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Euroclear Bank S.A./N.V.

Primary Credit Analyst:
Francois Moneger, Paris + 33 14 420 6688; francois.moneger@spglobal.com

Secondary Contact:
Giles Edwards, London + 44 20 7176 7014; giles.edwards@spglobal.com

Research Contributor:
Ankit Jalan, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

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Euroclear Bank S.A./N.V.

Credit Highlights

Issuer Credit Rating
AA/Stable/A-1+

Overview

Key strengths	Key risks
Leading franchise in international securities settlement and depositary activity.	Dynamic operating environment requiring constant adaptation to mitigate potential threats and leverage opportunities.
Strong risk-management controls and a track record of very low losses arising from operational and credit risks.	Moderate core efficiency and expected decline in interest income from 2025.
Minimal financial leverage, along with strong capitalization at Euroclear Bank and robust balance sheet liquidity.	

The Euroclear group is one of the world's largest providers of domestic and cross-border settlement services. The group held assets under custody of €40 trillion as of Sept. 30, 2024, reflecting a 9% increase year-on-year. In the first nine months of 2024, it processed 243 million transactions, equivalent to €850 trillion (up 5% year-on-year). While we will continue to monitor developments in the area of decentralized finance, we currently see no significant risk that this will undermine Euroclear's role as a critical operator of national and international central securities depositories (CSDs) and provider of ancillary post-trade and financing services. Furthermore, as part of Euroclear Digital Financial Market Infrastructure (D-FMI) strategy, the group intends to continue to improve its digital offering.

Tailwinds from rising interest rates are largely responsible for Euroclear's elevated underlying profitability since 2022. In the first nine months of 2024, the group's underlying net profit (that is, excluding profits from assets under international sanctions on Russia) rose by 8% year-on-year, to €890 million. This stemmed from increases of 5% in business income and of 9% in interest, banking, and other income. By comparison, in full-year 2023, the underlying net profit increased by 63%, on the back of interest, banking, and other income of €1,113 million (it was €90 million in 2021). The increase in business income reflects the resilience of Euroclear's core settlement activities, as well the progress made in delivering its client-centric strategy, digitalization, and ongoing business diversification.

We see Euroclear's leverage as minimal, reflecting strong cash generation supported by its elevated financial income, and resilient business income. We forecast that leverage, measured as S&P Global Ratings-adjusted net debt to EBITDA, will be 0.6x-0.7x in 2024, still supported by elevated interest income. In 2025-2026, we expect that this metric will increase gradually, but will remain within 0.5x-1.0x, balancing a 4%-5% annual growth in business income and a material decline in interest revenue. For the same reasons, we expect that funds from operations (FFO) to debt will peak in 2024, before decreasing progressively to100% by 2026.

The implementation of the European Commission's regulation on the windfall contribution to the European fund for Ukraine has no effect on our view of Euroclear's financial performance, liquidity, or capital. This is because we already exclude the interest income earned from cash balances subject to Russian sanctions and primarily refer to the underlying business performance as disclosed by Euroclear. Moreover, Euroclear has segregated and fully retained the net earnings generated from Russian assets under sanctions since the onset of Ukraine war. Therefore windfall payments do not alter the group's underlying financial strength. As of end-September 2024, these earnings cumulated at €7.6 billion (before provisioning of €2.9 billion as a windfall contribution for the nine-month period).

Euroclear remains exposed to additional litigation risk on its implementation of Russian sanctions in its capacity as an FMI provider. Being an FMI player in a highly regulated environment, Euroclear is exposed to legal, compliance, and conduct risks. The scale and complexity of international sanctions on Russia and Russian countersanctions has amplified these risks since 2022, in our view. However, the group believes that it has implemented all relevant sanctions and is in continued compliance with relevant legislation. Euroclear's best estimate of the costs it may need to support from claims by Russian clients was €38.7 million at end-2023.

We see Euroclear's risk management policies and procedures as being broadly comparable with those of the FMI industry globally. Euroclear Bank faces material credit and intraday liquidity risks arising from its client activity. However, we see its customer and membership bases as being of generally good credit quality and well diversified, and its credit risk as heavily mitigated by collateralization. Already strong, liquidity risk management is now even tighter after the implementation of the European Union's Central Securities Depository Regulation (CSDR).

Outlook

The stable outlook reflects our view that Euroclear will maintain its robust business model, balance sheet, and profitability. We expect the group to maintain a leading position in securities settlement and post-trade activities, combined with satisfactory profitability and a favorable capital structure.

Downside scenario

We could lower our rating in the coming 12-24 months if Euroclear's very strong market position deteriorated markedly and unexpectedly. Although unlikely, a sizable debt-funded acquisition that raised our debt-to-EBITDA ratio on Euroclear toward 2.5x could lead us to lower our rating.

Upside scenario

We consider an upgrade unlikely, given the already high rating and possibility for medium-term challenges to Euroclear's business model and competitive position arising from industry changes and geopolitical risks.

Our Base-Case Scenario

In our base case, we expect that Euroclear's underlying revenues will be supported by still elevated interest income in 2024, and will normalize from 2025 as a result of declining interest rates. However, leverage ratios will remain in the minimal range, supported by improving business income and by a gradual increase in surplus cash resulting from strong operating cash flows. In our analysis, we continue to exclude the interest income earned from cash balances subject to Russian sanctions and we refer to the underlying business performance as published by Euroclear.

Assumptions

- We expect that Euroclear's business income (that is, excluding interest rate, banking, and other income) will increase by 4%-5% annually in 2024-2026, supported by steady momentum in its core business.
- Underlying revenue will increase in 2024, supported by elevated net interest income, before decreasing by 5%-7% in 2025 along with normalizing interest rates.
- A contained increase in costs, although within 3%-4%, due to still somewhat inflationary environment and continued digitalization expenditures.
- Adjusted EBITDA margin of about 56% in 2024, normalizing to below 50% by 2026 on lower banking revenue.
- At least €200 million yearly budget in mergers and acquisitions, but no transformative acquisition.
- Common dividend payout of 60%, in line with the 55%-65% communicated by Euroclear, which corresponds to Euroclear's planned cumulative payment of least €3 billion over 2025-2029.
- A slight decline in net debt, to about €1.0 billion by 2026 from the €1.12 billion we calculated as of year-end 2023, assuming a steady increase in accessible cash from the €350 million we factored in at that date.

Key metrics

Euroclear Holding Group--Key metrics*

	--Fiscal year ended Dec. 31--			
	2023a	**2024f**	**2025f**	**2026f**
EBITDA margin (%)	56.6	55-57	51-53	48-51
Net debt/EBITDA* (x)	0.7	0.6-0.7	0.7-0.8	0.7-0.8
Funds from operations/debt (%)	101	110-115	100-105	95-100

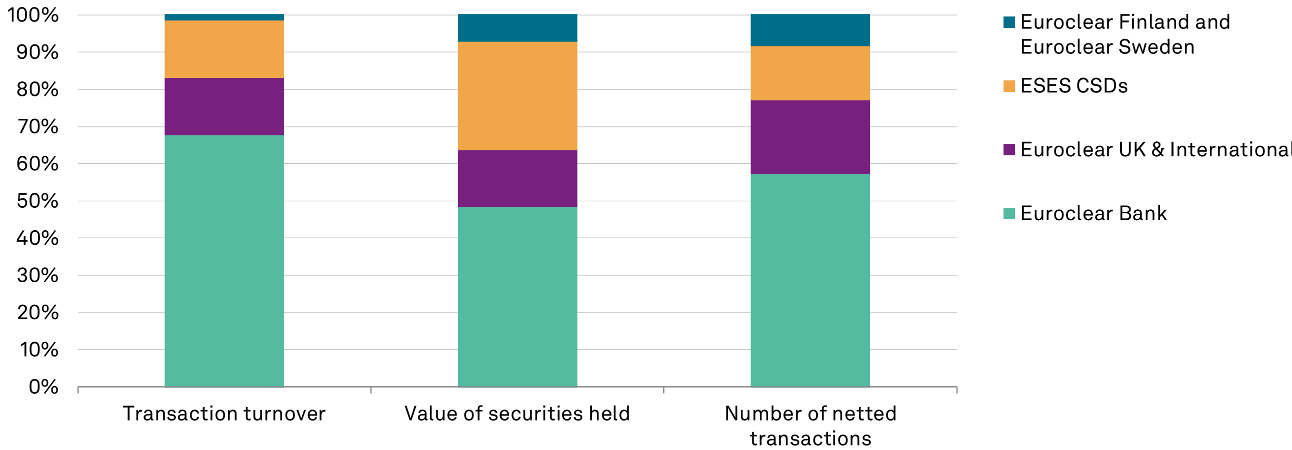
*Adjusted for operating leases. a--Actual. f--Forecast. These metrics and those cited in other tables in this report are for the Euroclear group (Euroclear Holding consolidated figures). Source: S&P Global Ratings' calculations and projections.

Company Description

Euroclear is one of the world's largest providers of cross-border settlement services, covering domestic and international bonds, equities, and investment funds. Euroclear Bank, which represents the majority proportions of the group's activity (chart 1), also provides related activities such as asset servicing, securities lending and borrowing, collateral management, money transfer, and ancillary banking services. In addition to the bank's role as an international central securities depository (ICSD), Euroclear operates the national CSDs for Belgium, Finland, France, The Netherlands, Sweden, and the U.K. Additionally, Euroclear Bank operates CSD services for Ireland. Euroclear held €40 trillion of client assets under custody as of Sept. 30, 2024.

Chart 1

Euroclear Group's business operating metrics 2023



ESES--Euroclear Settlement of Euronext-zone Securities. CSDs--Central securities depositaries. Sources: Euroclear, S&P Global Ratings' calculations.

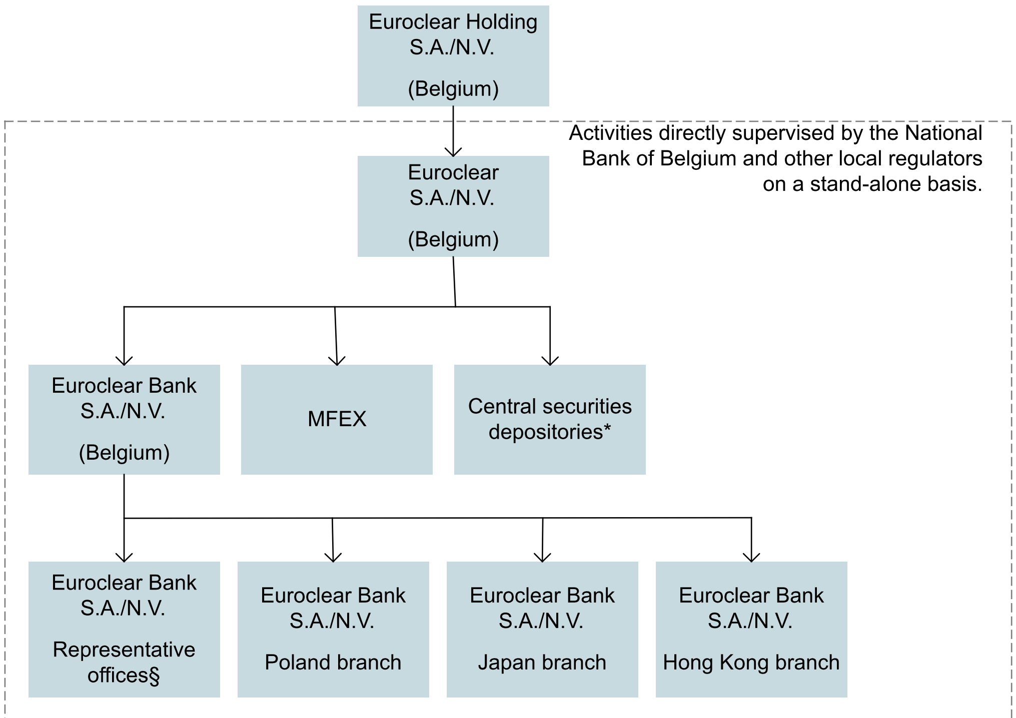
We rate Euroclear under our FMI criteria because we consider that the bank's and the wider group's creditworthiness are more closely linked to the risks and trends in the FMI sector than in the banking sector. Euroclear's business model is based on its crucial role in the global capital markets and transaction volumes drive its fee-based revenues.

Over the past couple of years we saw a shift in the shareholder base from its traditional user-owned model to increasing ownership by long-term institutional investors, thus moving to a more traditional corporate governance. In 2022, ICE sold its 9.85% stake in Euroclear Holding to French state-owned Caisse des Dépôts et Consignations and to Belgian state-owned Société Fédérale de Participations et d'Investissement SA (SFPI-FPIM), while BNP Paribas also sold its 3.62% stake to SFPI-FPIM. Further, NZSF Euro Limited, New Zealand's pension fund, acquired a 4.99% stake in Euroclear Holding in 2023, and increased its stake to 8.67% in 2024, making it the fourth largest shareholder at end-October. At the same date, Novo Holdings, a Denmark-based trust holding company was also one of top 10 shareholders. Sicovam Holding, the previous owner of the French CSD, remains the largest shareholder with a 15.89% stake, and the Chinese central bank unit Kuri Atyak Investment Ltd. is the fifth-largest shareholder with an unchanged 7.25% stake.

Euroclear Holding S.A. (the ultimate holding company) owns Belgium-based Euroclear S.A./N.V., which sits above Euroclear Bank and the national CSDs (see chart 2). On Oct. 1, 2024, Euroclear completed the re-organization of its corporate structure by merging the intermediate NOHCs Euroclear Investments and Euroclear AG with Euroclear Holding, which had no impact on our assessment of the group's credit profile (see: "Euroclear Holding Affirmed At 'AA-/A-1+'; Outlook Stable; Euroclear Investments Ratings Affirmed Then Withdrawn," published Oct. 1, 2024, on RatingsDirect). Euroclear's shares are not listed, but the multiple transactions carried out over the past couple of years show there is a market for them.

Chart 2

Euroclear Holding Group main entities



*Includes France, Belgium, the Netherlands, the U.K., Sweden, and Finland. The first three together form Euroclear Settlement for Euronext Securities (ESES).

§Beijing, Dubai, Frankfurt, Singapore, and New York.

Source: S&P Global Ratings.

Peer Comparison

Euroclear's closest peer is the Clearstream group, which is the other leading ICSD operator in Europe. However, Clearstream is part of the vertically integrated Deutsche Boerse AG (DB1) group, whereas Euroclear is a stand-alone, post-trade services provider in the settlement layer of the securities trading process. We also compare Euroclear with DTCC's U.S. CSD subsidiary The Depository Trust Co. (DTC), but we note that DTC has a quasi-monopolistic market position. When considering rating comparability, we also look at other highly-rated FMI providers, including CME Group Inc. (CME), ICE, LCH Group, and LSEG.

Business Risk

As the largest CSD operator in Europe, including one of the two dominant ICSDs, we believe Euroclear has a strong business risk position. We see barriers to entry into this market as high, reinforced by the tighter standards under CSDR. It is also expensive and time-consuming for customers to switch between ICSDs, although this is not unseen.

To broaden its franchise, Euroclear has invested in collateral management and fund services that address customers' evolving regulatory requirements. Over the past decade, Euroclear has benefited from strong client demand for collateral, supported notably by a push for centralized derivative clearing. Its collateral outstanding stood at €1.9 trillion as of Sept. 30, 2024 (about €1.3 trillion in 2019). Euroclear is looking to increase the range of securities eligible for its settlement, including outside Europe, through direct or indirect links with emerging countries' capital markets.

In line with its FMI peers, Euroclear exhibits significant operating scale benefits as its expenses are mostly fixed. Its revenue is partly a function of transaction throughput, although about half of business income is linked to fixed income, whereby fees are calculated on nominal values. In our view, technology supports the franchise, with the performance and capacity of the settlement system well proven. In October 2023, Euroclear launched its first CSDR-compliant, fully digital international securities (called Digitally Native Notes) on Distributed Ledger Technology. When combined with its vast assets under custody and a steady client demand for collateral management services, Euroclear's collateral access service differentiates its business from that of most CSD peers, as it does for Clearstream.

Also, we understand that Euroclear is progressing well on its integration of MFEX, to be completed in the coming two years, and is on track to realize revenue and cost synergies anticipated from the acquisition, supported by the recovering market conditions for investment funds. Building on the acquisition of MFEX, Euroclear is acquiring a 49% stake in Spanish funds business Inversis following the transaction engaged in July 2024, with planned full detention by 2027. Inversis offers funds platform services, securities outsourcing, intermediation, funds depository, and various other services to financial institutions and insurance companies. Therefore, the deal contributes to Euroclear's expansion of its end-to-end funds platform.

In the past two years, Euroclear's underlying costs rose significantly, by 15% in 2022 and 14% in 2023. We understand that this stemmed from the modernization of its IT infrastructure, and from investments to enhance digital capabilities and develop the tools needed to serve new revenue streams. In addition to recruitment carried out for these purposes, wage indexation also weighed on staff costs. From 2024 onward, we expect expenses to increase by an average of 3%-4% annually, as Euroclear will progress in achieving its objectives 2026.

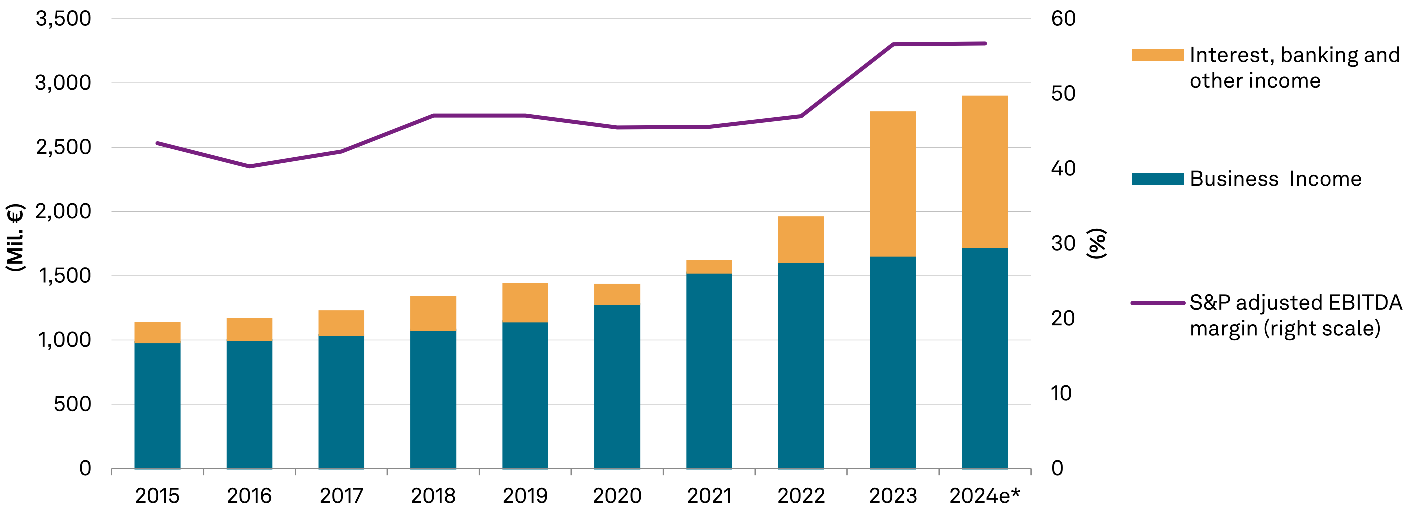
Euroclear's S&P Global Ratings-adjusted EBITDA margin improved significantly to nearly 57% in 2023, from 47% seen in 2022, supported by the higher interest rate environment. We expect broadly stable EBIDTA margin in 2024, before a steady decline toward 50% by 2026 with the normalization in interest rates. We calculate a three-year average of 55% projected over 2023-2025, well within the 43%-66% average for the FMI sector.

The rapid increase in interest rates created some earnings volatility for Euroclear (see chart 3). The underlying interest, banking, and other income stood at €882 million for the first nine months of 2024. Over the full-year 2024, we project that this banking income will be similar to the €1.1 billion reported in 2023, well above the €90 million reported in 2021. However, we expect that it will recede significantly in 2025 and to a lesser extent in the years thereafter, along with the decline in interest rates.

Euroclear faces a high degree of operational risk amid the web of international sanctions on Russia and Russian countermeasures. The group has years of experience in sanctions compliance, but the spread and complexity of the current exercise is unusually high.

Chart 3

Euroclear Holding Group's Underlying EBITDA margin continues to benefit from high interest revenue in 2024



Business Income and Interest, Banking and Other Income definitions are as reported by Euroclear. Since 2022 income figures are on a underlying basis excluding the contribution from Russian assets under sanctions. EBITDA margin is on an S&P adjusted basis. *Our expectations. e--Estimate. Sources: Euroclear, S&P Global Ratings' calculations.

Financial Risk

We assess Euroclear's financial risk profile as minimal and a relative strength for the overall rating, which we expect will continue to be the case over our two-year forecast horizon. As of year-end 2023, we calculated net debt to EBITDA of 0.7x and FFO to net debt of 101%. When calculating our weighted-average measure of leverage for 2024, we apply a 20% weight to the level achieved at year-end 2023, and 40% to each of our year-end 2024 and 2025 projections. On this basis, our weighted-average adjusted net debt-to-EBITDA ratio stands at 0.7x.

We expect that net debt to EBITDA will increase gradually by 2026 but remain within 0.5x-1.0x, underpinned by 4%-5% growth in business income. We remain mindful that current EBITDA includes a substantial cyclical portion of interest income, but these base-case ratios provide a significant cushion against any unexpected underperformance. For the same reasons, we expect that FFO to debt will peak in 2024, then trend down to 100% by 2026. Over the longer term, Euroclear targets a 6%-7% compound annual organic growth rate in business income in 2024-2029, and 7%-8% when including the contribution from Inversis.

We treat the debt issued by Euroclear Holding and Euroclear Bank differently for analytical purposes. We view the notes issued by Euroclear Holding as being used for acquisition finance. Therefore, as of year-end 2023, we included its €1.65 billion of outstanding notes in our measure of debt, and offset €350 million in accessible cash estimated at the

Euroclear Holding level. Of note, we would see any debt meeting regulatory loss-absorbing capacity (MREL) requirements through downstreaming to the regulated banking group, as meeting a quasi-capital requirement and hence not freely redeemable.

Euroclear Bank's euro medium-term note (EMTN) issuance and certificates of deposit (CD) are primarily used to bolster the bank's liquidity in light of tighter requirements under CSDR since 2018. In particular, Euroclear Bank must demonstrate that it can pass the "cover 2" requirement under CSDR (that is, withstand the potential stress if the two counterparties giving rise to the largest liquidity outflows fail simultaneously). In our view, increasing available liquidity at the bank through the issuances under its EMTN and CD program has helped Euroclear Bank satisfy these requirements, although it could have chosen to do so through other means, such as committed facilities. The carefully laddered maturities of long-term bonds under the EMTN program reduces refinancing risk, in our view. Proceeds are reinvested in very highly rated liquid assets that would also be eligible for European Central Bank funding, and we believe any potential use of these assets would be only in a stress scenario and for just a few days. As a result, we recognize the reinvested proceeds as surplus cash that is offset against gross debt in our leverage metrics.

Thus, our measure of net debt of €1.12 billion as of year-end 2022 considers:

- Gross debt of €5.354 billion;
- Less cash of €3.7 billion held against the €2.0 billion of EMTN and €1.7 billion CD issued out of Euroclear Bank;
- Less surplus cash of €350 million held at Euroclear Holding;
- Less €375 million assigned equity content out of the €400 million and €350 million hybrid notes; and
- Plus lease liabilities and pension fund deficit of €158.1 million and €40.7 million, respectively.

Accounting

In view of the importance of the group's financial strength to Euroclear Bank's creditworthiness and franchise, we analyze the consolidated Euroclear group's financial statements as well as those for the bank. The data tables in this report contain Euroclear Holding's consolidated figures.

As for FMI peers that operate clearinghouses or ICSDs, we exclude related asset and liability balances in our analysis of the group's leverage and liquidity. For Euroclear, this means that we omit the cash deposits that clients place with Euroclear Bank and also the related liquid assets.

Preliminary anchor

Our view of Euroclear's strong business risk profile and minimal financial risk profile lead to a preliminary anchor of either 'aa' or 'aa-'. We select 'aa' due to the comparative strength of Euroclear's business risk profile. Other rated FMI sector entities with a strong business risk profile include notably CME, DB1, ICE, and LSEG.

Clearing and settlement risk

We assess Euroclear's clearing and settlement risk as neutral, based on our view of the highly diverse and generally good quality of participants of Euroclear Bank and the group's other CSDs, and its risk management policies and procedures. Based on the group's disclosure framework, Euroclear Bank and the other CSDs "fully observe" or "broadly observe" the key industry standards prescribed in the Principles for FMIs (PFMI), published in April 2012 by the

Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions. Finally, although Euroclear Bank's business model as an ICSD exposes it to banking risks that most other CSDs do not face, we consider these risks to be well controlled in practice.

We consider Euroclear's risk monitoring procedures and systems to be robust. The group's leading position in the international capital markets leads to a hugely diverse participant base. Euroclear reports that it has over 2,400 financial institutions in its client base, including most of the world's central banks and largest banks. Through its surveillance systems, it closely monitors each participant's unsettled positions, values each member's collateral, and controls collateral movements throughout the trading day. These disciplines are particularly important in Euroclear Bank, which, unlike most other CSDs, extends credit to participants to facilitate settlement efficiency and the delivery of ancillary services such as collateral management and stock borrowing.

The credit facilities for settlement are mainly uncommitted and intraday (sometimes overnight) overdraft lines, provided to clients that do not have sufficient funds on account with the bank. We see the credit risk incurred through these facilities as very low because the overwhelming part is secured by collateral and the unsecured exposures are typically to highly rated clients. Unsecured intraday overdrafts, which are of insignificant amounts, are primarily to central banks that are unable to grant liens on their assets. For secured facilities, we believe that Euroclear Bank applies conservative haircuts to pledged securities collateral, which is marked-to-market on a daily basis and carefully monitored to avoid build-up in concentrations. In line with CSDR, the haircuts for collateral accepted by Euroclear are at least as high as those required by central banks. The haircuts are managed actively, aided by the back-testing and stress-testing of valuations.

Banking exposure arises mostly from the investment of client balances, which stood at €148.1 billion as of end-2023. This comprised €126.8 billion from counterparties subject to Russian sanctions, which accounted for the significant increase from €17.7 billion at end-2021. While deposit balances have continued to rise through 2023, we expect the rate of increase will slow. Euroclear reinvests its client cash balances with the dual objectives of limiting credit exposure and maintaining very high liquidity. The majority is invested in reverse repurchase agreements with central banks. The remainder is placed on an unsecured basis or left with cash correspondents, essentially with counterparties rated 'A-' or higher.

We consider Euroclear's appetite for risk arising from the investment of its capital and of proceeds from its debt issues to be similarly low. Its main objectives are capital preservation and liquidity, with yield a secondary focus. Euroclear invests these resources in short-dated bonds issued by some of the strongest eurozone governments and agencies, with the remainder being placed with the Eurosystem via the National Bank of Belgium.

In line with PFMI Principle 7, the Euroclear CSDs size their liquidity so that they have sufficient resources to satisfy the single-largest family default under stressed but plausible conditions, known as "cover 1". Furthermore, since 2020, all of Euroclear's CSDs have been approved under CSDR and as such have to maintain sufficient liquidity resources to satisfy the default of the two-largest families under stress but plausible conditions ("cover 2"). In practice, liquidity risks are very limited for the national CSDs due to the use of Delivery Versus Payment settlement, lack of banking activities, and use of central bank money for settlement. We consider that the main source of liquidity risk to the group therefore comes from Euroclear Bank, which has intraday mismatches and uses commercial bank money for settlement.

Euroclear is also subject to the bank regulatory requirements relating to the liquidity coverage ratio and net stable funding ratio, which remained strong at 251% and 279%, respectively, as of June 30, 2024 (Pillar 3 disclosure at the Euroclear Holding group level).

In practice, we consider Euroclear Bank's balance sheet liquidity risk to be modest, due to its liability-driven nature and aided by the high quality and short tenor of its financial assets, and its access to contingent sources of liquidity. In our view, the bank's main liquidity risk can arise intraday because it needs sufficient liquidity to manage the billions of euros of transactions for real-time daily settlement routines. Inflows and outflows match very closely, but the bank allows sizable mismatches to occur during the day as it bridges clients' liquidity gaps with its discretionary extension of intraday overdrafts. To cover these potential gaps, sources of cash include Euroclear Bank's own on-balance-sheet resources, sizable intraday multi-currency credit lines with cash correspondent banks, committed and backstop facilities, and the ability to monetize client securities at the discount window. We understand that, in practice, the bank rarely moves beyond using its on-balance-sheet sources of cash and some operational intraday facilities. It has taken measures to reduce reliance on intraday facilities, as the bond and CD issuances since 2018.

Finally, given the enormous value of the transactions settled, and the number of transactions and counterparties involved, we consider operational risk as a key source of latent risk within Euroclear's settlement process. However, in our opinion, the risk is well managed and the level of operational risk losses--typically in the low-single-digit millions annually--is limited, and litigation expenses remained modest in recent years.

Liquidity

At the group level, we assess Euroclear's structural liquidity position as exceptional, reflecting our view that liquidity sources will remain comfortably in excess of 200% of liquidity uses, and that liquidity sources would comfortably exceed liquidity uses even if forecast EBITDA declines by 50%. A positive liquidity assessment directly benefits a rating only if the anchor is relatively low, but we regard the maintenance of comfortable liquidity metrics as supportive, if not necessary, for FMIs such as Euroclear that have very high group credit profiles (GCPs). Principal sources of liquidity are FFO and the sizable high-quality investment portfolio held by Euroclear S.A./N.V. The principal uses of liquidity currently are servicing the outstanding debt, dividends, and capital expenditures.

Modifiers

We assess Euroclear's capital structure as positive because our risk-adjusted capital (RAC) ratio estimated at the Euroclear Holding group level stood at 13.5% at year-end 2023 (see table 1). We carve out all assets subject to Russian sanctions from the group's exposure at default, and deduct from our measure of capital the cumulated post-tax earnings stemming from these sanctioned assets. We base our assessment of operational risk on reported revenue because we see Russian sanctioned assets as a potential source of claim for Euroclear. Mitigating the risk, though, we bear in mind that earnings generated from these assets, and which we deduct from our calculation of capital at end-2023, are not subject to the windfall contribution for the portion dated before Feb. 15, 2024.

We expect that our RAC ratio will remain in 12%-15% over the next two years, but this does not benefit the GCP as the 'aa' anchor on Euroclear already reflects its financial strength. Euroclear's target to maintain a common equity tier 1 ratio of 34%-37% underpins our expectations.

Table 1

Euroclear Holding Group--Risk-adjusted capital framework data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	22,584.7	621.4	2.8	413.6	1.8
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	34,922.9	682.5	2.0	41.4	0.1
Corporate	13,857.1	155.6	1.1	1,284.4	9.3
Retail	0.0	0.0	0.0	0.0	0.0
Of which mortgage	0.0	0.0	0.0	0.0	0.0
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	949.0	1,039.3	109.5	1,168.6	123.2
Total credit risk	72,313.6	2,498.8	3.5	2,908.0	4.0
Credit valuation adjustment					
Total credit valuation adjustment	--	33.8	--	0.0	--
Market Risk					
Equity in the banking book	417.2	1,250.7	299.8	3,066.2	734.9
Trading book market risk	--	164.3	--	246.4	--
Total market risk	--	1,415.0	--	3,312.6	--
Operational risk					
Total operational risk	--	7,006.5	--	22,912.0	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	10,954.0	--	29,132.7	100.0
Total diversification/ Concentration adjustments	--	--	--	597.9	2.1
RWA after diversification	--	10,954.0	--	29,730.6	102.1
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments	--	7,951.1	72.6	3,932.9	13.5
Capital ratio after adjustments‡	--	7,951.1	72.6	3,932.9	13.2

*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. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2023, S&P Global Ratings.

Table 2

Euroclear Holding Group--Financial summary

	--Fiscal year ended Dec. 31--				
(Mil. €)	**2023***	**2022***	**2021**	**2020**	**2019**
Revenue	2,773.2	1,975.5	1,589.0	1,443.5	1,449.4
EBITDA	1,449.4	1,443.5	1,589.0	1,975.5	2,773.2
Funds from operations (FFO)	1,135.1	675.7	556.3	512.8	477.5
Net income from continuing operations	4,223.9	1,200.0	462.6	431.9	430.8
Debt	1,123.8	1,148.3	1,243.2	1,103.2	1,072.3
Equity	9,847.0	5,772.5	5,157.3	4,987.7	4,429.6
Adjusted ratios					
EBITDA margin (%)	56.6	47.0	45.6	45.5	47.1
Return on capital (%)	15.3	12.6	10.3	10.2	11.7
EBITDA interest coverage (x)	53.2	31.1	26.6	26.6	26.9
FFO cash interest coverage (x)	20.0	16.6	19.6	17.7	17.0
Debt/EBITDA (x)	0.7	1.2	1.7	1.7	1.6
FFO/debt (%)	101.0	58.8	44.8	46.5	44.5

*Figures for 2022 and 2023 are on an underlying basis, that is, excluding the impact of income from assets under Russian sanctions.

Table 3

Reconciliation of Euroclear Group reported amounts with S&P Global Ratings' adjusted amounts

	--Fiscal year ended Dec. 31, 2023--						
(Mil. €)	**Debt**	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**
Euroclear Group reported	5,343.6	9,472.0	7,173.2	5,903.0	5,697.2	28.1	1,569.0
S&P Global Ratings' adjustments							
Cash taxes paid	--	--	--	--	--	--	(374.0)
Cash interest paid	--	--	--	--	--	--	(59.8)
Reported lease liabilities	158.1	--	--	--	--	--	--
Intermediate hybrids reported as debt	(375.0)	375.0	--	--	--	--	--
Postretirement benefit obligations	40.7	--	--	1.4	1.4	1.4	--
Accessible cash and liquid investments	(4,043.6)	--	--	--	--	--	--
Income (expense) of unconsolidated companies	--	--	--	2.6	--	--	--
Nonoperating income (expense)	--	--	--	--	9.1	--	--
Revenue: Other (situational)	--	--	(4,400.0)	(4,400.0)	(4,400.0)	--	--
SG&A: Other nonoperating nonrecurring items	--	--	--	62.0	62.0	--	--
Total adjustments	(4,219.8)	375.0	(4,400.0)	(4,334.0)	(4,327.5)	1.4	(433.9)

Table 3

Reconciliation of Euroclear Group reported amounts with S&P Global Ratings' adjusted amounts (cont.)

	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from operations
S&P Global Ratings' adjusted	1,123.8	9,847.0	2,773.2	1,569.0	1,369.7	29.5	1,135.1

Rated entities

We classify Euroclear Bank as a core subsidiary of Euroclear Holding S.A. and, as a result, we rate it at the level of the GCP. We regard the bank as an integral part of the group's operations, and expect that it will remain the principal contributor to the group's earnings and balance sheet.

Environmental, Social, And Governance

Euroclear's environmental, social, and governance risks and opportunities are overall in line with those of FMI peers. Euroclear's exposure to direct greenhouse gas emissions and resource utilization is relatively low compared with other industries, in line with FMI peers and other bank and nonbank financial institutions. Over the past decade, via its Global Reach program, Euroclear has acted as a means for inclusion by providing governments around the globe with cheaper financing from the international investor community. This funding is frequently used for infrastructure and local development projects. Also, as a systemic operator, Euroclear's governance framework is crucial to a well-functioning market, and we consider the group's risk management framework to be robust.

Rating Score Snapshot

Issuer Credit Rating: AA/Stable/A-1+

Business risk: Strong

- Country risk: Very Low
- Industry risk: Low
- Competitive position: Strong

Financial risk: Minimal

Preliminary anchor: aa

Clearing and settlement risk: 0 (no impact)

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Positive (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Exceptional (no impact)

- Management and governance: Positive (no impact)
- Comparable rating analysis: Neutral (no impact)

Group credit profile: aa

Note: The above scores reflect the components of the GCP of Euroclear. We classify Euroclear Bank as a core subsidiary and rate it in line with the GCP. We rate Euroclear Holding one notch below the GCP as we view it a NOHC.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- S&P Global Ratings Definitions, Oct. 15, 2024
- Euroclear Holding Affirmed At 'AA-/A-1+'; Outlook Stable; Euroclear Investments Ratings Affirmed Then Withdrawn, Oct. 1, 2024
- Euroclear's Planned Acquisition Of Inversis Is Consistent With Its Strategy, July 23, 2024
- Euroclear Holding Rated 'AA-/A-1+'; Stable Outlook, May 17, 2024

- Ratings On Seven Financial Market Infrastructure Companies Affirmed Following Management And Governance Review, Jan. 23, 2024
- Euroclear Bank 'AA/A-1+' Ratings Affirmed On Resilient Business Income And Reducing Leverage; Outlook Stable, Oct. 20, 2023

Ratings Detail (As Of December 13, 2024)*	
Euroclear Bank S.A./N.V.	
Issuer Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	A-1+
Senior Subordinated	A-1+
Senior Subordinated	AA-
Senior Unsecured	A-1+
Senior Unsecured	AA
Issuer Credit Ratings History	
24-Feb-2012	AA/Stable/A-1+
07-Dec-2011	AA+/Watch Neg/A-1+
01-Aug-2000	AA+/Stable/A-1+
Sovereign Rating	
Belgium	AA/Stable/A-1+
Related Entities	
Euroclear Holding SA/NV	
Issuer Credit Rating	AA-/Stable/A-1+
Senior Unsecured	AA-
Subordinated	A

*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.