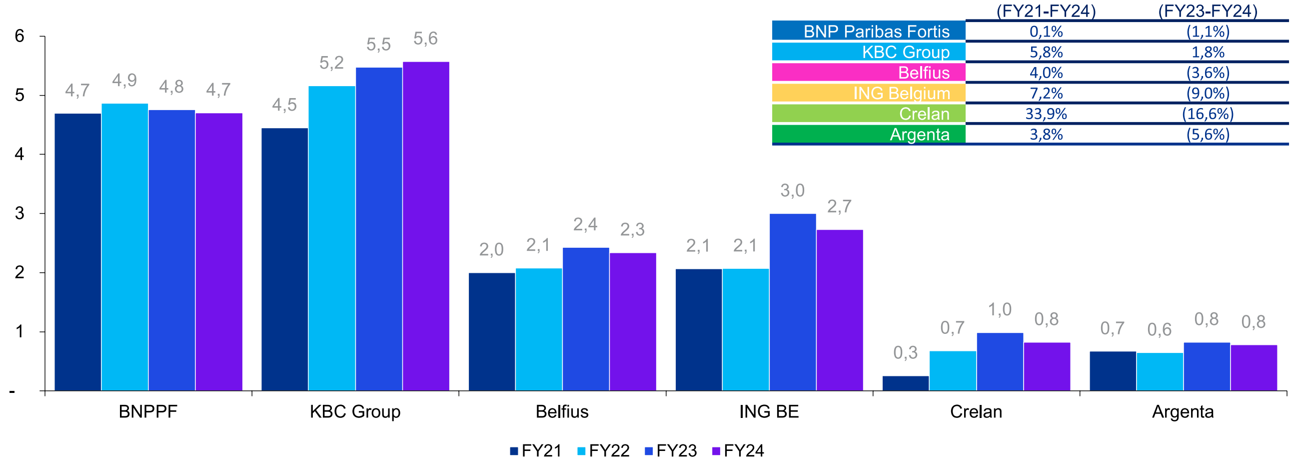
EUR 5.9 Bn

+10.5% from FY23

Evolution of operating income FY21-FY24 (in EUR bn)



Evolution of net interest income FY21-FY24 (in EUR bn)



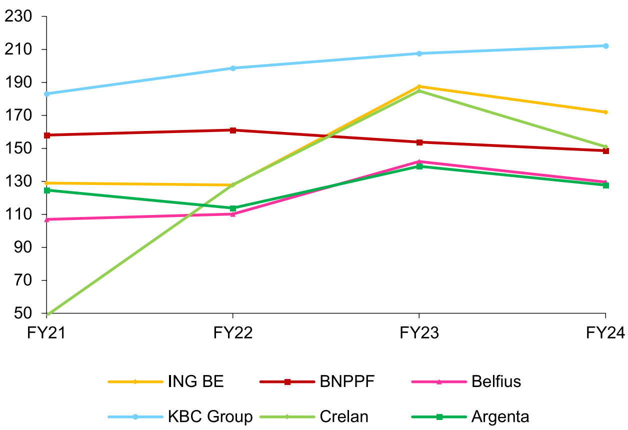
	CAGR (FY21-FY24)	CAGR (FY23-FY24)
BNP Paribas Fortis	0,1%	(1,1%)
KBC Group	5,8%	1,8%
Belfius	4,0%	(3,6%)
ING Belgium	7,2%	(9,0%)
Crelan	33,9%	(16,6%)
Argenta	3,8%	(5,6%)

Net interest income

The net interest income (NII) for most Belgian banks declined slightly in FY24, reflecting the impact of lower market rates, increased competition for deposits (such as from government bond issuances), and the faster repricing of assets at lower yields due to policy rate cuts by the European Central Bank (ECB), but also the non-renumeration of mandatory reserves at the ECB. As a result, most banks in scope reported a tightening of net interest margins (NIM) after peaking in 2023. The only exception was KBC Group, recording an increase in NII as a result of expanding its (diversified) loan and deposit books, benefiting from reinvestment yields, and maintaining a stable net interest margin.

Note that the Net Interest Margin (NIM) is defined as the ratio between net interest income and average interest-earning assets. A higher NIM generally reflects better profitability and asset utilization, while a lower NIM may indicate rising funding costs and/or reduced lending returns.

Net Interest Margin (NIM) evolution FY21-FY24 (in bps)



Net Fee & Commission Income

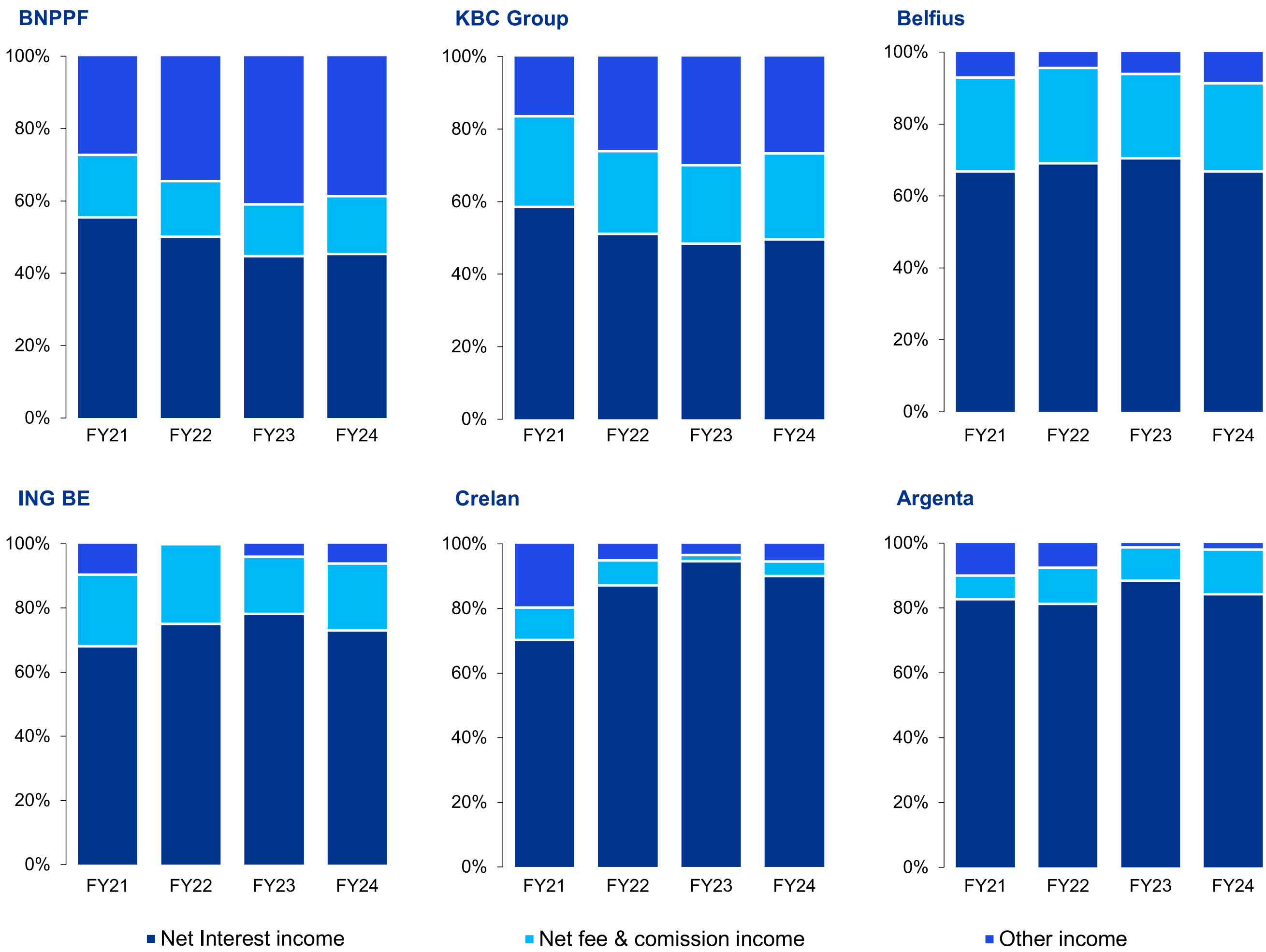
Fee and commission income became a more important driver of operating income in 2024, with a 10.5% year-on-year increase in aggregate for the six banks in scope, helping to offset the slight decline in NII. KBC Group posted the largest absolute increase, primarily due to a surge in asset management fees. BNP Paribas Fortis followed, with growth mainly stemming from securities and derivatives transactions, while Belfius' and ING Belgium's performance was also notably boosted by gains in asset management, next to growing fees from insurance activities through the banking network. Similarly, both Crelan and Argenta reported increased net fee and commission income, with Crelan benefiting from higher portfolio fees and more credit card activity (at Europabank), while Argenta's growth was driven by rising management- and transaction fees on investments and increased payment service fees.

Overall, as indicated in the NBB's 2025 Financial Stability Report, asset management and payment services remain the two most important sources of fee and commission income, followed by the distribution of investment products (not managed) and other services (e.g., advisory).

Other income

The evolution of „Other Income" between FY23 and FY24 is driven by various factors, including higher revenues from non-core banking activities (e.g., leasing activities at BNP Paribas Fortis and Belfius), increased recoveries from cost sharing and administrative costs (Argenta), and significant changes in the market value of derivatives and the impact of the sale of portfolios (KBC Group). For other banks (e.g., Crelan), this income stream remained a supplementary but less volatile contributor compared to NII and fee income.

The figure below also illustrates that the 4 largest institutions (BNPPF, KBC Group, Belfius, and ING Belgium) benefit from a more diversified income base, whereas Crelan and Argenta rely more heavily on NII.



Outlook

The outlook for operating income of Belgian banks in 2025 is one of resilience, but with some normalization after the strong results of recent years. Net interest income (NII) is expected to come under modest pressure as lower interest rates and the faster repricing of assets reduce margins more quickly than funding costs adjust. While NII will likely remain robust in absolute terms, the era of rapid margin expansion is over. This may be partly offset by a moderate uptick in credit growth, as easing financing conditions and receding inflation could support lending activity. On the other hand, economic uncertainty and potential postponements of investment decisions could also temper the pace of new loan demand, particularly if corporate and household confidence remains subdued.

For the four largest institutions – BNP Paribas Fortis, KBC Group, ING Belgium, and Belfius – other income streams are expected to remain key drivers of operating income, as they continue to expand their offerings in investment products, insurance, and digital services. This trend can be seen in the acquisition of the Ajusto platform by Jaimy (by Belfius), ING's introduction of the Scan & Drive tool for car loans and insurance, and KBC's further development of its digital assistant, Kate.

3.2 Cost

In 2024, operating expenses at major Belgian banks increased modestly, with growth rates typically in the low-to-mid single digits. The primary drivers were higher staff costs, largely due to inflation and automatic wage indexation, as well as ongoing investments in digital transformation and IT infrastructure. On the other hand, regulatory costs (bank levies) decreased slightly, as no contribution to the Single Resolution Fund (SRF) was required in 2024 (since the SRF had already exceeded its regulatory target).

Cost-to-income

The evolution of the cost/income ratio (CIR) including bank levies varied across Belgian banks, with KBC Group, Belfius and Argenta maintaining a relatively stable CIR. Crelan, by contrast, saw a marked rise in its cost-to-income ratio as expenses climbed (a.o. due to integration costs) and income dropped, whereas ING and BNPPF recorded only moderate upticks, mainly due to slightly lower operating income and, for BNPPF, additional expense growth.

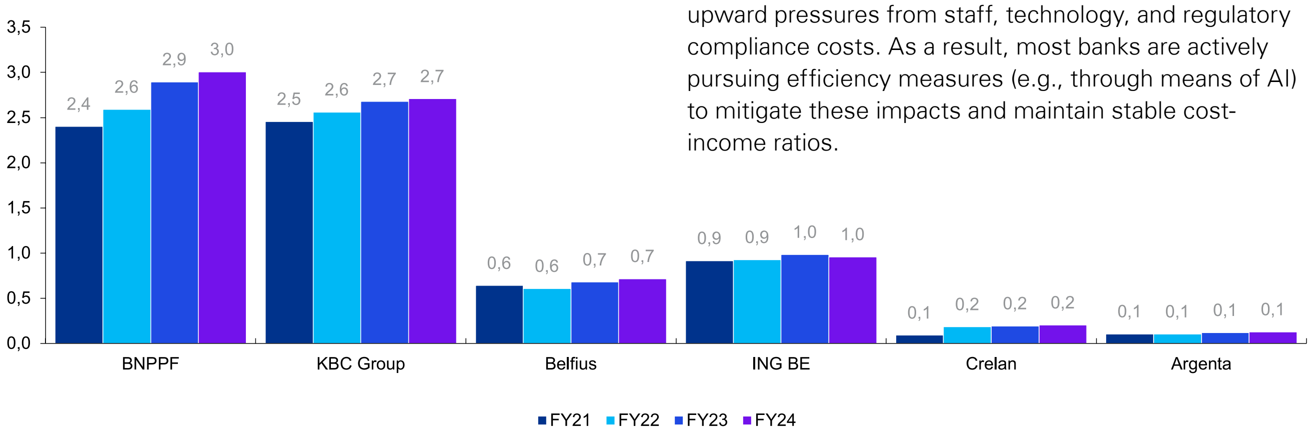
(*) For comparison purposes, we adjusted the reported CIR for Belfius to account for bank levies as part of operating expenses. Nonetheless, cost-income ratios may not be fully comparable across banks, as calculation methods can differ – particularly in the treatment of non-recurring or exceptional items.

Staff expenses

In FY24, staff expenses increased at most Belgian banks, primarily due to automatic wage indexation, expanded business activities, and, in some cases (like Belfius), net increases in headcount to support growth and transformation initiatives.

For clarification, the financial figures are drawn from consolidated statements, meaning that staff expenses reported by BNPPF and KBC Group also encompass their subsidiaries outside Belgium. For instance, it is important to note that BNPPF also operates in Turkey, a country that is still grappling with very high inflation, which impacts staff expenses at a consolidated level.

Evolution of staff expenses FY21-FY24 (in €m)



Cost-to-income ratio (w. avg)

52.9%

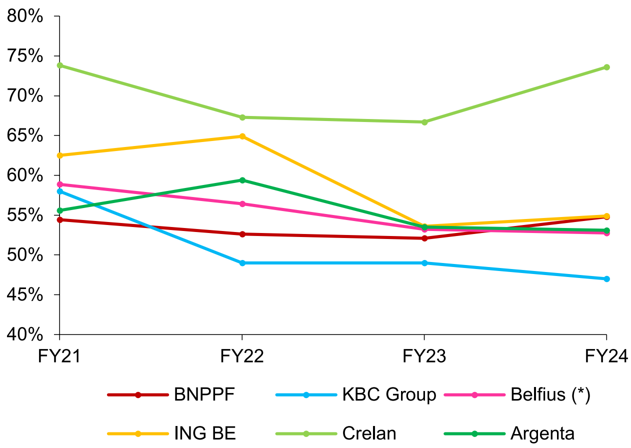
+0.6% from FY23

Staff expenses (total)

EUR 7.7 Bn

+2.3% from FY23

Cost-to-income evolution (reported) FY21-24



Technology expenses

Although a detailed breakdown of operating expenses is not available for all banks, technology costs remain a key component, reflecting a sustained focus on digital transformation, regulatory compliance, and operational efficiency. Overall, most Belgian banks have increased spending on initiatives such as mobile and internet banking platforms, automation of internal processes, AI for both customer-facing and back-office functions, cloud migration, cybersecurity, and compliance with evolving regulations like PSD2 and KYC/AML requirements.

These investments are largely driven by the need to stay competitive, enhance customer experience, and manage increasing cyber and strategic risks, with larger banks generally leading in both the scale and sophistication of digital initiatives.

Outlook

The outlook for operating expenses remains cautious, with a continued focus on cost control amid persistent upward pressures from staff, technology, and regulatory compliance costs. As a result, most banks are actively pursuing efficiency measures (e.g., through means of AI) to mitigate these impacts and maintain stable cost-income ratios.

3.3. Asset Quality

Cost of risk

The cost of risk (CoR) is a key measure to compare the asset quality of banks. For comparison purposes, it is defined here as the reported impairment charges on financial assets (at amortised cost) in the reporting year over the average gross carrying amount of both loans & advances and debt securities, expressed in basis points (bps). The former reflects the impact of changes in provisions for credit losses (ECLs) since initial recognition. Note that if a bank releases more provisions than it sets aside (e.g., reverses previous impairments because expected credit losses have improved or actual losses are less than anticipated), the net impairment charge becomes negative.

The slight increase in the cost of risk (CoR) observed in FY24 among the four largest banks is mainly due to a net increase in loan loss impairments, partly resulting from higher default inflows. At Crelan, the reduction in CoR is mainly explained by the exceptionally higher figures in FY23, which were influenced by non-recurring factors (e.g., adjustment in provisioning methodology for long-defaulted loans, management overlays etc.). At Argenta, the decrease in CoR in FY24 is largely attributable to the net impact from implementing new impairment models, along with the corresponding phasing out of management overlays, resulting in an overall reduction in provisions.

Cost of risk (weighted avg.)

11.2bp

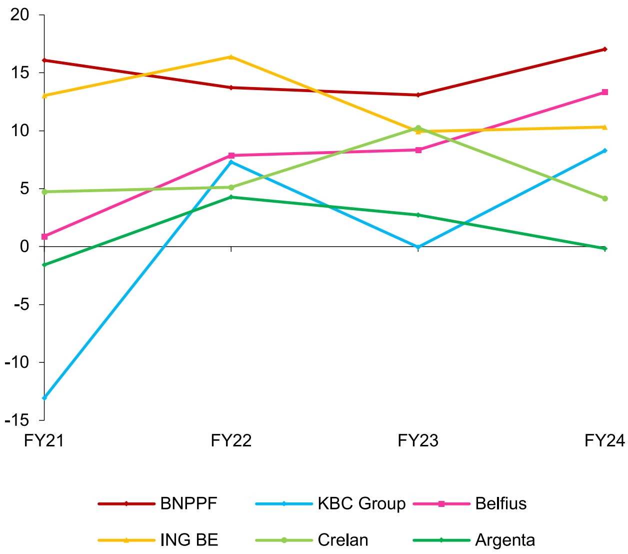
+3.5bp from FY23

L&A S3 coverage ratio (weighted avg.)

43.2%

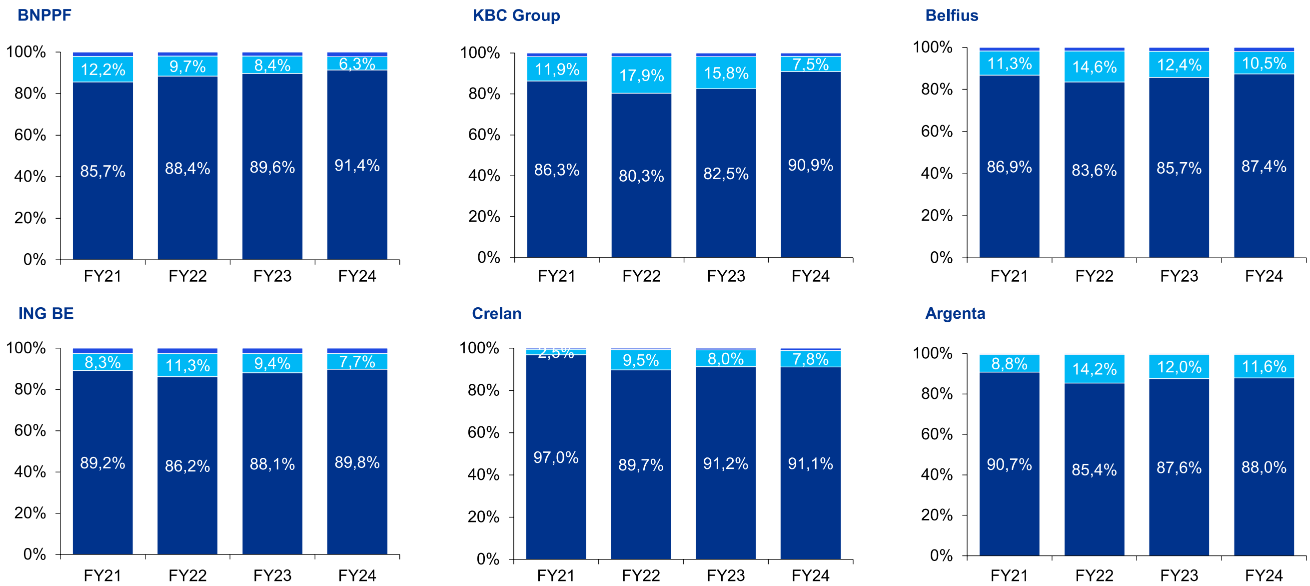
-1.6% from FY23

Cost of risk evolution FY21-24



IFRS-9 exposure distribution

The staging of loans in the banking book serves as an indicator of asset quality: Stage 1 loans are performing assets with a low risk of default, while Stage 3 loans are classified as defaulted. Stage 2 loans, meanwhile, are still performing but exhibit a heightened risk of moving into default compared to Stage 1. Most banks in scope have seen a positive evolution in stage migrations to Stage 1 in recent years, driven primarily by the release of crisis-related overlays (e.g., COVID19, energy crisis etc.). This is reflected in the figure below, which shows the exposure distribution across stages for loans & advances. Stage 1 exposures are shown in dark blue, stage 2 in light blue, and stage 3 in cobalt blue (the latter representing only a small fraction of the total exposure).



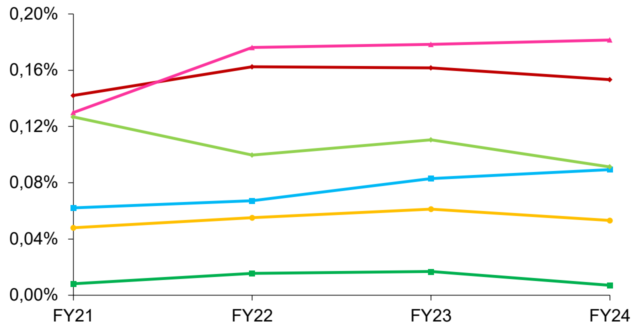
IFRS-9 coverage ratios

The ECL coverage ratio is defined as the ratio of accumulated impairment allowances to the gross carrying amount of relevant loan exposures, and is shaped by a bank's risk tolerance, portfolio riskiness, regulatory environment, and managerial discretion. For instance, Argenta's low ECL coverage ratios compared to the other banks in scope is a result of its prime mortgage focus, prioritizing low-risk retail clients and secured lending, with minimal exposure to unsecured/corporate loans, in contrast to larger institutions.

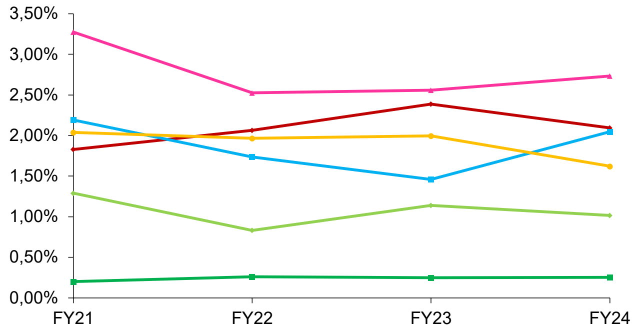
As illustrated in the charts, Belgian banks show distinct ECL trends by stage in FY24 (for loans & advances). While Stage 1 ECL coverage ratios have remained fairly stable across banks in recent years, more variability in Stage 2 coverage ratios can be observed. This is driven in part by a lower volume of Stage 2 exposure in FY24 compared to FY23 (e.g., due to reversal of crisis-related stage migrations), next to changes in ECL management overlays.

Regarding Stage 3 ECL coverage ratios, the observed drop for Belfius is primarily due to several new defaulted files with perceived strong collateral and recovery perspectives, combined with reversals on existing defaulted files and the accelerated write-off of certain files with a high coverage. Similarly, BNPPF recorded a larger increase in Stage 3 exposures relative to the corresponding rise in impairments. At Crelan, the slight drop in Stage 3 coverage ratio mainly resulted from updated management overlays, including reductions related to the energy crisis, agricultural provisions, and a less conservative outlook on the house price index. Argenta reported a modest decline, driven by improvements in collateral quality and refinements to IFRS9 model refinements. Conversely, slight increases in Stage 3 coverage ratios were observed for ING Belgium and the KBC Group in FY24, which for KBC Group was largely attributable to proactive provisioning adjustments, including additional provisions for legacy NPLs in Belgium and regional risk recalibration.

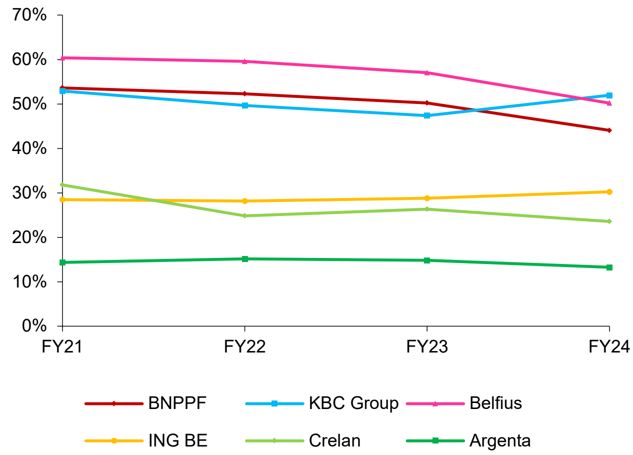
L&A - Coverage ratio - Stage 1



L&A - Coverage ratio - Stage 2



L&A - Coverage ratio - Stage 3



Outlook

The asset quality outlook for Belgian banks in 2025 remains stable and resilient. Prudent underwriting standards – including stringent collateral requirements – have enabled the major Belgian banks, in line with their respective risk appetite frameworks (RAF), to sustain low levels of non-performing loans relative to the European average. This has allowed them to effectively manage exposures to higher-risk sectors, such as construction and commercial real estate, as highlighted in the NBB's 2025 Financial Stability Report. Moreover, ongoing global supply chain disruptions and the introduction of new U.S. tariffs may exert pressure on Belgium's export-driven sectors – particularly chemicals and pharmaceuticals. In response, most major Belgian banks have proactively conducted targeted internal stress tests to assess potential vulnerabilities, including the risk of asset quality deterioration.

Most major Belgian banks are also well-positioned to benefit from substantial EU initiatives, such as the Green Deal and the ReArm Europe Plan, which are driving strong demand for credit in green infrastructure and technology sectors. Much of this new lending is supported by public guarantees or directed toward future-proof industries, which should help contain risk and support stable asset quality, provided there is no loss of investor confidence in the sustainability of public finances. The primary challenge will be to balance these growth opportunities with persistent geopolitical and economic uncertainties.

3.4 Capital

CET1 ratio

CET1 ratio (weighted avg.)

14.8%

-0.9% from FY23

Risk-weighted assets (total)

EUR 438 Bn

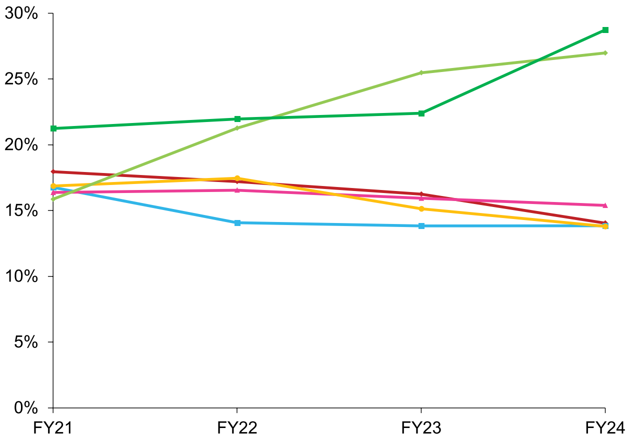
+14.9% from FY23

All major banks maintained solid capital buffers above regulatory requirements, though some faced downward pressures from asset growth and Basel IV implementation, as illustrated in the evolution of the CET1 ratio.

Among the larger institutions, KBC Group maintained a stable CET1 ratio throughout FY24. On the other hand, BNP Paribas Fortis, Belfius, and ING Belgium experienced slight declines in their CET1 ratios, primarily due to increased risk exposure. For instance, at BNPPF, the full prudential consolidation of Arval in 2024 led to a notable increase in RWA. Nonetheless, all banks continue to operate comfortably above the minimum regulatory capital requirements, maintaining a management buffer of approximately 3% of RWA on average, or roughly 15 billion EUR in total.

Furthermore, Argenta and Crelan stood out with notable CET1 ratio increases, through a combination of strong earnings retention, capital-raising initiatives, and internal model refinements that reduced risk-weighted assets. These actions allowed capital growth to outpace asset and risk growth, resulting in notably higher solvency levels. However, it is important to highlight that these figures do not yet take into account the effects of Basel IV.

CET1 ratio evolution FY21-24

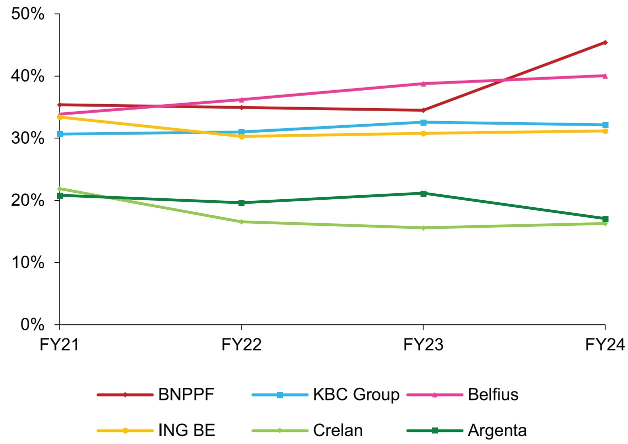


RWA density

RWA density is defined as the ratio of Risk-Weighted Assets (RWA) to total assets, reflecting the overall risk profile of a bank's asset portfolio. Several factors can drive changes in RWA consumption, such as increased portfolio risk, adjustments in modelling strategies, or regulatory add-ons. Apart from BNPPF, which experienced a significant increase in RWA (cf. above), most other banks saw their RWA density remain relatively stable in FY24. Argenta was an exception, where the beneficial impact of an IRB model update more than offset asset growth, resulting in a decrease in RWA density.

Note that differences in RWA density across banks stem from differences in asset class risk (e.g., retail vs. corporate exposure), business models (retail vs. universal banking), and methodological choices (IRB parameterization).

RWA density



Outlook

While transitional relief phases mitigate short-term disruptions, the final Basel IV framework is expected to lock in higher capital costs and potentially lower returns on equity for Belgian banks. In particular, the output floor – in combination with the mortgage mandate reclassification – will permanently raise risk weighted assets for credit risk. As a result, banks will need to strategically manage their balance sheets, revisit their pricing strategy and product mix to adapt to a higher capital cost environment while safeguarding profitability and competitive positioning.

3.5. Liquidity & Funding

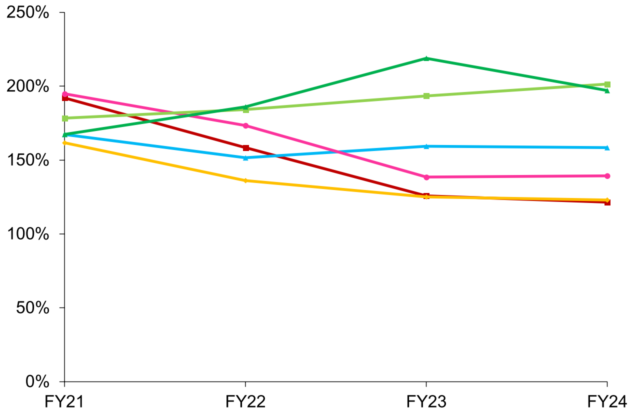
Liquidity Coverage Ratio

The liquidity coverage ratio (LCR) measures a bank's short-term liquidity resilience as the ratio of unencumbered high-quality liquid assets to 30-day net cash outflows under stress. In FY24, the four largest Belgian banks (BNPPF, KBC Group, Belfius, and ING Belgium) reported stabilized LCRs, following prior declines for some of these banks – driven by a combination of deposit volatility (e.g., state bond outflows, shifts to investments), TLTRO-III repayments, and loan growth – though all maintained LCRs comfortably above the 100% regulatory minimum. Meanwhile, smaller banks like Argenta and Crelan boosted their LCRs through HQLA accumulation, deposit retention, and capital-strengthening strategies, leveraging their retail-focused business models.

LCR
(weighted avg.)
138.4%
-4.2% from FY23

NSFR
(weighted avg.)
126.2%
+3.2% from FY23

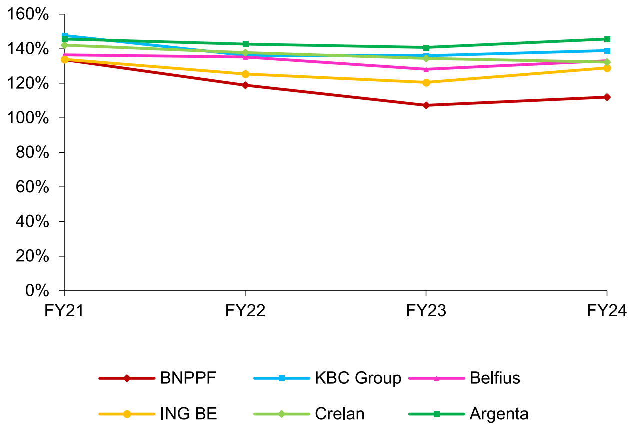
LCR evolution FY21-24



Net stable funding ratio

The net stable funding ratio (NSFR) takes a longer-term view and assesses whether banks maintain sufficient stable funding. The NSFR is calculated as the ratio of available stable funding (ASF) to required stable funding (RSF), where RSF reflects the liquidity characteristics and maturity of assets, with less liquid and longer-term assets requiring a higher proportion of stable funding. In FY24, the aggregate Net Stable Funding Ratio (NSFR) across Belgian banks demonstrated a stable or moderately improving trend. This evolution was primarily attributable to continued growth in customer deposits, particularly in retail savings and term accounts, which enhanced the proportion of stable funding on bank balance sheets.

NSFR evolution



Outlook

Like their European peers, the Belgian banks in scope are well-positioned from a liquidity perspective, but must remain vigilant as the environment gradually shifts from abundant central bank support to a more normalized and competitive funding landscape. Banks might also need to navigate competing priorities: maintaining buffers versus deploying excess liquidity for lending growth. Moreover, supervisors continue emphasizing liquidity stress testing, particularly for banks with high loan-to-deposit ratios. Finally, operational changes – such as the implementation of SEPA Instant payments and evolving digital requirements – are also expected to influence (intraday/end-of-day) liquidity management priorities for the largest banks.

04. Strategic Outlook

While the European banking sector anticipates somewhat tighter margins as assets re-price at lower interest rates, ongoing digital transformation and disciplined cost control are likely to help balance these headwinds. A return to more normalized revenue and profitability levels is projected for 2025, alongside a gradual increase in credit growth as financing conditions ease. Belgian banks are especially well-positioned to sustain low, non-performing loan ratios and steady funding and liquidity, supported by prudent underwriting and diversified portfolios. That said, risks related to housing market dynamics, asset quality in certain sectors, and geopolitical developments continue to warrant close attention. Moreover, the direct and indirect impact of geopolitical tensions and global economic policy shifts remain difficult to assess, as recognized by the National Bank and echoed in the risk assessments of several Belgian banks.

To sustain their resilience and competitiveness, banks are strategically focusing on diversifying income streams, enhancing operational efficiency through technology and AI, strengthening digital and regulatory resilience, and aligning with sustainability goals. These priorities will define the banking sector's trajectory in 2025 and beyond, especially as regulatory reforms (e.g., FIDA/FIDAR, PSD3 & PSR) and digital transformation continue to reshape the banking landscape.

Beyond Lending: Fee Income and Strategic Expansion

The diversification of revenue streams remains a key strategic goal for all Belgian banks, particularly for smaller players, as net interest margins face pressure from declining rates and Basel IV introduces stricter risk-weighted asset requirements, mainly impacting non-retail portfolios and mortgage lending. Fee-based income from wealth management, advisory, insurance, and payments is increasingly important – as seen in the 10.5% year-on- year growth on average in net fee and commission income for the six largest Belgian banks – helping to reduce reliance on traditional lending income.

Strong capital bases and healthy profitability have enabled regular dividend distributions across all major banks in 2024, with KBC Group standing out for also concluding a EUR 1.3bn share buyback program. Sound financial health also provides flexibility to pursue further inorganic growth through mergers and acquisitions (M&A). Recent transactions include KBC Group's acquisition of 365.bank in Slovakia (announced in May 2025), the merger of bpost bank by BNP Paribas Fortis (finalized in January 2024), and Crelan's acquisition of AXA Bank Belgium (completed in 2021 and fully integrated in 2024).

In our view, as cross-border transactions grow in complexity, banks face heightened challenges around integration, cultural alignment, and regulatory compliance. Hence, the ability to navigate these factors effectively will distinguish those institutions best positioned to sustain resilience and capture new growth opportunities in a maturing market.

Focus on cost management

Cost management continues to be a central focus for all major Belgian banks, as operational expenses – driven by factors such as legacy IT systems, regulatory pressures, and wage inflation – remain under upward pressure, prompting banks to implement cost containment measures and accelerate digital transformation programs. For instance, ING Belgium maintained business growth in 2024 while keeping expense growth well below the rate of inflation, through its focus on cost management and efficiency gains. Similarly, Belfius continues to implement efficiency initiatives across its business lines to control costs, while Argenta lowered its operating expenses through IT efficiencies and reduced reliance on external consultants. Finally, Crelan expects to realize additional cost synergies following the integration of AXA Bank Belgium.

In our view, the ability to control costs while investing in customer-centric innovation will determine which banks can sustain profitable growth and navigate future uncertainties most effectively.

Embracing AI to drive innovation

The financial sector is accelerating the adoption of artificial intelligence (AI), marking a notable shift toward AI-driven innovation. Most major banks now explicitly mention AI in their annual reports, with KBC Group, Belfius, and ING Belgium underscoring its strategic importance and referencing the rollout of AI-powered solutions, ranging from digital assistants to automated loan tools. To further drive innovation, some banks have also entered into strategic partnerships, such as Belfius with Mistral AI and Alan. Larger banks are also investing in workforce enablement by piloting tools like Microsoft CoPilot and providing secure internal access to generative AI platforms like ChatGPT, enhancing employee productivity and information access. Even banks that have not yet fully implemented AI on a large scale are engaging in Board-level discussions to assess its future potential.

This rapid embrace of AI is accompanied by a strong focus on risk management. Concerns about misuse, such as deepfakes and identity theft, are prompting banks to establish comprehensive risk frameworks. For instance, KBC Group has developed its 'Trusted AI Framework' to ensure responsible AI deployment, in anticipation of the full implementation of the EU AI Act.

Overall, a balanced commitment can be observed: harnessing AI's transformative potential while prioritizing ethical standards, regulatory compliance, and customer protection. Recognizing that AI will inevitably reshape workforce skills, internal structures, and resource allocation, most major banks are proactively preparing their organizations. This involves targeted training programs for staff, the introduction of new governance frameworks, and the establishment of dedicated AI teams.

Attention of the Board for digital resilience

The implementation of the EU's Digital Operational Resilience Act (DORA) in 2025 marks a turning point for digital risk management in the financial sector. DORA harmonizes requirements for banks, insurers, investment firms, and other financial entities, mandating robust controls to withstand and recover from ICT-related disruptions and cyber threats. Indeed, IT and cyber risks are evolving rapidly, posing growing challenges to the performance and stability of the financial system – as illustrated by the CrowdStrike incident in July 2024, which demonstrated how a single provider's error can cause widespread economic disruption. In response, Belgian banks are investing in cybersecurity, business continuity, and enhanced oversight of third-party providers, while supervisors are intensifying their focus on DORA compliance, making digital resilience a Board-level priority.

Meeting expectations on regulatory compliance

Regulatory compliance remains a persistent challenge, given the introduction of new regulation like Financial Data Access (FIDA) and Payment Services Regulation (PSD3/PSR), alongside the ongoing rollout of frameworks such as Basel IV/CRR3, DORA, Risk Data Aggregation and Reporting (RDARR) and the latest anti-money laundering regulations (AMLR). The ECB's supervisory priorities for 2025–2027 are focused on enhancing banks' resilience to macro-financial threats and geopolitical shocks, ensuring prompt remediation of material shortcomings, and supporting banks as they navigate digital transformation.

In 2024, the ECB intensified its supervisory efforts, conducting 165 on-site inspections (OSIs) and 78 internal model investigations (IMIs) across Europe (*). Key areas of scrutiny included credit risk (with attention to SME lending, leveraged finance, and commercial real estate), internal governance and risk management (highlighting ongoing weaknesses in IT architecture and data quality with respect to BCBS 239), and C&E risks (shifting from guidance to enforcement). Digitalisation and cyber resilience were also prioritized, with new assessment criteria, expanded cyber inspections, and a dedicated cyber stress test.

As the ECB moves forward, the major Belgian banks can expect continued and heightened scrutiny, especially in areas where supervisory expectations remain unmet, making proactive planning and preparation essential.

(*) source: ECB Annual Report on supervisory activities 2024

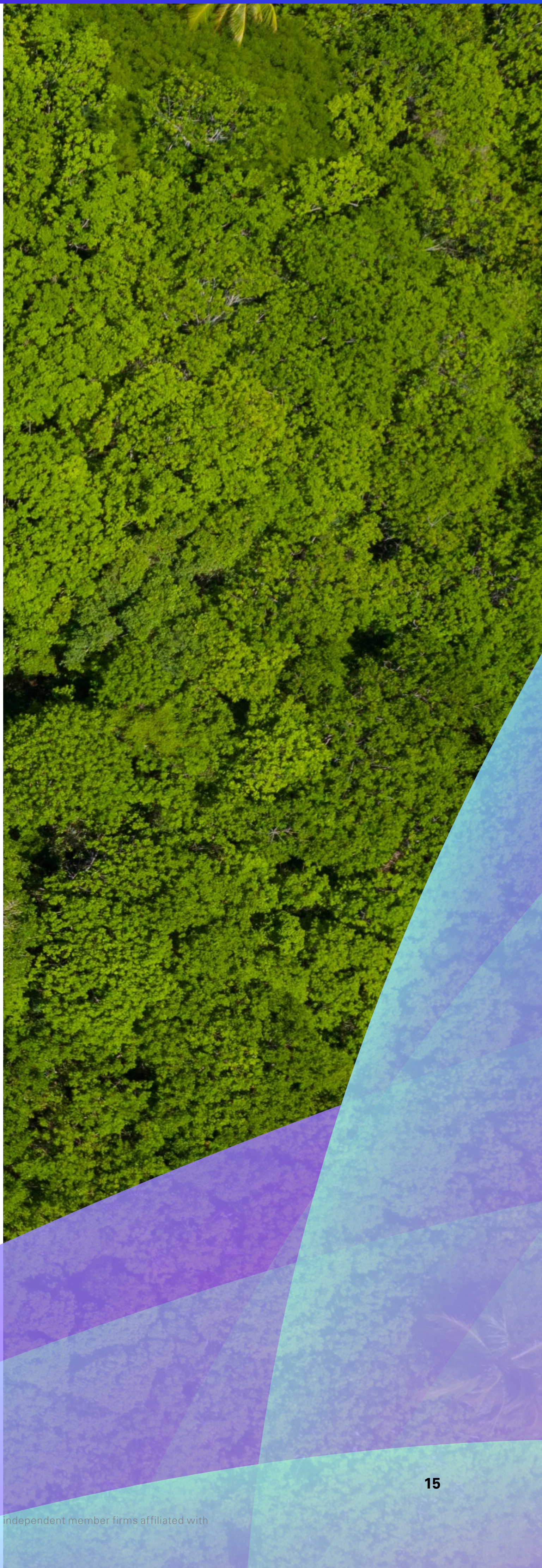
ESG

In FY24, banks published sustainability reports for the first time according to the requirements set in the Corporate Sustainability Reporting Directive (CSRD). This new framework aims to enhance transparency and comparability of ESG data across organizations, requiring external assurance and a double materiality assessment to identify material sustainability matters. The reports reveal that banks are gradually embedding sustainability into their operations, with governance structures explicitly defining responsibilities for sustainability. Climate change is universally acknowledged as a material issue on which banks have significantly progressed (particularly in the field of climate risk management). While the road to net zero is still long, this presents an excellent opportunity for banks to develop comprehensive transition plans for their financed emissions, which are considered the most impactful component of their emissions.

The comparability of sustainability reports remains a challenge due to varying technical interpretations and the absence of sector-specific guidance. Banks share common material topics such as climate change, own workforce, consumers and end-users, and business conduct, but diverge in the materiality of other topics like biodiversity and affected communities. The reports also highlight the need for improved data quality and methodological consistency, particularly in the reporting of financed emissions and EU Taxonomy KPIs. Large differences are observed in terms of those KPIs and are attributed to both methodological approaches and actual sustainability performance.

Overall, while the CSRD represents a major step towards harmonizing reported information, further efforts are needed to ensure consistent and comparable sustainability performance across banks.

Please refer to our reported focusing on how Belgian banks integrated sustainability into their strategy/ practices: Embedding sustainability within Belgian banks - What can we learn from the first CSRD reports?



05. Formula Sheet

Ratio	Formula
Net interest margin (bps)[1]	$= \frac{Net\ Interest\ Income}{Average\ of\ Interest\ bearing\ assets_{BOY;EOY}}$
Cost to income ratio (%)[2]	$= \frac{Operating\ expenses}{Total\ income}$
Cost of risks (bps)	$= \frac{Impairments\ on\ financial\ assets\ (at\ AC)}{Average\ of\ (Debt\ securities + \ Loans\ \&\ Advances)_{BOY;EOY}}$
L&A stage 1 ratio (%)[3]	$= \frac{Gross\ carrying\ amount\ of\ Stage\ 1\ loans\ and\ advances}{Total\ gross\ carrying\ amount\ of\ loans\ \&\ advances}$
L&A Stage 2 ratio (%)	$= \frac{Gross\ carrying\ amount\ of\ Stage\ 2\ loans\ and\ advances}{Total\ gross\ carrying\ amount\ of\ loans\ \&\ advances}$
L&A Stage 3 ratio (%)	$= \frac{Gross\ carrying\ amount\ of\ Stage\ 3\ loans\ and\ advances}{Total\ gross\ carrying\ amount\ of\ loans\ \&\ advances}$
CET1 Capital	$= Common\ Shares + Stock\ Surplus + Retained\ Earnings + Other\ Comprehensive\ Income$
CET1 Capital Ratio (%)	$= \frac{CET1\ Capital}{Risk\ Weighted\ Assets}$
RWA Density (%)	$= \frac{Total\ Risk\ Weighted\ Assets\ (RWA)}{Total\ Assets}$
Liquidity Coverage Ratio (%)	$= \frac{Stock\ of\ High\ Quality\ Liquid\ Assets}{Total\ Net\ Cash\ Outflows\ over\ the\ Next\ 30\ Days} \geq 100\%$
Net Stable Funding Ratio (%)	$= \frac{Total\ Available\ Stable\ Funding\ (ASF)}{Total\ Required\ Stable\ Funding\ (RSF)} \geq 100\%$

[1] Average of beginning-of-year (BOY) and end-of-year (EOY) figures.
[2] Operating expenses include staff expenses, impairment charges, bank and insurance tax, depreciation on tangible and intangible assets as well as other operating expenses.
[3] Total GCA of Loans includes loans to customers and loans to credit institutions

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