

Belgium

According to the most recent update in autumn 2022 of the European Commission, after an increase of 6.1% in 2021, Belgian GDP is expected to grow much slower, by 2.8% in 2022 and 0.2% in 2023. In May 2022, The National Bank of Belgium also estimated the economic growth to slow down in 2022 (+2.4%), 2023 (+1.5%) and 2024 (+2.0%). Main reasons are the high inflation rates and worldwide problems in supply chains due to the war in Ukraine, which also impacts household consumption. The unemployment rate rose slightly from 5.8% in 2020 to 6.3% in 2021, but remains below the rate of the EU (7.0% in 2021).

The Belgian banking community is characterised by a variety of players who are active in different market segments. BNP Paribas Fortis, KBC, Belfius and ING Belgium are the four leading banks (with a cumulated balance sheet on a non-consolidated basis representing 67% of the sector total at the end of 2021). They offer an extensive range of services in the field of retail banking, private banking, corporate finance and payment services. In addition, a number of smaller institutions is often active in a limited number of market segments.

A number of institutions has specialised in international niche activities, such as Euroclear (one of the world's biggest players in clearing and settlement services) or The Bank of New York Mellon (custody). Like the Belgian economy, the banking sector is characterised by a high degree of international openness. Of the 81 banks established in Belgium end of December 2021, 80.2% are branches or subsidiaries of foreign institutions. Only 19.8% of the institutions has a Belgian majority shareholder ship. At the end of 2021, 13 credit institutions under Belgian law had 77 entities in 24 other countries.

At the end of 2021, the number of bank branches in Belgium amounted to 183 per million inhabitants. When adding the number of branches held by independent bank agents, this number reaches 329 per million inhabitants. The number of ATMs amounted to 7,919, including 5,407 cash dispensers. E-banking and mobile banking are on a strong rise: 14.6 million subscriptions for internet banking and 10.5 million subscriptions for mobile banking (Belgian population: 11.6 million). After the covid period (2020), the number of cash withdrawals remain at a lower level while the number of card payments (and contactless payments) kept on rising. This is why several banks are restructuring their retail distribution network and will continue to do so.

End of 2021, the Belgian banks' total assets (on a consolidated basis) amounted to €1,151 billion. Loans to households account for almost 1/4th of the total balance sheet, followed by Interbank claims (21%) and investment in debt securities (15%). Corporate lending to non-financial companies takes up about 14% of the total assets. 62% of the liabilities of the Belgian banking sector are debts to clients (other creditors included), mainly consisting of regulated savings deposits, sight deposits and term deposits. The other 38% of the liabilities consist of interbank debts (19%), debts represented by a security (7%), own resources (6%) and the remaining other liabilities (3%), subordinated debts (2%) and write-downs, provisions, provident funds and deferred taxes (1%).

The Belgian banking sector is essential to finance the economy. In recent years, banks have eased their criteria for granting loans to companies. In the fourth trimester of 2018, banks slightly tightened these criteria for the first time since the first trimester of 2013. They also tightened their criteria in the second and third trimester of 2021. In 2021, demand of companies for mainly short term loans increased strongly in the second and third trimester of 2021. In the remainder of the year demand for credit decreased again. The demand for long term loans kept on increasing albeit at a much more moderate pace. In 2021, companies wanted to make maximum use of the exceptionally low interest rates, driven by the ECB's extremely accommodating stance. However the average weighted cost of lending remained stable around 1,5% during 2021, the rate is on a rise since January 2022.

Corporate financing in Belgium has become more diversified. Companies also use asset-based financial instruments, such as leasing, from independent leasing companies or leasing subsidiaries from banks. The larger companies also rely directly on the financial markets (e.g. for bond issues), with accompanying services provided by the banks.

A similar diversification of services occurs in the savings and investment segments. Belgian households had gross financial assets of €1,557 billion at the end of 2021. In addition to their large offer of deposit products (Belgian households, non-banking companies and public authorities had around €630 billion in deposit accounts), banks offer a wide range of investment instruments and services. Asset management is an important part of this area, with banks (often through their asset management subsidiary) commercialising many investment funds.

In the years following the 2008 banking crisis, the Belgian banking sector worked on its financial soundness through a phase of balance sheet deleveraging, among other things. The cost-to-income ratio fell from 72.1% in 2012 to 60.4% in 2021, indicating a significant improvement in cost efficiency. The return on equity (ROE) stood at 10.2% in 2021. The Liquidity Coverage Ratio and CET I ratio also remained very robust in 2021, at 184.3% and 17.6% respectively. In 2021, the NPL ratio slightly decreased from 1.8% in March 2021 to 1.5% in December 2021.

Banks in Belgium employ almost 50,000 persons (of which almost 51% women), with 112.600 in the wider financial sector. Gender equality and equal rights are high on the agenda of the Belgian financial sector with 47 financial institutions representing over 90% of the financial sector signing the Wo.men in finance Charter. WIF advocates for equal opportunities for everyone in the financial sector. The Glass ceiling index is improving, so is the percentage of women in senior management positions. Next to equal rights, the sector also invests permanently in staff skills: of all banks governed by Belgian law, almost 2 million hours and 2% of total annual staff costs is spent on training. The swift digitisation is one of the factors that necessitate a permanent shift in competences.

The sector is aware of the major challenges ahead. The environment of continuing low interest rates increases the banks' focus on adjusting their business models. At the same time, digital applications are picking up speed, a development that is being met with substantial investments. Emphasis is put on shifting services from the traditional branch network to digital banking via online channels and (smartphone) banking applications. For the future, and keeping a commitment to climate in mind, financing the energy transition (for families as well as companies and governments) is also a challenge coming to the forefront. Other challenges we are facing in the financial sector are cyber threat, the war for talent, fintech, other big techs and so on.