

Benelux outlook report

Third quarter of 2023



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The objective of Benelux quarterly report is to provide a comprehensive and summarized overview of the main indicators of the country's banking sector, as well as the macroeconomic situation at the end of each quarter.

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1. International overview

In 3Q23, the slowdown in the world's major economies intensified due to tighter financial conditions, weak trade growth and lower business and consumer confidence. The outlook is for lower growth in 2024 and inflation is expected to be on target by the end of 2025.

Macroeconomic outlook

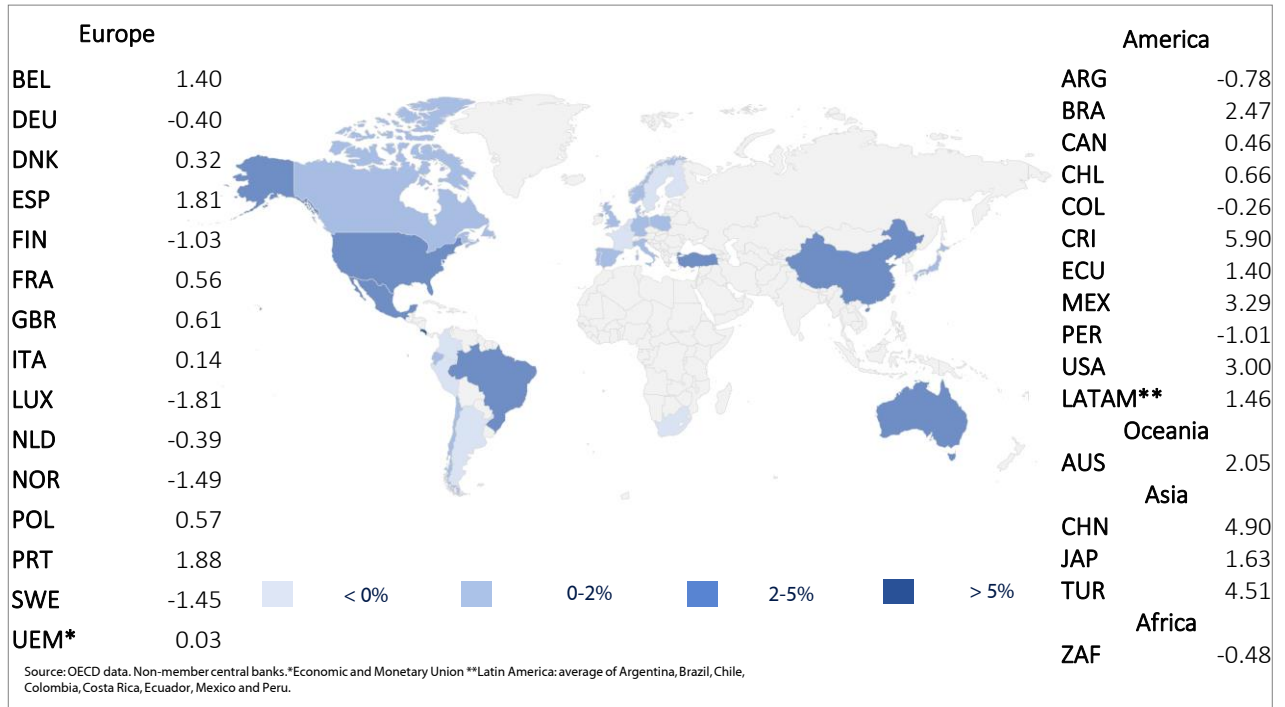
- ▶ During 3Q23, the Eurozone recorded a slight year-on-year growth of 0.03%, compared to the 0.47% recorded in 2Q23, consolidating the economic stagnation of the zone. Germany recorded its third consecutive quarter of decline, as did Finland and Luxembourg. The average CPI in the Eurozone decreased by 1.25 p.p. compared to 2Q23 to 4.95%, also highlighting the fall in core inflation, while the average unemployment rate remained constant at 6.4%.
- ▶ Regarding the American region, the slight economic growth of the Latam¹ region with respect to the previous quarter (1.46% versus 1.22%) was noteworthy, partly due to the recovery of the growth rate of some countries such as Argentina by 2.25 p.p. and Chile by 1.75 p.p. As for the US, growth continued to consolidate at a rate of 2.93% (2.56% in 2Q23). As for inflation, in the US it fell to 3.51%, while the Latam¹ average stood at 20.88% (excluding Argentina (125.89%) the average stood at 5.88%, down from 2Q23 (7.07%)). Unemployment rates on the continent were generally stable compared to the previous quarter's baseline.
- ▶ In the Asian region, China continued to post strong growth, but lower than the previous quarter, at 4.90% (6.30% in 2Q23), as did Japan, which reached 1.63% (1.73% in 2Q23).
- ▶ For its part, Australia recorded year-on-year growth of 2.05% (2.07% in 2Q23), continuing its economic slowdown, with a relatively stable unemployment rate of around 3.66% and falling but still high inflation, which closed the third quarter of the year at 5.37%.
- ▶ South Africa, on the other hand, recorded a negative growth rate of -0.48% (compared to 1.68% in the previous quarter), albeit with a declining inflation rate of 5.02% and a high unemployment rate of almost 33%.
- ▶ The IMF expects global growth to decline 3.5% from that recorded in 2022 to an estimated 3.0% in 2023 and to 2.9% in 2024, in the face of the continuing economic drag from rising interest rates as part of central banks' monetary policy to combat inflation. Meanwhile, global inflation is forecast to fall from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, while core inflation is expected to decline more gradually. Inflation is expected to reach the target levels of individual central banks by the end of 2025.
- ▶ ECLAC forecasts that the economies of the Latin American region will maintain low levels of growth during this and next year, affected by a negative global and very complex regional economic outlook, estimating an average regional GDP growth of 1.7% in 2023, while for 2024 it projects a slight decline to 1.5%. By sub-regions, South America is estimated to grow by 1.2%, Central America and Mexico by 3% and the Caribbean by 4.2%.

Other indicators and main risks

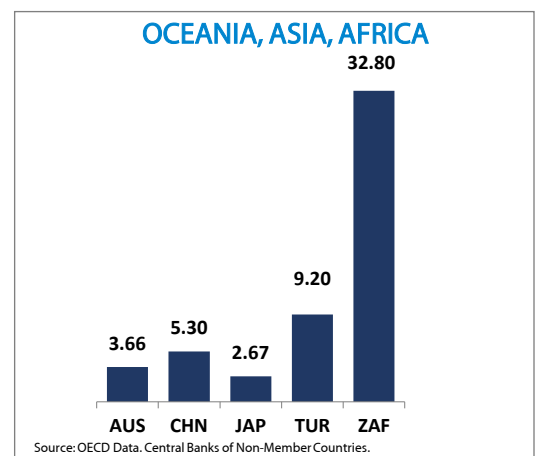
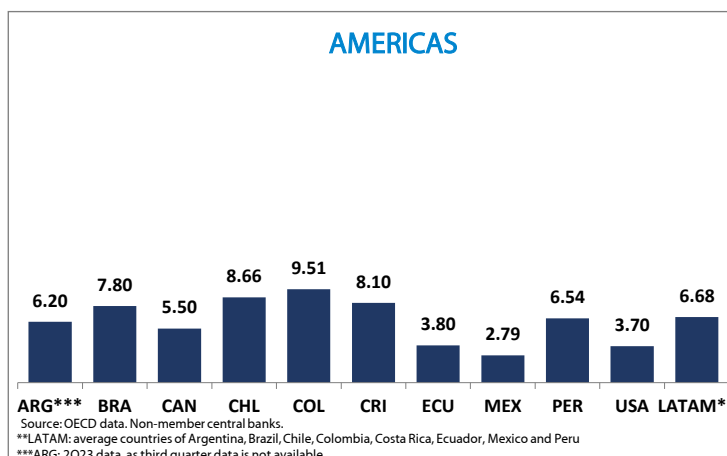
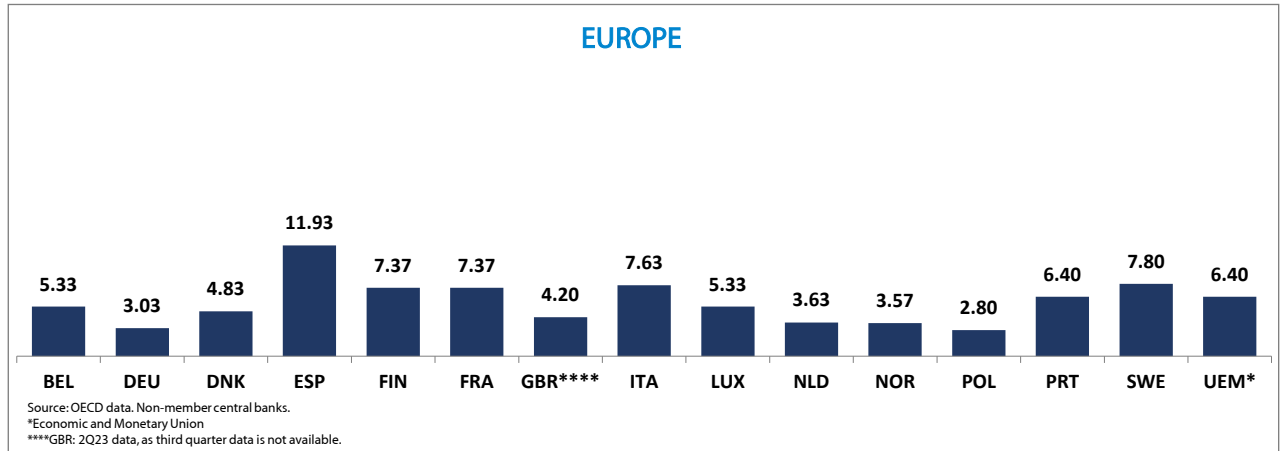
- ▶ The euro has depreciated very slightly against the dollar in the last quarter, although it has remained strong, standing at €0.92 per dollar in the third quarter. The OECD expects the US dollar to appreciate against most currencies in the last six months of 2023, aided by the safe-haven effect amid rising geopolitical tensions. Significant currency depreciations have also occurred in some emerging market economies with relatively high or rising inflation.
- ▶ However, the main Latin American currencies appreciated slightly against the dollar in 3Q23, with the exception of the Chilean peso and the Argentine peso, whose exchange rate increased compared to 2Q23, to 839.20 Chilean pesos per dollar and 334.66 Argentine pesos per dollar.
- ▶ The IMF expects overall debt to increase.

¹ The average for Latam countries is based on macroeconomic data for Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru

GDP (% , year-on-year growth)

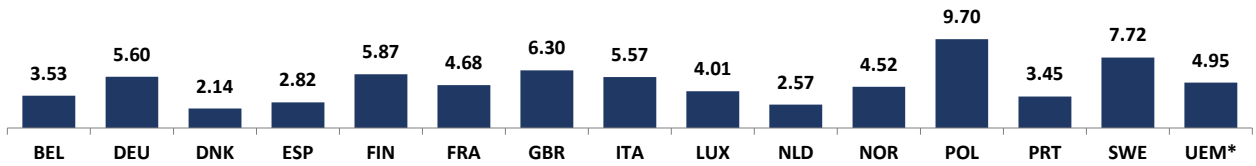


Unemployment rate (%)



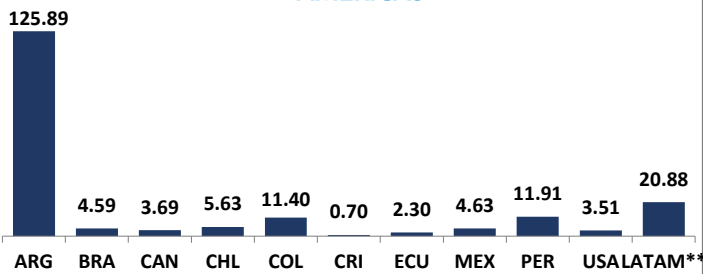
Inflation rate (%)

EUROPE



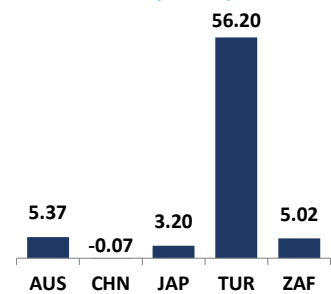
Source: OECD Data. Central Banks of Non-Member Countries.
*Monetary and Economic Union

AMERICAS



Source: OECD Data. Central Banks of Non-Member Countries
**LATAM: average of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, and Peru

OCEANIA, ASIA, AFRICA



Source: OECD Data. Central Banks of Non-Member Countries

Global Ratings and Exchange Rates

LONG-TERM RATES 3Q23

	MOODY'S	S&P	Fitch
EUROPE			
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa2	AA	AA-
ITA	Baa3	BBB	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3▲	BBB+	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
AFRICA			
ZAF	Ba2	BB-	BB-
OCEANIA			
AUS	Aaa	AAA	AAA
ASIA			
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B3	B	B
AMERICAS			
ARG	Ca	CCC-	C
BRA	Ba2	BB-	BB-
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa2	BB+	BB+
CRI	B1▲	BB-▲	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB	BBB
USA	Aaa	AA+	AAA

▲ Increased from 2Q23

▼ Decreased from 2Q23

Source: Investing

EXCHANGE RATES 3Q23 (\$*)

EUROPE	3Q22	4Q22	1Q23	2Q23	3Q23	2023
EUR	1.00	0.97	0.93	0.92	0.92	0.92
DKK	7.59	6.95	6.91	6.85	6.85	6.86
NOK	10.91	9.80	10.27	10.81	10.48	10.56
SEK	11.09	10.45	9.58	10.63	10.81	10.35
GBP	1.12	1.21	0.82	0.80	0.79	0.81
PLN	4.96	4.38	4.36	4.15	4.14	4.23
AMERICAS	3Q22	4Q22	1Q23	2Q23	3Q23	2023
ARG	135.79	176.71	197.70	239.22	334.66	219.09
BRL	5.41	5.29	5.10	4.94	4.89	5.00
CLP	965.90	849.41	805.80	805.20	839.20	796.01
COP	4,597.52	4,849.39	4,725.30	4,438.83	4,043.78	4,611.09
PER	3.99	3.80	3.79	3.66	3.66	3.71
MXN	20.10	19.50	18.38	17.59	17.06	17.88
AFRICA	3Q22	4Q22	1Q23	2Q23	3Q23	2023
ZAR	18.15	17.00	17.76	18.94	18.64	18.82
OCEANIA	3Q22	4Q22	1Q23	2Q23	3Q23	2023
AUS	1.56	1.47	1.47	1.51	1.53	1.49
ASIA	3Q22	4Q22	1Q23	2Q23	3Q23	2023
RMB	7.11	6.90	6.85	7.09	7.24	6.93
TRY	18.21	18.62	18.94	22.09	26.81	19.40

Source: Investing, OECD projections, November 2023.

*The base currency used is the US dollar against each local currency quoted

2. Macroeconomic view: Belgium

Despite the contraction of the eurozone economy as a whole, the Belgian economy expanded by 1.40 percent in the third quarter of 2023, making it one of the fastest growing countries in the eurozone.

MAIN MACROECONOMIC INDICATORS (%)

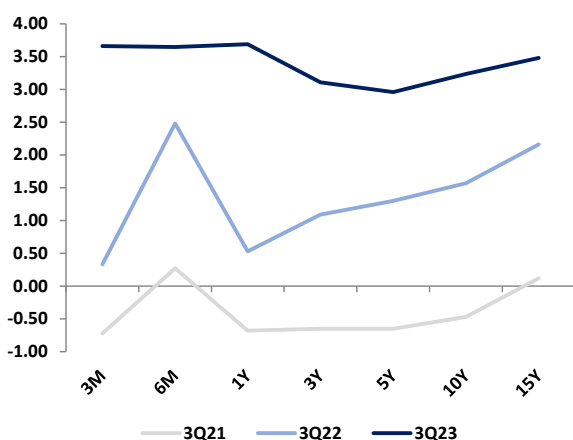
ACTIVITY	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var. p.p.3Q22	2023	2024
GDP	1.90	1.38	1.68	1.31	1.40	0.09	-0.50	1.45	1.11
DOMESTIC DEMAND	2.01	1.70	2.11	1.26	0.68	-0.58	-1.33	2.10	1.40
HOUSEHOLD CONSUMPTION	0.51	0.43	2.04	1.27	0.72	-0.55	0.21	1.44	1.54
PUBLIC CONSUMPTION	2.22	2.31	1.22	-0.44	0.56	1.00	-1.66	0.35	1.16
CAPITAL FORMATION	1.45	3.28	2.36	3.60	5.17	1.57	3.72	4.29	1.22
EXTERNAL DEMAND									
EXPORTS	4.54	3.73	2.51	0.23	-3.38	-3.61	-7.92	-0.38	0.31
IMPORTS	4.68	4.20	3.85	1.30	-2.83	-4.13	-7.51	0.33	0.65
INFLATION									
CPI	10.28	11.08	7.11	4.98	3.53	-1.45	-6.75	2.35	3.01
LABOUR MARKET									
UNEMPLOYMENT RATE	5.43	5.67	5.60	5.60	5.33	-0.27	-0.10	5.60	5.66
EMPLOYMENT*	3.69	1.05	0.46	0.55	0.67	0.12	-3.02	0.82	0.53

*The employment variable represents the year-on-year change in employment growth.

Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of December 20th, 2023. Projections OECD November 2023.

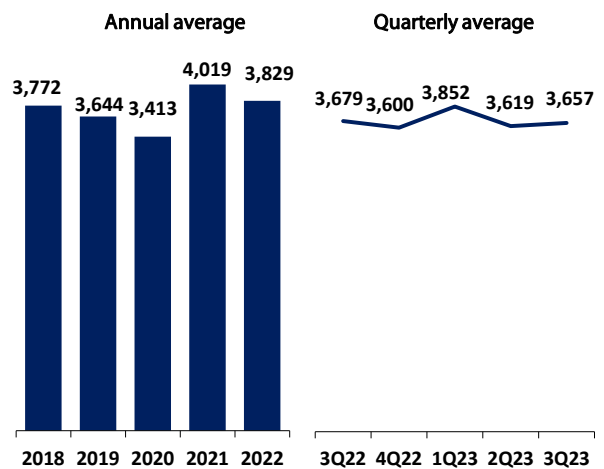
- ▶ Belgium's GDP growth picked up to 0.09 p.p. quarter-on-quarter basis in 3Q23, contrasting with the Eurozone's overall mild contraction. On an annual basis, economic growth sped up to 1.40% in 3Q23.
- ▶ Despite registering a slowdown in household consumption, public spending and capital formation saw an uptick in growth versus the previous quarter. Similarly, trade activity contracted, with both imports and exports registering declines of 2.83% and 3.38%, respectively on a year-on-year basis.
- ▶ Inflation continued its downward trend, decreasing from double digit figures in the second half of 2022 to 3.53% in the third quarter of 2023. The labour market remained with a persistently low unemployment rate, registering a slight decrease to 5.33% in the third quarter.

TREASURY YIELD CURVES RATES (%)



Source: Investing

BEL 20



Source: Investing

Macroeconomic view: Netherlands

The Dutch economy continues to contract as the Netherlands recorded a 0.39% year-on-year decline in GDP in 3Q23. Although there was strong government consumption, lower investment and exports were the main drivers of the slowdown, which continued into this quarter.

MAIN MACROECONOMIC INDICATORS (%)

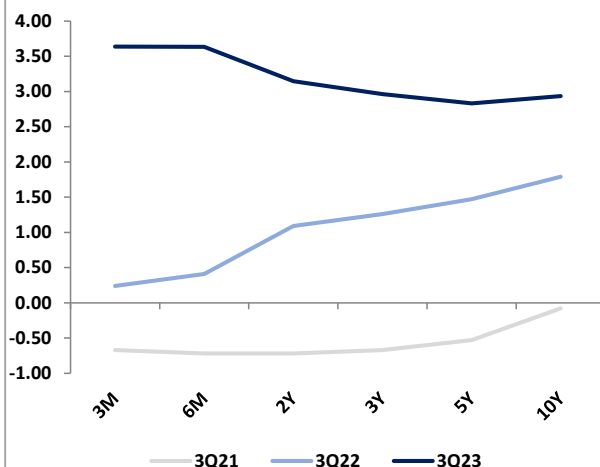
ACTIVITY	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var. p.p.3Q22	2023	2024
GDP	3.33	3.38	2.15	-0.07	-0.39	-0.32	-3.72	0.17	0.52
DOMESTIC DEMAND	2.50	3.39	3.04	1.59	1.23	-0.36	-1.27	0.89	0.14
HOUSEHOLD CONSUMPTION	2.81	4.13	2.73	0.22	-0.55	-0.77	-3.36	0.18	0.25
PUBLIC CONSUMPTION	1.95	2.18	3.51	2.88	2.76	-0.12	0.81	2.73	1.68
CAPITAL FORMATION	3.14	0.62	-0.64	2.37	-0.08	-2.45	-3.22	2.71	-1.77
EXTERNAL DEMAND									
EXPORTS	3.24	5.42	2.63	-0.59	-2.50	-1.91	-5.74	-0.88	0.57
IMPORTS	2.30	5.01	2.61	1.34	-2.06	-3.40	-4.36	-0.39	0.21
INFLATION									
CPI	12.26	11.25	6.62	5.64	2.57	-3.07	-9.69	4.44	3.69
LABOUR MARKET									
UNEMPLOYMENT RATE	3.73	4.87	3.53	3.47	3.63	0.16	-0.10	3.60	4.02
EMPLOYMENT*	3.18	3.19	2.48	1.90	1.24	-0.66	-1.94	1.88	0.31

*The employment variable represents the year-on-year change in employment growth.

Source: Organisation for Economic Co-operation and Development (OECD). OECD projections November 2023.

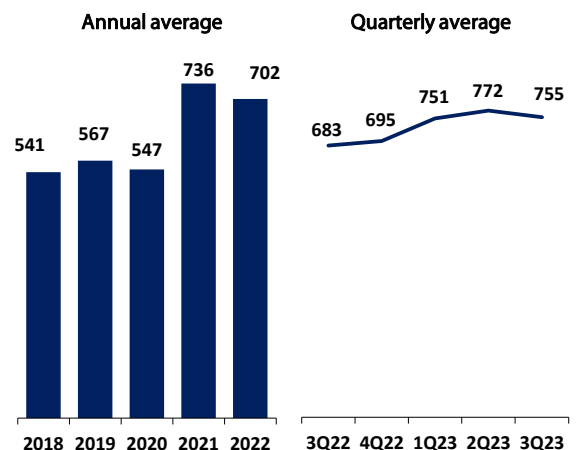
- ▶ The Netherlands' GDP contracted in 3Q23, prolonging the period of technical recession in the country. GDP declined by 0.39% on an annual basis in 3Q23.
- ▶ In addition to a general decline in private household consumption, a reduction in inventories and investments contributed to this economic slowdown. The decline in trade was also a major contributor to the GDP contraction. While there was a general decline in both imports and exports, the latter registered a more significant decline of 2.50% yoy in 3Q23.
- ▶ Inflation continued its downward trend, falling from double digits in the second half of 2022 to 2.57% in 3Q23. In the labor market, there was a slight decline in employment growth and an increase in the unemployment rate compared to 2Q23.
- ▶ Despite the negative figures reported in 3Q23, there was a positive outlook for the rest of the year, with the Dutch economy expected to recover and grow by 0.17% in 2023.

TREASURY YIELD CURVES RATES (%)



Source: Investing

AEX



Source: Investing

Macroeconomic view: Luxembourg

Luxembourg's economy continues to contract, with GDP shrinking by 1.81% year-on-year in the third quarter of 2023. Weak investment coupled with tighter financing conditions and a decline in the trade balance continue to be the main factors behind the country's economic slowdown.

MAIN MACROECONOMIC INDICATORS (%)

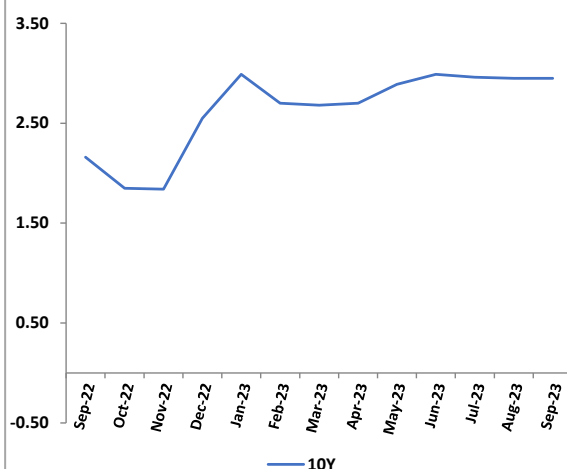
ACTIVITY	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var. p.p.3Q22	2023	2024
GDP	2.17	-2.44	-1.57	-1.43	-1.81	-0.38	-3.98	-1.07	1.40
DOMESTIC DEMAND	3.05	1.07	2.84	3.34	2.84	-0.50	-0.21	1.33	2.55
HOUSEHOLD CONSUMPTION	1.92	-0.17	3.21	4.96	2.94	-2.02	1.02	2.40	2.07
PUBLIC CONSUMPTION	3.73	3.18	1.86	3.00	2.96	-0.04	-0.77	3.32	4.46
CAPITAL FORMATION	4.27	-11.63	-7.40	-10.32	-4.35	5.97	-8.62	0.65	-0.70
EXTERNAL DEMAND									
EXPORTS	0.52	-5.75	-2.19	-2.39	-0.21	2.18	-0.73	-2.14	0.49
IMPORTS	1.02	-5.91	-0.94	-2.04	1.13	3.17	0.11	-1.40	0.50
INFLATION									
CPI	6.80	6.05	4.24	3.50	4.01	0.51	-2.79	3.10	3.44
LABOUR MARKET									
UNEMPLOYMENT RATE	4.50	4.87	4.90	5.03	5.33	0.30	0.83	5.27	6.10
EMPLOYMENT*	1.99	2.57	2.24	2.29	1.46	-0.83	-0.53	1.65	0.11

*The employment variable represents the year-on-year change in employment growth.

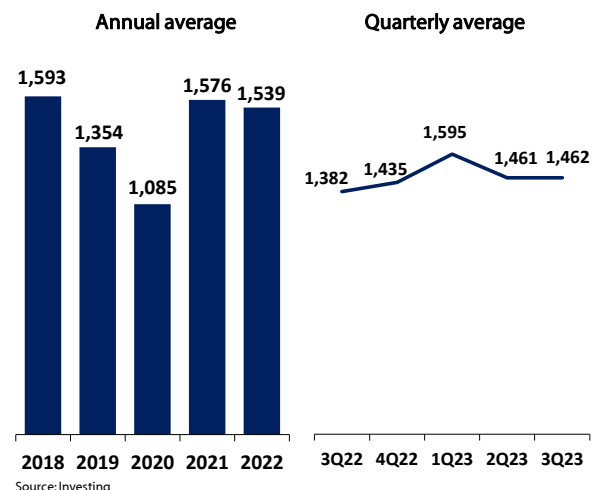
Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of December 20th, 2023. Projections OECD November 2023.

- GDP contracted in the third quarter of 2023, prolonging the period of economic slowdown. 3Q23 GDP shows a 1.81% decline over the previous year.
- While both household and public consumption expanded by 2.94% and 2.96% compared to 3Q22, weak investment due to tighter financing conditions led to a decrease of the country's capital formation by -4.35% YoY. Similarly, the negative growth of exports contributed to a worsening of the net trade balance, contributing to the country's economic contraction.
- After reaching record high levels in 2022, policies in place led to a decrease of inflation. While there was a slight uptick registered in 3Q23 of 4.01%, inflation is forecasted to decline in 2024 to 3.44%.
- Mirroring the decline in economic activity in 2023, the labor market is expected to weaken. Employment growth is projected to slow down in 2023 and 2024. Furthermore, unemployment increased to 5.33% in 3Q23, and it expected to reach 6.10% in 2024.

TREASURY YIELD CURVES RATES (%)



LUXX INDEX



3. Banking sector: Belgium

The Belgium financial sector showed a decline in total loans and deposits year-on-year growth rates. The efficiency ratio kept improving, decreasing by 2.04 p.p. compared to 3Q22, although compared to the previous quarter, it worsened by 5.76 p.p. Regarding risk and solvency, all the ratios worsened compared to the previous quarter.

BUSINESS	BANKING SECTOR CONTEXT 3Q23 (%)					Var p.p. 2Q23	Var p.p. 3Q22
	3Q22	4Q22	1Q23	2Q23	3Q23		
TOTAL LOANS*	9.86	8.00	2.79	0.66	-8.16	-8.83	-18.02
TOTAL DEPOSITS *	5.83	4.51	0.65	-0.94	-8.87	-7.93	-14.70
LTD RATIO	84.60	84.62	84.41	84.75	85.26	0.51	0.66
EFFICIENCY							
EFFICIENCY RATIO	62.94	60.64	66.56	55.14	60.90	5.76	-2.04
EU AVERAGE	61.00	60.56	59.51	56.54	55.09	-1.45	-5.91
RISK							
NPL RATIO	1.40	1.49	1.15	1.15	1.38	0.23	-0.02
EU AVERAGE	1.76	1.80	1.77	1.81	1.81	0.00	0.05
COVERAGE RATIO	44.83	43.76	48.12	47.43	47.10	-0.34	2.26
EU AVERAGE	44.07	43.49	43.64	42.93	42.55	-0.38	-1.52
SOLVENCY							
CET 1**	17.74	18.34	18.79	18.95	17.60	-1.36	-0.14
LEVERAGE RATIO**	5.60	6.08	6.25	6.20	5.97	-0.23	0.37
LCR	178.80	156.63	179.64	176.12	163.68	-12.44	-15.12
ECB INTEREST RATE							
INTEREST RATE	0.50	2.50	3.50	4.00	4.50	0.50	4.00

Source: National Bank of Belgium (NBB).

*The values for loans and deposits reflect their year-on-year growth rates.

**CET 1 ratio measured as fully-loaded and Leverage ratio as fully phased-in definition of Tier 1.

- During 3Q23, total loans in the Belgium banking sector year-on-year growth showed a remarkable decline compared to 3Q22 and 2Q23 of 18.02 p.p. and 8.83 p.p., respectively. Similarly, the YOY growth of total deposits decreased by 14.70 p.p. and 7.93 p.p. compared to 3Q22 and 2Q23, respectively. The LTD ratio remained around the same levels as the previous quarter, at 85.26%.
- In terms of efficiency, the sector has halted its previous improving trend, and the efficiency ratio worsened by 5.76 p.p. compared to the previous quarter. Despite this, the ratio remained 2.04 p.p. below the level of 3Q22, at 60.90%, although it is still worse compared to the EU average (55.09%).
- The NPL ratio worsened by 0.23 p.p. relative to the previous quarter, at 1.38%. Compared to the EU average (1.81%), Belgium's NPL ratio was better, recording a ratio of 0.43 p.p. lower. The coverage ratio for the third quarter of the year was 47.10%, reflecting an improvement of 2.26 p.p. compared to 3Q22 and distancing itself from the EU average, which was 4.55 p.p. worse.
- Regarding solvency, the banking sector showed a general deterioration compared to the previous quarter. CET1 decreased by 1.36 p.p. and by 0.14 p.p. compared to 2Q23 and 3Q22, respectively. The leverage ratio and LCR also worsened compared to the previous quarter, by 0.23 p.p. and 12.44 p.p., respectively.
- The ECB meetings resulted in an increase in interest rates, reaching a rate of 4.50% during the quarter, which was significantly higher compared to the 0.50% registered in the same quarter of the previous year.

Banking sector: Netherlands

The Dutch financial sector showed a decline in total loans and deposits year-on-year and quarter-on-quarter growth rates. Regarding the efficiency ratio, the sector showed a strong YOY improvement. The NPL ratio increased slightly but continued at levels significantly below the EU average.

BUSINESS	BANKING SECTOR CONTEXT 3Q23 (%)					Var p.p. 2Q23	Var p.p. 3Q22
	3Q22	4Q22	1Q23	2Q23	3Q23		
TOTAL LOANS*	6.02	6.30	3.54	3.33	0.31	-3.02	-5.72
TOTAL DEPOSITS *	9.90	7.33	5.20	3.21	-0.14	-3.35	-10.04
LTD RATIO	101.05	100.72	101.01	101.24	101.50	0.26	0.45
EFFICIENCY							
EFFICIENCY RATIO	59.01	59.68	56.87	51.50	50.88	-0.62	-8.13
EU AVERAGE	61.00	60.56	59.51	56.54	55.09	-1.45	-5.91
RISK							
NPL RATIO	1.22	1.39	1.30	1.34	1.37	0.03	0.15
EU AVERAGE	1.76	1.80	1.77	1.81	1.81	0.00	0.05
COVERAGE RATIO	27.30	26.56	25.90	25.89	24.77	-1.11	-2.53
EU AVERAGE	44.07	43.49	43.64	42.93	42.55	-0.38	-1.52
SOLVENCY							
CET 1**	15.48	15.68	15.81	15.98	16.00	0.02	0.53
LEVERAGE RATIO**	5.31	5.80	5.47	5.64	5.65	0.01	0.34
LCR	160.20	149.65	152.33	159.89	153.99	-5.91	-6.21
ECB INTEREST RATE							
INTEREST RATE	0.50	2.50	3.50	4.00	4.50	0.50	4.00

Source: De Nederlandsche Bank (DNB).

*The values for loans and deposits reflect their year-on-year growth rates.

**CET 1 ratio measured as fully-loaded and Leverage ratio as fully phased-in definition of Tier 1.

- ▶ The Netherlands banking sector's year-on-year growth rates of total loans and deposits slowed down during the third quarter of 2023. Regarding loans, the YOY growth rates decreased by 5.72 p.p. compared to the same quarter of the previous year to a level of 0.31%. Total deposits YOY growth rate also dropped by 10.04 p.p. compared to 3Q22, to -0.14%. The LTD ratio did not experience significant changes coming at 101.50%.
- ▶ The efficiency ratio continued improving through the third quarter of the 2023, outperforming once again the EU average (55.09%) reaching a total of 50.88%.
- ▶ The NPL ratio consolidated well below the EU average (1.81%), at 1.37%, with a year-on-year increase of 0.15 p.p. Regarding the coverage ratio, it continued its downward trend, worsening 2.53 p.p. compared to 3Q22, coming at 24.77%, a level significantly worse than the EU average (42.55%).
- ▶ Both the CET1 and the leverage ratio improved compared to the 3Q22 and 2Q23, reaching a value of 16.00% and 5.65%, respectively. Contrastingly, the LCR ratio deteriorated compared to both, the previous year and the previous quarter by 6.21 p.p. and 5.91 p.p., respectively, reaching a total of 153.99%.
- ▶ The ECB meetings resulted in an increase in interest rates, reaching a rate of 4.50% during the quarter, which was significantly higher compared to the 0.50% registered in the same quarter of the previous year.

Banking sector: Luxembourg

Similar to its macroeconomic performance, the Luxembourg banking sector continued contracting in the 3Q23, registering a decrease in business and a worsening of its metrics.

BUSINESS	BANKING SECTOR CONTEXT 3Q23 (%)					Var p.p. 2Q23	Var p.p. 3Q22
	3Q22	4Q22	1Q23	2Q23	3Q23		
TOTAL LOANS*	8.33	-4.64	-11.47	-14.68	-13.90	0.78	-22.23
TOTAL DEPOSITS *	6.21	0.91	-9.72	-12.30	-13.09	-0.79	-19.30
LTD RATIO	91.14	87.05	89.24	92.05	90.33	-1.72	-0.81
EFFICIENCY							
EFFICIENCY RATIO	64.70	63.20	64.09	59.98	60.32	0.34	-4.38
EU AVERAGE	61.00	60.56	59.51	56.54	55.09	-1.45	-5.91
RISK							
NPL RATIO	1.19	1.28	1.28	1.40	1.22	-0.18	0.03
EU AVERAGE	1.76	1.80	1.77	1.81	1.81	0.00	0.05
COVERAGE RATIO	41.37	40.36	42.45	40.57	41.24	0.67	-0.13
EU AVERAGE	44.07	43.49	43.64	42.93	42.55	-0.38	-1.52
SOLVENCY							
CET 1**	20.64	21.62	22.12	22.52	21.79	-0.73	1.15
LEVERAGE RATIO**	6.55	6.95	7.10	7.01	7.00	-0.01	0.45
LCR	144.48	153.52	147.70	152.35	141.52	-10.83	-2.96
ECB INTEREST RATE							
INTEREST RATE	0.50	2.50	3.50	4.00	4.50	0.50	4.00

Source: Statistics Portal G.D. Luxembourg.

*The values for loans and deposits reflect their year-on-year growth rates.

**CET 1 ratio measured as fully-loaded and Leverage ratio as fully phased-in definition of Tier 1.

- ▶ Similar to previous quarters, the volume of business, both in terms of loans and deposits, continued to shrink in the 3Q23, registering a YoY growth of -13.90% and -13.09%, respectively. The LTD ratio decreased by 0.81 p.p. compared to 3Q22, amounting to 90.33%.
- ▶ The efficiency ratio remained at worse levels than the EU average (55.09%), despite experiencing a year-on-year improvement of 4.38 p.p., reaching 60.32%.
- ▶ The NPL ratio improved compared to the previous quarter by 0.18 p.p. reaching 1.22% and still outperforming the EU average (1.81%). The coverage ratio continued its flat trend, deteriorating by 0.13 p.p. compared to 3Q22, to 41.24%, slightly worse than the EU average (42.55%).
- ▶ Despite the improvement of both the CET1 and the leverage ratio when compared to 3Q22, both ratios registered a slight worsening versus the previous quarter, reaching 21.79% and 7.00%, respectively. On the other hand, the LCR declined compared to the previous quarter and on a year-on-year basis reaching 141.52%.
- ▶ The ECB meetings resulted in an increase in interest rates, reaching a rate of 4.50% during the quarter, which was significantly higher compared to the 0.50% registered in the same quarter of the previous year.

4. Glossary

- ▶ **BUSINESS VOLUME:** The business volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **COVERAGE RATIO:** It is a ratio that informs us about the protection that financial entities have against the unpaid loans of their clients. It is represented as the total provisions that the entity has over the total doubtful loans.
- ▶ **CPI:** The consumer price index is an indicator that measures the variation of prices of a basket of goods and services in a specific location during a certain period of time.
- ▶ **EFFICIENCY RATIO:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio.
- ▶ **GDP:** Gross Domestic Product (GDP) is an economic indicator that reflects the monetary value of all final goods and services produced by a territory in a certain period of time. It is used to measure the wealth generated by a country.
- ▶ **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- ▶ **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures.
- ▶ **LCR (Liquidity Coverage Ratio):** this ratio measures a bank's liquidity. It is calculated as the institution total liquid assets divided by its short-term obligations.
- ▶ **LTD RATIO:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- ▶ **NON-PERFORMING LOANS (NPL) RATIO:** The non-performing loan (NPL) ratio is an indicator used to measure the volume of operations that have been considered non-performing, in relation to the volume of loans and credits granted by said entity.
- ▶ **OE/ATAs:** Operating Expenses / Average Total Assets. Operating expenses are those that an entity incurs during the exercise of its activity.
- ▶ **OECD:** Organization for Economic Cooperation and Development.
- ▶ **p.p.:** percentage points.
- ▶ **ROA:** An indicator that measures the profitability of a company in relation to its total assets. It indicates the return that is being obtained for its assets. It is calculated as the quotient between profit and total assets. The profit used is that obtained before taxes and interests.
- ▶ **ROE:** Financial profitability is also known as return on equity, which relates the net profits obtained in a given investment operation with the own resources.

5. Appendix

MACROECONOMIC OVERVIEW

- ▶ Banque Centrale du Luxembourg:
<http://www.bcl.lu/en/index.html>
- ▶ De Nederlandsche Bank:
<https://www.dnb.nl/>
- ▶ European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ Investing: <https://es.investing.com/>
- ▶ National Bank of Belgium:
<https://www.nbb.be/en>
- ▶ National Bank of Belgium Online Statistics:
<https://stat.nbb.be/Index.aspx>
- ▶ Organisation for Economic Co-operation and Development, OECD:
<http://www.oecd.org/home/>
- ▶ Statistics Netherlands (CBS):
<https://www.cbs.nl/>
- ▶ Statistics Portal Grand Duchy of Luxembourg:
<https://statistiques.public.lu/en/index.html>
- ▶ Yahoo Finance:
<https://www.yahoo.com/author/yahoo-finance/>

FINANCIAL SECTOR

- ▶ Banque Centrale du Luxembourg:
<http://www.bcl.lu/en/index.html>
- ▶ De Nederlandsche Bank:
<https://www.dnb.nl/>
- ▶ European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ National Bank of Belgium:
<https://www.nbb.be/en>

ACRONYMS

- | | | | | |
|-----------------|-----------------------|--------------------|----------------------|--------------------------------|
| ▶ DEU - Germany | ▶ LUX - Luxembourg | ▶ TUR - Turkey | ▶ ECU - Ecuador | ▶ ZAF - South Africa |
| ▶ BEL - Belgium | ▶ NLD - Netherlands | ▶ ARG - Argentina | ▶ MEX - Mexico | ▶ UEM- European Monetary Union |
| ▶ DIN - Denmark | ▶ NOR - Norway | ▶ BRA - Brazil | ▶ PER - Peru | |
| ▶ ESP - Spain | ▶ POL - Poland | ▶ CAN - Canada | ▶ USA- United States | |
| ▶ FIN - Finland | ▶ PRT - Portugal | ▶ CHL - Chile | ▶ AUS - Australia | |
| ▶ FRA - France | ▶ GBR- United Kingdom | ▶ COL - Colombia | ▶ CHN - China | |
| ▶ ITA - Italy | ▶ SUE - Sweden | ▶ CRI - Costa Rica | ▶ JAP - Japan | |

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