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Argenta Spaarbank N.V.

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Argenta Spaarbank N.V.

SACP	bbb+

+

Support	+2

+

Additional Factors	-1

Anchor	bbb+	
Business Position	Moderate	-1
Capital and Earnings	Very Strong	+2
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Strong	

ALAC Support	+2
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
A-/Stable/A-2

Resolution Counterparty Rating
A/--/A-1

Major Rating Factors

Strengths:	Weaknesses:
• Very strong capitalization and ample liquidity. • Very low credit risk in the regions where it operates. • Focused retail-banking strategy, with the insurance and asset management businesses gradually gaining more importance.	• Retail business concentration and limited geographic reach compared with its largest peers. • Digitalization costs are weighing more heavily on the bank than for peers with a greater revenue base. • Structural exposure to interest-rate risk due to the savings-bank business model.

Outlook: Stable

The stable outlook on Argenta Spaarbank N.V. (ASPA) reflects S&P Global Ratings' view that the bank's larger buffer of bail-in-able instruments could help offset a potential weakening of the bank's stand-alone creditworthiness over the next two years from the economic fallout from the pandemic.

Downside scenario

Although we see it as a remote scenario, we could lower our rating on ASPA if the bank's capitalization weakens (with a risk-adjusted capital [RAC] ratio below 15%), and its business is not resilient to long-term sector challenges (i.e. very low interest rates, race to digitalize, and increased competition from fintechs).

Upside scenario

Although an equally remote scenario at this stage, we could consider raising our rating on ASPA if operating conditions become more supportive and downside risks to the bank's creditworthiness abate, and the group significantly increases its business diversification, positioning it more in line with 'A' rated banks.

Rationale

Our credit assessment of ASPA incorporates our view of the consolidated accounts of Argenta Bank-en Verzekeringsgroep N.V. (Argenta; not rated), the group's holding company, which is active in banking and insurance. Banking is Argenta's main activity, accounting for 87% of total assets as of mid-2020.

Our issuer credit rating (ICR) on ASPA reflects the 'bbb+' anchor. This is based on our view of risks in the Belgian and Dutch banking systems, the two countries where ASPA operates, and the following bank-specific factors:

- A business profile concentrated on the retail segment in the Belgian region of Flanders, where the bank has a strong franchise, and in the Netherlands.
- Very strong capitalization, as we expect our risk-adjusted capital (RAC) ratio before diversification will remain above 15% supported by very predictable earnings.
- A very low credit risk profile, but geographic and retail exposure concentration and some structural exposure to interest-rate risk.
- A retail deposit funding profile, with a loan-to-deposit ratio below 100%, in line with the average for the Belgian banking system, and strong liquidity due to a large portfolio of liquid assets relative to still limited wholesale funding.
- A high level of bail-in-able debt protecting senior creditors in resolution.

Overall, we believe Argenta's focus on low-risk retail banking in two wealthy EU economies should allow it to overcome the pandemic-induced economic recession, as it did during previous crises. That said, the ECB's monetary policy response to the pandemic--which has pushed interest rates even lower--and an acceleration in the digitalization of financial services have compounded Argenta's pre-pandemic profitability challenges. Return on equity (ROE) already halved over 2016-2019 to 6% in 2019 (see chart 2). That said, we understand that the bank's through-the-cycle profitability target is set at about 8%, in line with the bank's average ROE reported during the past decade. We currently assume that Argenta will be able to limit its cost inflation via cost-savings, grow its fee income dynamically thanks to its insurance and asset management activities, and curb the effect of negative interest rates via an increased recourse to wholesale funding.

Anchor:'bbb+' for banks operating in Belgium and the Netherlands

The 'bbb+' anchor draws on our Banking Industry Country Risk Assessment (BICRA) for Belgium and the Netherlands.

The economic risk score for the Netherlands is '3' and for Belgium '2', on a scale of '1'-'10' ('1' is the lowest risk and '10' is the highest). We use a weighted average based on the loan portfolio's geographical breakdown (Belgian and Dutch mortgages account for 44% and 53%, respectively, of the loan book as of mid-2020).

We revised our economic risk trends on Belgium and the Netherlands to negative in April 2020 (see "Negative Rating Actions Taken On Multiple Benelux Banks On Deepening COVID-19 Downside Risks," published April 23, 2020). Our anchor further reflects our assessment of Belgium's industry risk of '3' (no weighted average), given ASPA is a Belgian bank.

Table 1

Argenta Group -- Key Figures					
(Mil. €)	**2019**	**2018**	**2017**	**2016**	**2015**
Adjusted assets	49,813	45,668	43,888	42,145	39,587
Customer loans (gross)	33,070	30,929	28,706	27,527	25,225
Adjusted common equity	2,096	1,909	1,777	1,651	1,571
Operating revenue	803	772	752	800	767
Noninterest expense	546	519	479	443	418
Core earnings	194	197	204	270	262

Note: S&P Global Ratings' definitions.

Business position: Stable retail strategy but concentrated business model

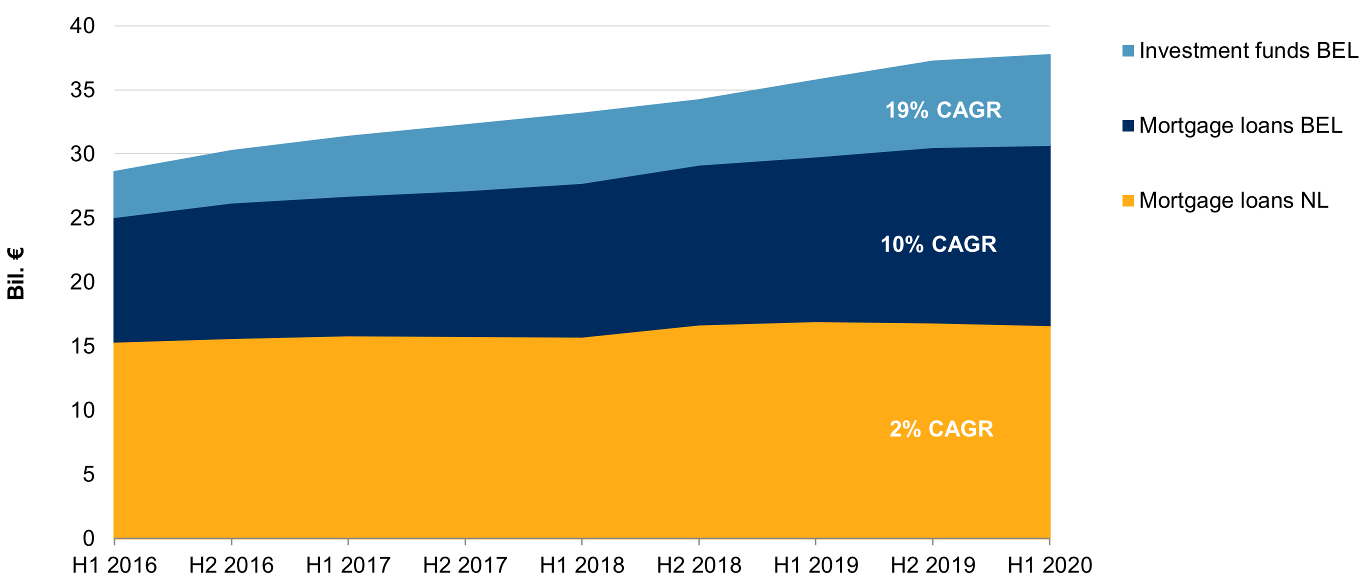
We view Argenta's business profile as a relative weakness for the ratings because the bank has a less-diversified model and smaller geographical footprint than the universal banks that dominate the Belgian and Dutch markets.

ASPA is a savings bank with assets of €45 billion as of mid-2020. It is the fifth-largest bank by total assets in the concentrated Belgian market, where the four-largest banks account for more than 80% of consolidated assets. ASPA has expanded steadily, essentially by maintaining its high market share in the fast-growing Belgian mortgage market (see chart 1).

Chart 1

ASPA's Steady Expansion Is Driven By Belgian Mortgages And Retail Investment Funds

Stock mortgage loans and retail investment funds



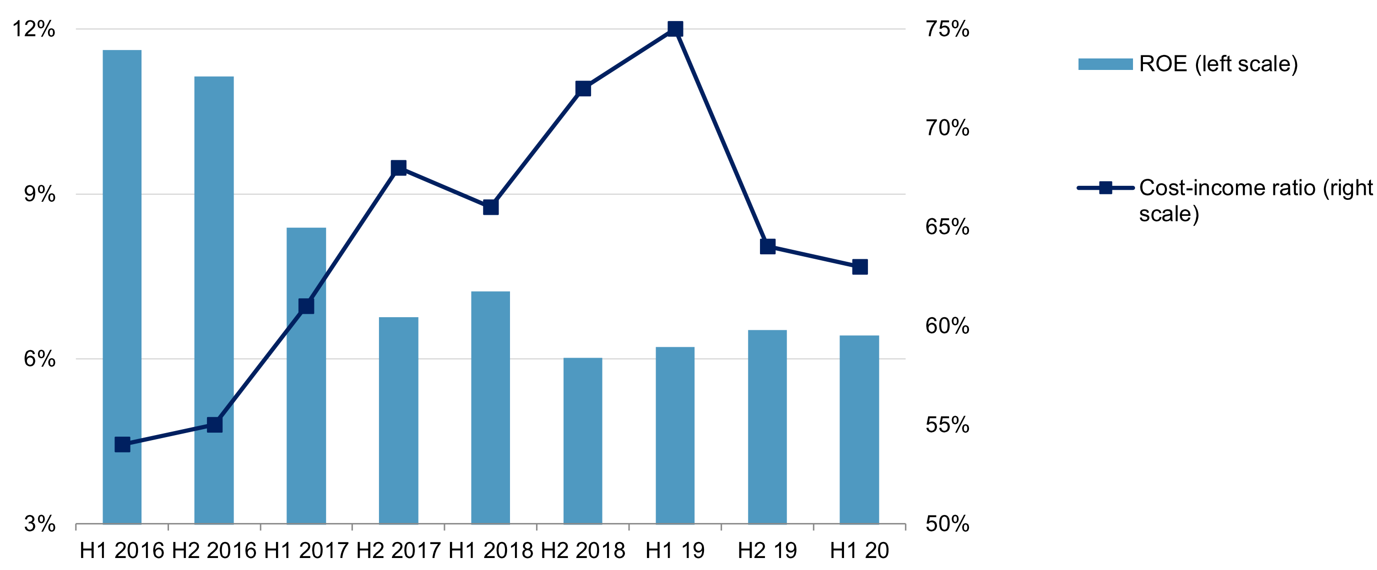
Source: S&P Global Ratings.

On the liability side, Argenta offers traditional bank savings, life insurance products in Belgium via its Argenta Assurantis--the sister company of ASPA--and retail investment funds. On the asset side, it offers mortgage loans in Belgium and the Netherlands. In Belgium, where it operates via independent exclusive agents, the bank held 5.9% of the market in outstanding mortgage loans in 2019 and 8.5% in deposits, with a franchise historically stronger in Flanders, the richest of the two main Belgian regions. In contrast, the bank's market share in mortgage loans in the Netherlands, where it operates via brokers, is far lower (2.5%). The Dutch and Belgian markets are competitive, but ASPA's market position is resilient despite the completion of its competitors' restructuring.

The group's net interest margin, which declined to 1.4% in 2019 from 1.7% in 2016, may further decline despite some stabilization since the second half of 2019. This is because of intense competition in the mortgage market, very low interest rates alongside a flat yield curve, and repricing constraints on the liabilities side as interest rates on Belgian deposits are already at the legal floor. Also, the growth of operating expenses (CAGR of 7% over 2016-2019) has significantly outpaced that of operating revenue (CAGR of 1% over 2016-2019), as some investments (IT, compliance, regulation, digitalization, etc.) keep rising, like for the industry as whole. Consequently, developing fee income (most notably from asset management) became a strategic focus for the bank to improve the resilience of revenue. Positively, ASPA's share in reported operating income has tripled over the past four years, accounting for 16% of reported operating income in the first half of 2020. However, this has not sufficiently prevented returns from falling significantly (see chart 2), highlighting the bank's low business diversity.

Chart 2

In An Environment Of Low Returns, Argenta Has Turned To Cost-Optimization
ROE* and C/I ratio§ reported by Argenta on the bank perimeter.



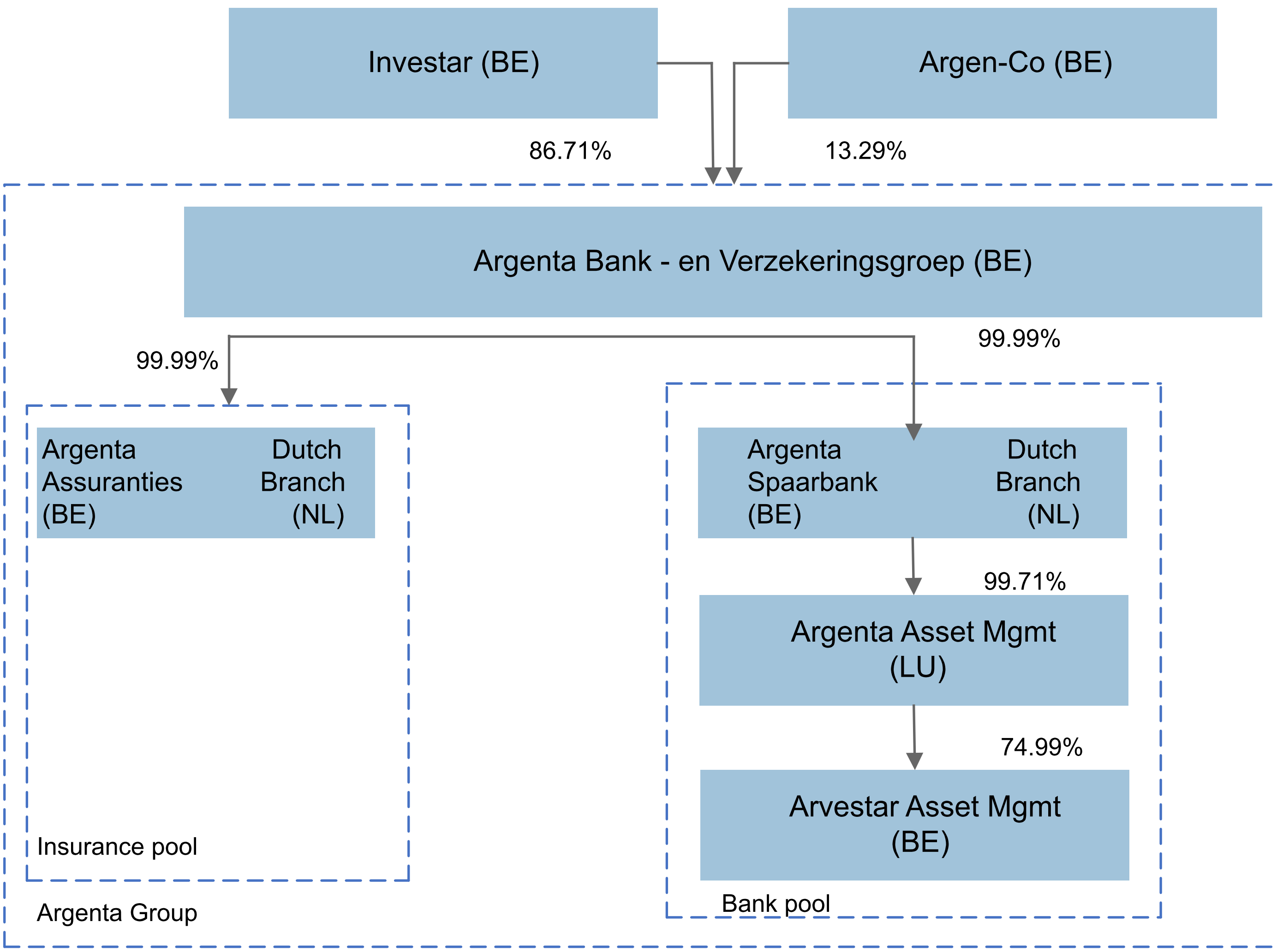
ROE--Return on equity. C/I--Cost to income. *Excluding the application of IFRIC 21 § Including bank levies but excluding the application of IFRIC 21. Source: S&P Global Ratings.

Therefore, the bank's capacity to protect its profitability rests also to an important extent on cost-control measures, as interest rates will likely remain low for a long time. We project a cost-to-income ratio of around 70% in 2020, which is barely average in a Benelux context.

ASPA is owned by Argenta Bank- en Verzekeringsgroep NV, a holding company 86.7% owned by Investar NV (representing the interests of the Belgian founding family) and 13.3% owned by Argen-Co cvba (representing about 70,000 cooperative shareholders). The holding company has full control of ASPA and its sister company and insurance arm Argenta Assuranties (not rated). We have not observed any material lending transaction in favor of the founding family. Governance standards are in place and we do not see instances of the family's interference in operations. Rather, the bank has historically led a prudent strategy, focused more on the predictability of earnings than on profit maximization, and operated a simple, customer-centric savings banks business model. This allowed it to avoid many of the missteps other Belgian and Dutch banks made in the years before the great financial crisis, for instance.

Chart 3

Argenta Group Consists Of An Insurance And A Banking Arm



Share percentages rounded

Amid the persisting low interest rate environment, the development of insurance and asset management activities has become a strategic priority. To bolster its revenue from asset management, Argenta entered a joint venture with Degroof Petercam Asset Management in November 2018. Those activities used to be marginal in the group's consolidated operations. The bancassurance business model works well in Belgium and stabilizes the client base. These activities could gradually improve the diversity and resilience of its business model.

Table 2

Argenta Group -- Business Position					
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Cost to income ratio	67.9	67.2	63.6	55.4	54.5

Table 2

Argenta Group -- Business Position (cont.)					
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Return on average common equity	6.3	6.4	7.2	9.9	11.9

Note: S&P Global Ratings' definitions.

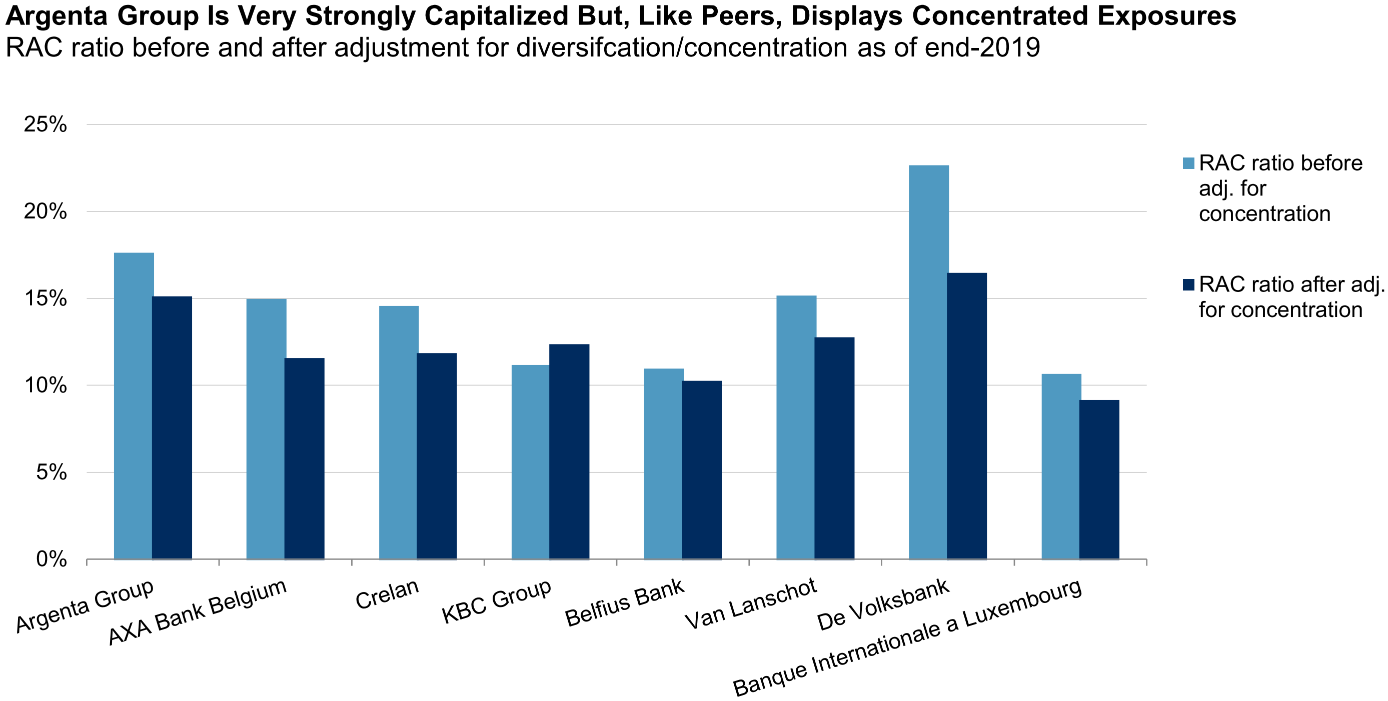
Capital and earnings: A cautious capital policy has led to very strong capitalization

At the group level, our RAC ratio amounted to 17.6% at end-2019 and we expect it will remain well above 15% in 2020-2022, supporting our assessment. Our RAC ratio is lower than the regulatory Tier 1 ratio of 25.3% mainly because of our higher risk weights on corporate and retail exposures (Argenta uses an internal ratings-based approach for credit risk) and because we deduct the insurance participation from our measure of capital (rather than risk weight it at 370% as allowed by the "Danish Compromise" regulatory approach).

Our projected RAC ratio assumes earnings in the €140 million-€170 million range over 2020-2022 (versus €174 million in 2019). Such earnings expectations translate into a ROE of 5%-6% over the forecast period. We also assume a modest dividend of below €20 million in 2020 (based on the maximum allowed under the ECB's recommendation, according to our estimate), normalizing thereafter to €60 million-€70 million per year (excluding any potential re-injection), and risk-weighted assets (RWAs) increasing by 3%-4% per year.

More specifically, we assume a decrease in the net interest margin of 10 basis points (bps) over 2020-2022, moderate loan growth of 3%-4%, commission income (from securities and asset management fees) growing by 6% on average, and modest gains on financial assets, translating into stable to marginally increasing revenue. We also assume an increase in operating expenses (including commissions paid to the branch network) of 3% in 2020, plateauing thereafter because of cost-saving initiatives, translating into a cost-to-income ratio stabilizing at 69%-70% at the group level.

Chart 4



RAC--Risk adjusted capital. Source: S&P Global Ratings.

We consider the quality of capital to be high because our measure of total adjusted capital, comprises solely common equity. The bank has no additional Tier 1 capital outstanding. But we note that the ownership structure could constraint financial flexibility, compared with a listed bank able to raise equity on the capital markets.

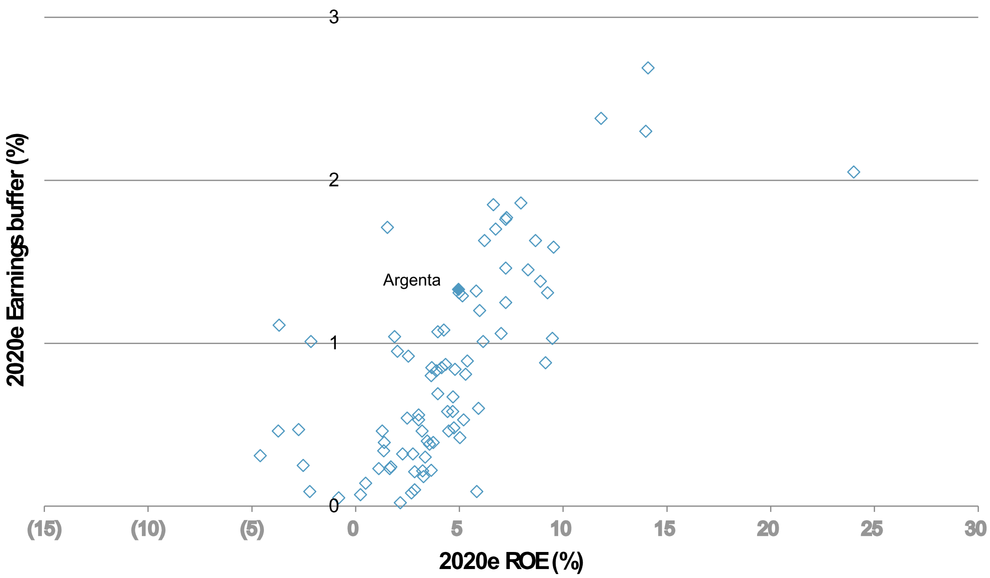
We recognize the benefit of the Dutch government-supported Nationale Hypotheek Garantie (NHG) for mortgage financing by aligning the risk weight of 65% of the guaranteed portfolio with the risk weight we apply to Dutch government debt. The remaining 35% of the portfolio carries the standard risk weight we apply to prime residential mortgages in the Netherlands. The resulting average risk weight aims to capture the risk of non-eligibility, and other risks associated with the NHG guarantee scheme. At mid-year 2019, the share of NHG guaranteed mortgage loans represented about 65% of Argenta's Dutch mortgage book.

Our RAC ratio also captures the capitalization of the insurance arm because it represents a substantial part of the group's credit profile. We view the insurance arm as having enough capital to support an 'A' stress scenario.

Chart 5

Argenta Has Average ROE But A Relatively High Risk-Adjusted Profitability

Sample: Western European banks with a SACP located in a jurisdiction with an industry risk of 2, 3, or 4.



*The earnings buffer is computed as pre-provision operating income less one-off items, less S&P Global Ratings' normalized credit losses, divided by S&P Global Ratings' risk-weighted assets. ROE--Return on equity. Source: S&P Global Ratings.

Table 3

Argenta Group -- Capital And Earnings

(%)	2019	2018	2017	2016	2015
Tier 1 capital ratio*	25.3	23.0	25.2	25.1	24.9
S&P RAC ratio before diversification †	17.6	17.4	16.9	16.8	16.7
S&P RAC ratio after diversification †	15.1	14.9	14.9	14.5	16.0
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	78.5	80.7	76.4	83.3	84.8
Fee income/operating revenues	16.5	15.4	10.6	9.0	9.7
Market-sensitive income/operating revenues	1.3	0.0	4.2	1.2	3.4
Preprovision operating income/average assets	0.5	0.6	0.6	0.8	0.9
Core earnings/average managed assets	0.4	0.4	0.5	0.7	0.7

Note: S&P Global Ratings' definitions. *Internal ratings-based approach to capital requirements. † 2015 calculated on the perimeter of Argenta Spaarbank N.V. RAC--Risk adjusted capital.

Table 4

Argenta Group --Risk-Adjusted Capital Framework Data

	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	11,263,078,119	175,358,260	2	323,085,410	3
Of which regional governments and local authorities	595,946,364	100,922,124	17	22,626,390	4
Institutions and CCPs	3,496,242,265	675,430,667	19	594,828,350	17
Corporate	2,717,877,091	1,287,229,495	47	2,145,921,017	79
Retail	26,076,680,143	3,842,613,907	15	7,015,916,166	27
Of which mortgage	25,173,845,153	3,663,457,133	15	6,418,940,929	25
Securitization§	792,097,112	81,793,079	10	161,133,262	20
Other assets†	958,021,372	281,886,970	29	302,617,328	32
Total credit risk	45,303,996,102	6,344,312,377	14	10,543,501,532	23
Credit valuation adjustment					
Total credit valuation adjustment	--	84,561,799	--	0	--
Market Risk					
Equity in the banking book	22,798,011	17,647,438	77	162,173,558	711
Trading book market risk	--	0	--	0	--
Total market risk	--	17,647,438	--	162,173,558	--
Operational risk					
Total operational risk	--	1,034,572,070	--	1,225,449,839	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	9,003,675,545	--	11,931,124,929	100
Total diversification/ concentration adjustments	--	--	--	1,984,169,735	17
RWA after diversification	--	9,003,675,545	--	13,915,294,663	117
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments	--	2,281,816,363.9	25.3	2,096,329,197.0	17.6
Capital ratio after adjustments‡	--	2,281,816,363.9	25.3	2,096,329,197.0	15.1

Note: S&P Global Ratings' definitions.*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 déc.. 31 2019, S&P Global Ratings.

Risk position: Low credit risk but concentrated exposures

Argenta's risk position is a rating weakness, in our view. This points to risks not captured in our capital and earnings analysis, primarily its geographic and retail concentration, and to a lesser degree its exposure to interest-rate risk. We think these weaknesses outweigh the bank's structurally very low credit risk.

We believe the bank's loan book (€32 billion as of mid-2020) should overcome the effects of the economic recession triggered by the COVID-19 pandemic. The bank is primarily exposed to Dutch and Belgian mortgages (96% of the loan book as of mid-2020), which we view as very low risk asset classes. Before the onset of the pandemic, Argenta had the lowest ratio of nonperforming loans (NPL), 0.4% at end-2019, among significant Belgian banks. This partly reflects its concentration on Flanders, the wealthiest of the two main regions in the country, and one of the wealthiest regions in Europe when measured by GDP per capita.

We forecast a marginal increase in NPLs in 2020, despite fallout from the economic recession in Belgium and the Netherlands. While NPLs will likely increase over 2021-2022, we expect them to remain below 1%, which is very low in a European context. We note that payment deferral requests have been very low so far (around 5% in Belgium and negligible in the Netherlands as of mid-2020). Still, as payment deferrals and government support measures for the wider Belgian economy have been extended into the first half of 2021, we believe the impact of the recession on asset quality may not materialize until the second half of this year. We currently expect cost of risk to peak at 10 bps in 2020-2021 (versus close to nil in 2019), which is extremely low but sustainable, in our view.

ASPA's asset quality is supported by its prudent underwriting approach and characteristics of the Belgian economy. Belgian households' leverage (household debt to GDP at around 65%) is lower than that in neighboring countries. While property prices have been steadily increasing over the past two decades, we believe they are not overheating, with low interest rates and unmet demand as main drivers. Although Dutch households are more leveraged (household debt to GDP at around 110%), the NHG guarantee would likely limit the net loss for the bank in case of adverse macroeconomic and residential real estate developments.

We also consider the credit risk embedded in Argenta's investment portfolio (€11 billion) to be low. The portfolio is almost exclusively investment grade (a third in the 'AA' category and above), and it is well diversified with only moderate exposure to corporates bonds (a quarter of the investment portfolio). In addition, the corporate bonds portfolio features limited exposure to sectors most affected by the pandemic (marginal exposure to bonds issued by companies in the tourism, hospitality, shipping or textile sectors), and those that could be vulnerable to restructurings or defaults.

ASPA's exposure to interest-rate risk in the banking book is structural and stems from having a large proportion of fixed-rate assets (mortgage loans and bonds) and being retail funded mainly by regulated Belgian savings deposits, which are subject to a legal floor. Pre-hedging, exposure to interest-rate risk increased significantly over 2015-2017, particularly due to a higher proportion of long-term fixed-rate mortgages, which borrowers opted for as a result of the very-low interest rate environment. However, if we take hedging into account--the bank uses fair value macro and micro hedges on its mortgage and securities portfolios respectively--exposure to this risk is moderate. That said, hedging strategies can be costly, potentially weighing on the net interest margin, and can result in profit and loss volatility due to hedging inefficiencies.

Argenta adequately meets customers' increasingly digital preferences, in our view. The group strives to adopt the most relevant digital solutions developed by the best-in-class larger banks (Belfius, KBC). That said, limiting the inflation in the cost base while keeping up with needed investments will be an important challenge for the coming years, in our view. We also note that savings and investment management--which account for around 80% of Argenta's fee and commission income--are most at risk of being disrupted in Belgium (see "Tech Disruption In Retail Banking: In Belgium, Smaller Players Could Have A Hard Time Keeping Up With The Big Banks," published Oct. 7, 2020).

Argenta is in a relatively favorable position to manage its exposures with regards to environmental, social, and governance (ESG) risk factors, in our view. This is because its exposures to corporates are via its investment portfolio, which can be adjusted easily and excludes many sectors exposed to ESG risks, rather than its loan book (no commercial banking).

The bank has substantially reinforced its know-your-customer approach and other client onboarding practices, following closely the guidelines of the Banque Nationale de Belgique. ASPA's savings bank business model, based on longstanding customer relationship, with only very few of them being outside its two home markets, reduces but does not eliminate risks related to financial crimes.

Table 5

Argenta Group -- Risk Position

(%)	2019	2018	2017	2016	2015
Growth in customer loans	6.9	7.7	4.3	9.1	11.7
Total diversification adjustment / S&P RWA before diversification*	16.6	16.5	13.5	15.5	3.8
Total managed assets/adjusted common equity (x)	23.8	24.0	24.8	25.6	25.3
New loan loss provisions/average customer loans	0.01	(0.01)	(0.02)	0.00	0.01
Gross nonperforming loans/customer loans	0.4	0.4	0.5	0.7	0.8
Loan loss reserves/gross nonperforming loans	21.2	17.4	18.8	18.8	19.9

Note: S&P Global Ratings' definitions. RWA--Risk-weighted assets. *2015 calculated on the perimeter of Argenta Spaarbank N.V.

Funding and liquidity: Liquidity is a strength

Argenta's funding and liquidity are neutral for our ratings, although we consider the group's liquidity strong.

The loan-to-deposit ratio stood at an estimated 92% at end-2019, up from 84% in 2016, due to the strategy to rebalance the bank's asset mix in favor of customer loans and gradually increased recourse to wholesale funding (10% of the funding base at end 2019). Wholesale funding is now more diversified, as it includes senior preferred bonds (since 2019; €0.5 billion outstanding), senior-nonpreferred bonds (since 2020; €1 billion), Tier 2 bonds (since 2016; €0.5 billion), securitization notes (since 2017; €3.1 billion) and also covered bonds with the first issuance in February this year (€0.5 billion). This shows the bank has much more funding options than in the past and benefits from a decent franchise in capital markets. While our loan-to deposit ratio has significantly increased over the past few years and will likely continue to do so, our stable funding ratio has been steady (between 100% and 102% since 2015) and will likely remain so, pointing to a well-matched asset-liability profile.

About one-quarter of the bank's balance sheet (€11 billion as of mid-2020) comprises cash and high-quality liquid securities in its bond portfolio, essentially level 1 assets that are eligible collateral in ECB open market operations. At group level, liquid assets comfortably covered (post haircut) limited short-term wholesale funding by 15x at end-2019, probably closer to 10x going forward as wholesale funding increases, pointing to very limited refinancing risk. We note the granularity of the deposit base, the bank's strong retail franchise in Flanders, and the stability of the deposit base over past decades, even in challenging times for Belgian banks.

Table 6

Argenta Group -- Funding And Liquidity					
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Core deposits/funding base	90.3	92.5	94.2	92.2	92.5
Customer loans (net)/customer deposits	91.9	90.2	86.5	83.9	81.6
Long term funding ratio	98.8	98.9	99.1	99.1	98.0
Stable funding ratio	100.8	101.5	100.2	101.7	102.4
Short-term wholesale funding/funding base	1.3	1.2	1.0	1.0	2.1
Broad liquid assets/short-term wholesale funding (x)	14.8	15.5	17.8	19.5	10.2
Net broad liquid assets/short-term customer deposits	20.4	19.9	19.6	21.0	22.3
Short-term wholesale funding/total wholesale funding	13.2	16.1	17.6	36.3	81.4
Narrow liquid assets/3-month wholesale funding (x)	48.1	87.8	57.2	563.0	65.0

Note: S&P Global Ratings' definitions.

Support: Additional loss-absorbing capacity (ALAC) protects senior creditors

Since December 2015, we have regarded the prospect of extraordinary government support for Belgian banks as uncertain in view of the country's effective resolution regime. As a result, rated banks in Belgium are not eligible for notching uplift for possible future government support. However, we view the Belgian resolution regime as effective under our ALAC criteria because we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

In our ALAC calculation, we factor in €1 billion of senior nonpreferred debt, as well as total adjusted capital in excess of the amount necessary for a 15% RAC ratio (the threshold for the current capital and earnings assessment). While ASPA has also €500 million of Tier 2 debt outstanding, we assume it will be called at the next call date in May this year. We expect the end-2020 ALAC ratio will have exceeded 10.0%, up from 6.8% at end-2019, and project it will remain above 10% over the coming years. This sharp increase in the ALAC ratio in 2020 follows the unexpected (MREL ratio of 6.9% as of mid-2020 when excluding the Tier 2 versus a requirement of 4.9%) issuance of €500 million of senior nonpreferred debt last October because of the bank's anticipation of a likely decision by the Single Resolution Board to revise its MREL requirements upward under BRRD2 (see "Argenta Spaarbank Outlook Revised To Stable On Increased Additional Loss-Absorbing Capacity; Affirmed At 'A-/A-2'," published Oct. 26, 2020).

As such, our issuer credit rating includes two notches for ALAC uplift. The threshold of 10% we apply for two notches of uplift is above our standard 8.0%, reflecting a concentration of maturities (2026-2027).

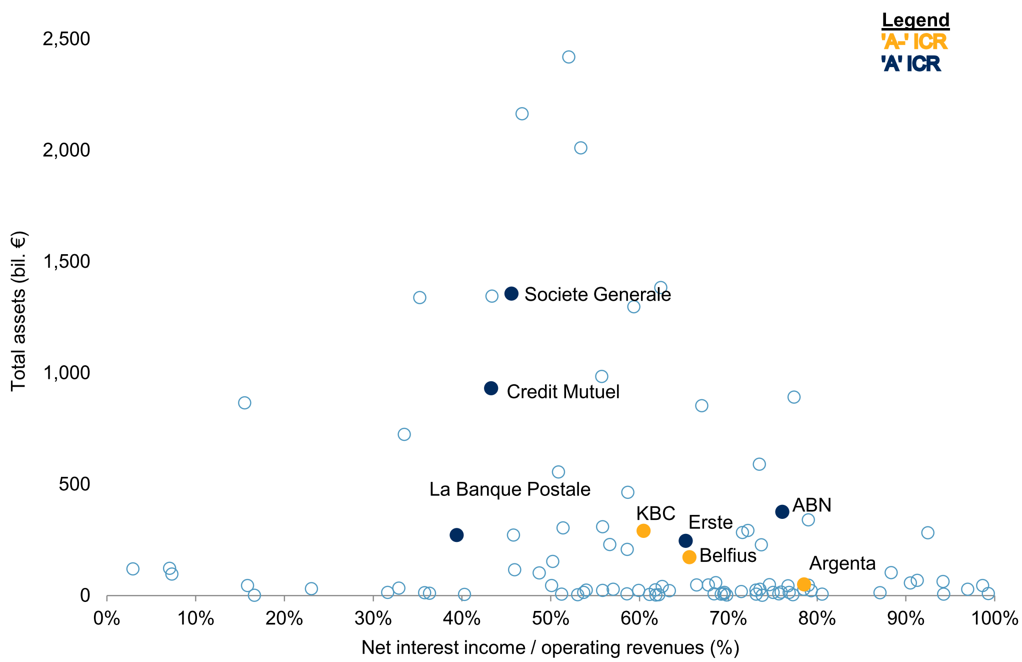
The 'A/A-1' resolution counterparty ratings (RCRs) on Argenta Spaarbank N.V. reflect our assessment that the resolution regime will be effective in Belgium, and consider that ASPA is likely to be subject to a resolution that entails a bail-in if it reaches nonviability. Our RCR is a forward-looking opinion 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 institution.

Additional rating factors: Negative

We consider that the higher ALAC buffer will help the bank in dealing with a potential deterioration of its stand-alone creditworthiness, in case the impact of the pandemic proves to be harsher than expected, which is why our outlook is stable. That said, we don't see the increased ALAC buffer as a strong enough reason to have a higher rating. This is why we include in the rating a negative adjustment under our comparable ratings analysis. 'A'-rated banks include Societe Generale, Credit Mutuel, Erste, and ABN AMRO, which we view as much more diversified than Argenta group (chart 6).

Chart 6

Argenta Group Has Comparatively Limited Scale And Revenue Diversification
Sample: Western European banks with a SACP located in a jurisdiction with an industry risk of 2, 3, or 4.



Data for 2019. Source: S&P Global Ratings.

As vaccine rollouts in several countries continue, S&P Global Ratings believes there remains a high degree of uncertainty about the evolution of the coronavirus pandemic and its economic effects. Widespread immunization, which certain countries might achieve by midyear, will help pave the way for a return to more normal levels of social and economic activity. We use this assumption about vaccine timing in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- 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
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Argenta Spaarbank Outlook Revised To Stable On Increased Additional Loss-Absorbing Capacity; Affirmed At 'A-/A-2', Oct. 26, 2020
- Tech Disruption In Retail Banking: In Belgium, Smaller Players Could Have A Hard Time Keeping Up With The Big Banks, Oct. 7, 2020
- Negative Rating Actions Taken On Multiple Benelux Banks On Deepening COVID-19 Downside Risks, April 23, 2020

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of March 8, 2021)*

Argenta Spaarbank N.V.	
Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/--/A-1
Senior Subordinated	BBB
Senior Unsecured	A-
Subordinated	BBB-
Issuer Credit Ratings History	
26-Oct-2020	A-/Stable/A-2
23-Apr-2020	A-/Negative/A-2
28-Jun-2019	A-/Stable/A-2
15-Sep-2017	A-/Positive/A-2
Sovereign Rating	
Belgium	AA/Stable/A-1+

*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.