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Ratings

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BGL BNP Paribas S.A.

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This report does not constitute a rating action.

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Credit Highlights

Overview

Key strengths	Key risks
Core subsidiary of the BNP Paribas group and expectation of extraordinary support, if needed.	Geographic concentration in Luxembourg, with high exposure to the real estate market.
Stable and well-balanced business mix, and one of the top three banks in Luxembourg.	High share of leasing activities in the business mix.
Deposit-funded profile.	

BGL BNP Paribas (BGL) is a core subsidiary of the BNP Paribas group (BNPP). It operates in Luxembourg, one of its parent group's domestic markets. It also hosts BNPP's international leasing business. BGL is integrated into BNPP from a risk, human resources, IT, and strategic perspective.

The bank's diversified income streams allow it to maintain stable earnings. This is despite the competitive retail market and the slowdown in the real estate and construction sectors in Luxembourg. BGL's earnings have been broadly stable over the past five years. Our measure of its return on assets is 0.7%-0.9%, illustrating the low-risk nature of the local market.

We expect BGL to deliver good performance for 2025. This is being driven by a pick-up in lending in the retail segment, primarily mortgages, and by a resilient net interest margin. With wages in Luxembourg partly indexed to inflation, BGL's ability to extract additional revenue and contain costs will remain key.

Revenue stemming from the group's leasing activities will remain a key factor for BGL's profitability, in our view. We note that its international leasing activities performed resiliently in 2024, stemming from improving margins and growth in new loans production, and despite a significant increase in cost of risk.

Outlook

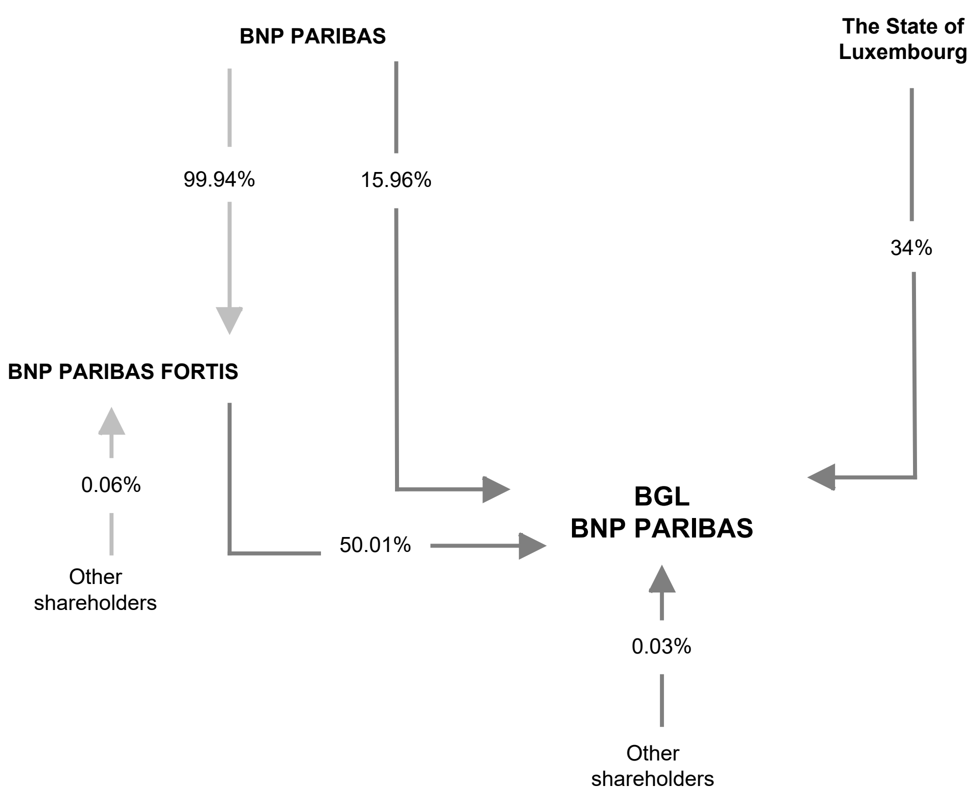
The stable outlook on BGL mirrors that on BNPP, BGL's majority owner. This reflects S&P Global Ratings' view of BGL as a core subsidiary of BNPP. The rating on BGL is therefore at the level of our 'a+' group credit profile (GCP) for BNPP, and any change in the latter, up or down, would trigger a similar rating action on BGL.

Rationale

BGL is 65.96% owned by BNPP, with 50.01% of this controlling stake held through BNP Paribas Fortis, itself an almost fully owned subsidiary of BNPP. The remainder of BGL's capital (about 34%) is owned by the State of Luxembourg (see chart).

Formerly a wholly owned subsidiary of Fortis Bank, BGL was acquired in 2009 by BNPP, and in 2010 BGL acquired 100% of BNP Paribas Luxembourg, reinforcing its role within the BNPP group as the sole entity for all the group's Luxembourg operations. In 2018, BGL strengthened its foothold in the domestic insurance and private banking sectors through the acquisition and absorption of ABN Amro Bank (Luxembourg).

BGL BNP Paribas Shareholder Structure
As of Dec. 31, 2024



Source: Company data.

We assess BGL as a core subsidiary of BNPP under our group rating methodology. In 2024, BGL's revenue corresponded to 4.0% of the total amount reported at the BNPP group level. As of year-end 2024, BGL accounted for 2.3% of BNPP group's total assets and 6.9% of its total equity. In addition, BGL would be part of the bail-in process in a resolution of its parent group and benefit from the bail-in-able buffer available at BNPP's level. Consequently, we equalize our long-term counterparty credit rating on BGL with our 'a+' GCP on BNPP, that is, including one notch of support for additional loss-absorbing capacity. We also assign 'AA-/A-1+' long- and short-term resolution counterparty ratings to BGL.

In our view, banks in Luxembourg benefit from favorable operating conditions. We see economic risk for Luxembourg's banks as low by international standards. Despite its relatively small size and the importance of real-estate activities, the Luxembourg market is stable, low risk, and deposit rich, in our view. In addition, it is an international financial center, notably in securities services, funds administration, and wealth management. Luxembourg's real estate market is supported by structurally favorable factors in the long term, in our view, and nominal house prices should pick up, with annual growth of 5% from 2026. After the slump in the housing market, from second-half 2022, transaction prices stabilized by 2024 and sales volumes for existing dwellings have since been gradually recovering. Consistently, we expect more dynamic annual loan growth of 5% from 2026. However, as a result of the prolonged slowdown in the real-estate market, bankruptcies in the construction sector increased by nearly 30% in 2024. We forecast the cost of credit risk in banks' domestic loan books will increase toward 30 basis points (bps) over 2025-2026.

BGL operates a universal banking model in Luxembourg, where it is active in the retail and insurance, corporate banking, and private banking segments. It is also present in wealth and asset management for international clients, corporate and institutional banking services, and leasing solutions for corporates and professionals. BGL operates through 28 agencies, and nine business centers dedicated to entrepreneur and professionals. Its assets stood at about €63.1 billion at year-end 2024. It is one of the top three banks in the local market, along with Banque et Caisse d'Epargne de l'Etat (BCEE) and Banque Internationale a Luxembourg (BIL). Notably, BGL ranks second after BCEE in retail banking in Luxembourg.

BNPP group's international leasing solutions are also booked at BGL (except Arval, the group's car fleet leasing specialist, which is 100% held by BGL's direct parent BNP Paribas Fortis). We understand the use of BGL's balance sheet for leasing activities is the result of a group strategy to take advantage of the bank's sound capitalization and excess liquidity, which stems from Luxembourg's deposit-rich economy and wealth-management business. This reflects the high level of integration between BGL and BNPP.

BGL displayed good operating performance in 2024, despite the uncertain geopolitical and economic environment as well as lasting competitive pressure. It posted €477.9 million in net income (group share), down by 17.3% from 2023. This reflected a 45.3% increase in cost of risk, largely concentrated in international leasing activities and reflecting the deterioration of the economic environment. In 2024, BGL's interest income was up by 4.5%, driven primarily by steady volumes and an increase in margins in banking activities and by dynamic leasing production volumes. Its revenue grew by 5.4% and operating costs stabilized, up by only 0.8%, as wage indexation was partly offset by a decline in headcount. We note that the revenue trend in 2024 included a negative base effect of €7.1 million due to a gain on the disposal of real estate in 2023. Conversely, the contributions to the European resolution fund for 2024 generated €4.0 million in expenses compared to €31.3 million for 2023.

We expect BGL will continue to post a 6%-7% return on our measure of average common equity. This is below average by European standards but reflects the local market's comparatively low-risk, low-return nature. Leasing revenue will remain a key profitability factor. In 2024, BGL's international leasing business (51.3% of total revenues in 2024) saw its new production volumes increase by 5.3% and its margins improve by 19 bps, despite persistent competitive pressure and a less favorable economic environment. Cost efficiency was broadly stable, with a cost-to-income ratio of 46.9% after an average of 50.0% over the decade 2014-2023.

With a 23.0% common equity Tier 1 ratio as of year-end 2024, BGL enjoys healthy capitalization. This compares with BNPP's 12.9% reported as of the same date. The quality of BGL's capital is high because our measure of total adjusted capital includes no hybrid instruments.

We view BGL's overall risk profile outside its leasing segment as low, with a focus on retail and lending to individuals, balancing significant exposure to the real estate market and real estate professionals. In 2024, its gross exposure to residential real estate increased by less than 1%, while its exposure to commercial real estate (CRE) decreased by 15%. The bank's real estate strategy focuses on residential assets, with a more opportunistic approach to CRE projects. In 2024, BGL reported a €141.8 million cost of credit risk. This reflected €139.2 million in cost of risk for leasing activities, including €45.3 million for stage 3 loans, partly offset by a write-back of €15.2 million in stage 1 and 2 loans. On a consolidated basis (including leasing activities), BGL's credit risk stood at a low 36 bps of its €39.0 billion average net customer loans. Overall, we expect any deterioration in BGL's asset quality and increase in credit losses to remain limited.

The bank's funding and liquidity policies and overall management align with those of BNPP. BGL's funding profile is sound, in our view, with steady core deposits accounting for 72.5% of its funding base as of year-end 2024, in line with the 70% management goal. BNPP leverages BGL's liquidity position to fund the group's leasing operations. Our stable funding ratio stood at 104.1% as of year-end 2024, which indicates limited maturity mismatches. BGL enjoys good liquidity ratios, with liquid assets exceeding short-term wholesale funding by about 1.3x at year-end 2024. Furthermore, we think BNPP could easily provide some bank lines to BGL if needed.

Key Statistics

BGL BNP Paribas--Key Figures

Mil. EUR	2024	2023	2022	2021	2020
Adjusted assets	62,615	62,803	61,463	61,652	56,120
Customer loans (gross)	39,213	38,780	39,023	37,222	35,233
Adjusted common equity	8,398	8,185	7,996	7,806	7,575
Operating revenues	1,953	1,854	1,706	1,634	1,607
Noninterest expenses	915	911	855	818	784
Core earnings	664	613	592	575	551

BGL BNP Paribas--Business Position

(%)	2024	2023	2022	2021	2020
Total revenues from business line (currency in millions)	1,953	2,009	1,706	1,634	1,608
Commercial & retail banking/total revenues from business line	40.2	37.5	36.4	35.1	35.1
Other revenues/total revenues from business line	59.8	62.5	63.6	64.9	64.9
Return on average common equity	6.1	7.7	5.6	5.4	5.7

BGL BNP Paribas--Capital And Earnings

(%)	2024	2023	2022	2021	2020
Tier 1 capital ratio	23.0	24.2	23.3	23.5	23.5
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	81.7	82.3	81.2	77.9	77.4
Fee income/operating revenues	11.0	11.7	12.5	12.3	11.5
Market-sensitive income/operating revenues	1.7	1.4	1.2	3.2	3.2
Cost to income ratio	46.9	49.2	50.1	50.1	48.8
Preprovision operating income/average assets	1.6	1.5	1.4	1.4	1.5
Core earnings/average managed assets	1.1	1.0	1.0	1.0	1.0

BGL BNP Paribas--Risk Position

(%)	2024	2023	2022	2021	2020
Growth in customer loans	1.1	(0.6)	4.8	5.7	1.7
Total managed assets/adjusted common equity (x)	7.5	7.7	7.7	8.0	7.5
New loan loss provisions/average customer loans	0.4	0.3	0.2	0.2	0.4
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	3.7	2.6	2.4	2.5	3.1
Loan loss reserves/gross nonperforming assets	54.5	69.5	75.3	77.5	66.8

BGL BNP Paribas--Funding And Liquidity

(%)	2024	2023	2022	2021	2020
Core deposits/funding base	72.5	70.68	73.8	70.2	74.9
Customer loans (net)/customer deposits	104.3	105.1	102.3	101.2	100.5
Long-term funding ratio	76.9	75.5	78.3	75.2	78.9
Stable funding ratio	104.1	104.3	106.5	107.9	108.2
Short-term wholesale funding/funding base	27.2	28.8	25.3	28.9	24.9
Regulatory net stable funding ratio	114.6	110.1	109.0	114.8	N/A
Broad liquid assets/short-term wholesale funding (x)	1.3	1.3	1.4	1.4	1.5
Broad liquid assets/total assets	28.8	30.0	28.4	32.3	29.3
Broad liquid assets/customer deposits	49.4	52.4	46.9	55.6	48.3
Net broad liquid assets/short-term customer deposits	14.9	14.6	15.8	18.0	18.7
Regulatory liquidity coverage ratio (LCR) (x)	120.7	124.1	130.3	120.4	115.3
Short-term wholesale funding/total wholesale funding	99.0	98.1	96.5	96.8	99.0
N/A--Not applicable					

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- 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: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Luxembourg, Oct. 8, 2025
- BNP Paribas, June 24, 2025

Ratings Detail (as of November 28, 2025)*	
BGL BNP Paribas S.A.	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Issuer Credit Ratings History	
24-Jun-2021	A+/Stable/A-1
23-Apr-2020	A+/Negative/A-1
05-Apr-2019	A+/Stable/A-1
Sovereign Rating	
Luxembourg	AAA/Stable/A-1+
Related Entities	
BNP Paribas Fortis SA/NV	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	A+/A-1
Junior Subordinated	BBB-
Senior Secured	AAA/Stable
Short-Term Debt	A-1

Ratings Detail (as of November 28, 2025)*

BNP Paribas	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
Foreign Currency	A-1
Junior Subordinated	BBB-
Senior Subordinated	A-
Subordinated	BBB+

*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.