

Research Update:

Crelan S.A. Upgraded To 'A/A-1' On Improved Capitalization; Outlook Stable

May 28, 2025

Overview

- Belgium-based bank Crelan S.A. has continued to strengthen its capitalization, as illustrated by a significant increase of our risk-adjusted capital (RAC) ratio to 15.2% at year-end 2024 from 13.4% in 2023.
- We expect Crelan will focus on improving operational efficiencies while maintaining capital build-up momentum, enhancing product diversification and increasing its potential for generating fee income.
- Nevertheless, in our view, achieving operational profitability similar to that of peers with an 'a' stand-alone credit profile (SACP) is likely to be a gradual process.
- We raised our issuer credit ratings on Crelan to 'A/A-1' from 'A-/A-2'.
- The stable outlook indicates our expectation that, over the next two years, Crelan will concentrate on enhancing profitability by capitalizing on synergies from AXA Bank Belgium (ABB) merger and its partnerships with Crédit Agricole.

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Rating Action

On May 28, 2025, S&P Global Ratings raised its long- and short-term issuer credit ratings on Belgian cooperative bank Crelan S.A. to 'A/A-1' from 'A-/A-2'. The outlook is stable.

At the same time, we raised our long-term resolution counterparty rating on the bank to 'A+' from 'A'. The 'A-1' short-term resolution counterparty rating was affirmed.

Rationale

Strong equity generation and limited lending growth supported Crelan's capitalization in 2024. Our RAC ratio for Crelan increased to 15.2% at year-end 2024 from 13.4% in 2023. This was mainly driven by Crelan's sale of cooperative shares for about €198 million in 2024, notably thanks to the increase of the maximum shares per individual and through the former network of ABB, which merged with Crelan in June last year. Those share issuances increased the bank's common shareholder capital by 21%. At the same time, the growth of Crelan's loan book was

very limited, with gross customer lending increasing by only 0.6% against our projection of 3.5% for the overall Belgian banking sector, illustrating management's focus on ABB's integration.

The strengthening of capitalization is expected to carry over into 2025-2027. Crelan's partnership with Credit Agricole includes a capital injection into the bank to reach a minority stake of 9.9%, which will improve Crelan's transitional common equity tier 1 ratio by about 2%. We estimate this capital increase will support our total adjusted capital metric for Crelan by about 8%, further improving our RAC ratio to comfortably more than 16% by year-end 2025. This view is also underpinned by capital retention, since dividends on cooperative shares are legally capped at 6% of their nominal value, which would represent a payout ratio of 35%-40% by our estimates. Although future dividends to Credit Agricole are not subject to this legal cap, since its stake does not comprise cooperative shares, we do not expect this to lead to a significant change in Crelan's capital build-up trend because Credit Agricole's stake represents only 9.9% of Crelan.

We anticipate that Crelan's operational performance will improve, driven by its partnership with Credit Agricole and synergies from the ABB merger. Net margins and lending growth were lower than we expected, and alongside an increased cost base, translated into a higher cost-to-income ratio of 80% in 2024, despite fee-generation growth. Synergies from the ABB merger, integration and migration costs no longer incurred, and diversification efforts through partnerships in asset management, private banking, and leasing are anticipated to gradually improve profitability. Nevertheless, Crelan's cost to income is quite elevated, and we projected it will remain above 70% in 2027. That said, we view as positive the partnership with Credit Agricole, which sets the stage for Crelan to enhance its market share and product offerings, especially in fee-generating business.

Outlook

The stable outlook indicates our expectation that, over the next two years, Crelan will concentrate on enhancing profitability by capitalizing on synergies from the recent ABB merger and its partnerships with Crédit Agricole.

Downside scenario

Although unlikely, we may revise down our assessment of Crelan's 'bbb+' SACP, and therefore lower our issuer credit ratings, if the bank's profitability and asset quality were put under stress due to significant economic deterioration.

Upside scenario

We see upside potential for Crelan's business position over the long term if the bank manages to successfully leverage on partnerships and internal synergies to achieve higher operational profitability in line with that of higher-rated peers while increasing its diversification toward fee-generating businesses and broadening its product range.

Rating Component Scores

	To	From
Issuer Credit Rating	A/Stable/A-1	A-/Positive/A-2

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Resolution Counterparty Rating	A+/-/A-1	A/--/A-1
SACP	bbb+	bbb
Anchor	a-	a-
Business position	Constrained (-2)	Constrained (-2)
Capital and earnings	Very strong (+2)	Strong (+1)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	0	0
Support	+2	+2
ALAC support	+2	+2
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

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

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- 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
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Belgium Bank Ratings Unchanged After Sovereign Outlook , April 29, 2025
- Crelan, Feb. 18, 2025
- Crelan S.A. Outlook Revised To Positive From Stable On Expected Merger, Nov. 29, 2024

Ratings List

Crelan S.A. Upgraded To 'A/A-1' On Improved Capitalization; Outlook Stable

Ratings list

Upgraded; Outlook Action		
	To	From
Crelan S.A.		
Issuer Credit Rating	A/Stable/A-1	A-/Positive/A-2
Upgraded		
	To	From
Crelan S.A.		
Resolution Counterparty Rating	A+/-/-A-1	A/-/-A-1

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