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KBC Group N.V.

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Rating Score Snapshot

Issuer Credit Rating
A-/Stable/A-2

SACP: a → **Support: +1** → **Additional factors: 0**

SACP: a		
Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +1	
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0
Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+
Holding company ICR
A-/Stable/A-2

ALAC--Additional loss-absorbing capacity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Clear strategic focus to leverage the bank insurance model and achieve a leading competitive position in Belgium and Central and Eastern Europe (CEE).	Exposure to higher economic risk in CEE.
Strong earnings capacity compared with European peers.	Sizable exposure to corporates and small and midsize enterprises (SMEs) that could be more vulnerable to an economic slowdown.
Continued focus on digital innovation and straight-through processing.	

KBC Group (KBC) will remain focused on consolidating its presence in its core market segments. We expect it will pursue this through organic growth, as well as via bolt-on acquisitions--both in Belgium and CEE countries where the group is active--to achieve scale in its core business segments, banking and insurance in particular. We view the latest acquisition of Raiffeisenbank Bulgaria in this context, since it allowed KBC to materially grow its market share in banking products to 19% from 9%, and gain very good positions in investment, life, and non-life products.

KBC's digitally advanced, cost-efficient, geographically diversified, and integrated bank insurance business will continue to support the group's superior earnings generation. We calculate that KBC will continue to post return on equity ranging 14.5%-15.5%, higher than most of its larger European peers. This will mostly stem from better cost efficiency and diversified, recurring revenue. Kate--a data driven and AI-enhanced infrastructure--is at the center of KBC's digital agenda. While contributing to improvement in the group's internal processes and cost efficiency, it also acts as a data-driven customer interface, capable of improving customers' experience and sales productivity.

Outlook

The stable outlooks on all KBC group entities reflect our view that the group will remain efficient and profitable in the next two years. Moreover, we estimate that credit loss provisions adequately capture future corporate and SME defaults in the group's markets. We expect the group will display strong and resilient earnings as it leverages its efficient bank insurance operating model, involving the sale of insurance and asset-management products to bank customers, which should help alleviate ongoing inflationary pressures.

Downside scenario

We could lower the ratings on the operating companies if we revised down our assessment of the group stand-alone credit profile (SACP) and this was not offset by higher external support via the bank's buffer of bail-in-able debt. However, a downward revision of the group SACP would lead us to lower the holding company ratings. KBC's stand-alone creditworthiness could be pressured if the group departs from prudent capital management, engages in aggressive growth organically or via M&A, or if its risk profile deteriorates. That said, an eventual downward revision of the group SACP could be compensated by a second notch of additional loss absorbing capacity (ALAC) support for the operating companies if KBC sustainably maintains a buffer above 6% of our risk-weighted assets (RWAs).

Upside scenario

We see a remote possibility of an upgrade because that would require a more diverse business model or substantially lower risk exposure, which is unlikely given the bank's plans to expand in countries that carry higher risk than Belgium.

Key Metrics

KBC Group N.V.--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	13.9	4.8	(2.8)-(3.5)	4.4-5.4	4.3-5.3
Growth in customer loans	11.3	3.0	2.7-3.3	3.6-4.4	3.6-4.4
Growth in total assets	4.6	-2.5	1.1-1.3	2.1-2.6	2.2-2.7
Net interest income/average earning assets (NIM)	2.1	2.1	1.9-2.1	1.9-2.1	1.8-2.0
Cost to income ratio	56.0	51.2	51.8-54.5	50.2-52.7	48.6-51.1
Return on average common equity	13.4	16.5	13.1-14.5	13.5-14.9	14.4-15.9
Return on assets	0.9	1.1	0.9-1.1	0.9-1.1	1.0-1.2
New loan loss provisions/average customer loans	0.1	0.0	0.1-0.1	0.1-0.2	0.1-0.2
Gross nonperforming assets/customer loans	2.2	2.2	2.1-2.3	2.0-2.2	2.0-2.2
Net charge-offs/average customer loans	-0.2	-0.2	0.1-0.1	0.1-0.1	0.1-0.1

KBC Group N.V.--Key ratios and forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	2022a	2023a	2024f	2025f	2026f
Risk-adjusted capital ratio	10.6	11.0	11.7-12.3	11.7-12.3	11.4-12.0

All figures are S&P Global Ratings-adjusted. Operating revenue for 2023 includes €405 million capital gain from the sale of KBC Bank Ireland. a--Actual. f--Forecast. NIM--Net interest margin. N.M.--Not meaningful.

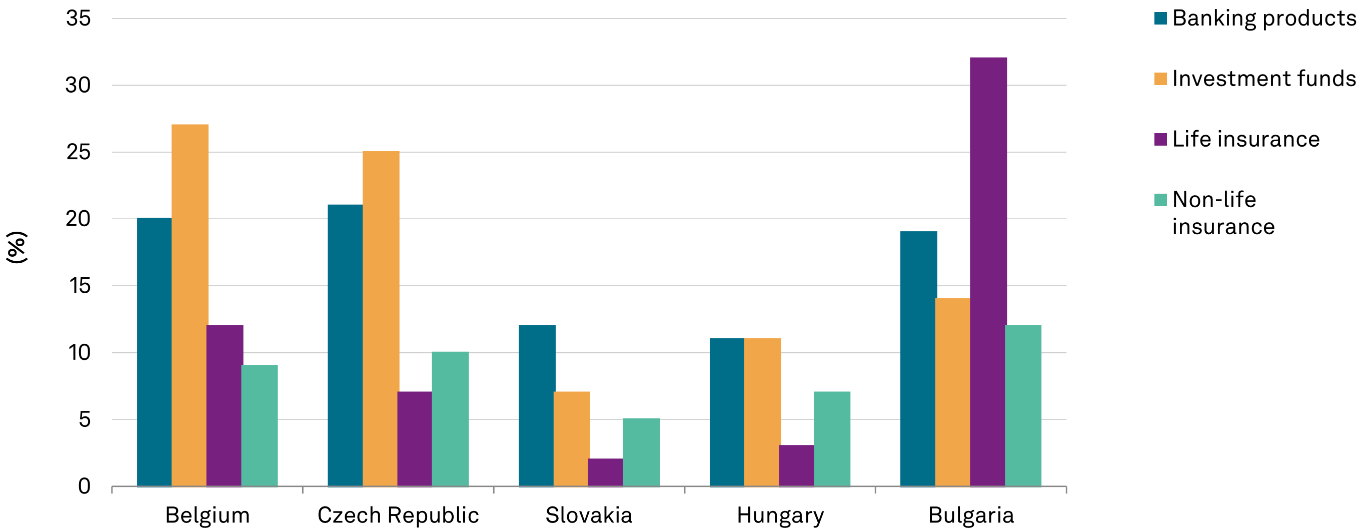
Anchor: 'bbb+' Based On The Weighted Average Of Economic Risk For The Bank's Countries Of Operation

KBC's 'bbb+' anchor reflects the blended Banking Industry Country Risk Assessment (BICRA) economic risk scores of the countries where the bank operates and Belgian industry risk. KBC is present outside Belgium in higher economic risk countries in CEE such as the Czech Republic, Slovakia, and Bulgaria. The weighted economic risk is therefore slightly weaker than for a bank operating in Belgium only, where the anchor would be 'a-'.

We view the economic risk trend for the Belgian banking sector as stable. Under our base-case scenario, we expect domestic GDP will continue to outperform the eurozone average and grow by 1.4% in 2024 (estimated 1.4% in 2023), with inflation increasing to about 3.9% in 2024 from 2.3% in 2023 before falling to 2.3% in 2025. However, we expect the automatic wage-indexation mechanism and strong labor market will largely shield private consumption. We estimate that the unemployment rate will remain at about 5.6%. The higher cost of debt--in a higher-interest-rate environment--has been slowing down domestic private sector credit growth, which we now expect to normalize at about 4% over the next few years. As a result, residential house prices, albeit growing in nominal terms, will cool down in real terms after years of dynamic growth. We see a deterioration in banks' asset quality as likely from 2024, although moderate compared to the current historic lows. Belgian banks' asset quality is structurally supported by fixed-rate long-term mortgages, which represent the largest part of banks' loan portfolios. We anticipate that an increase in nonperforming loans (NPLs) will come mostly from lending to corporates and SMEs. We expect Belgian banks will maintain prudent provisioning and that credit impairment charges will remain stable at a through-the-cycle level of about 20 basis points (bps) to 25bps.

Chart 1

KBC has a strong market share across products and countries where it has presence
Market share by products and country

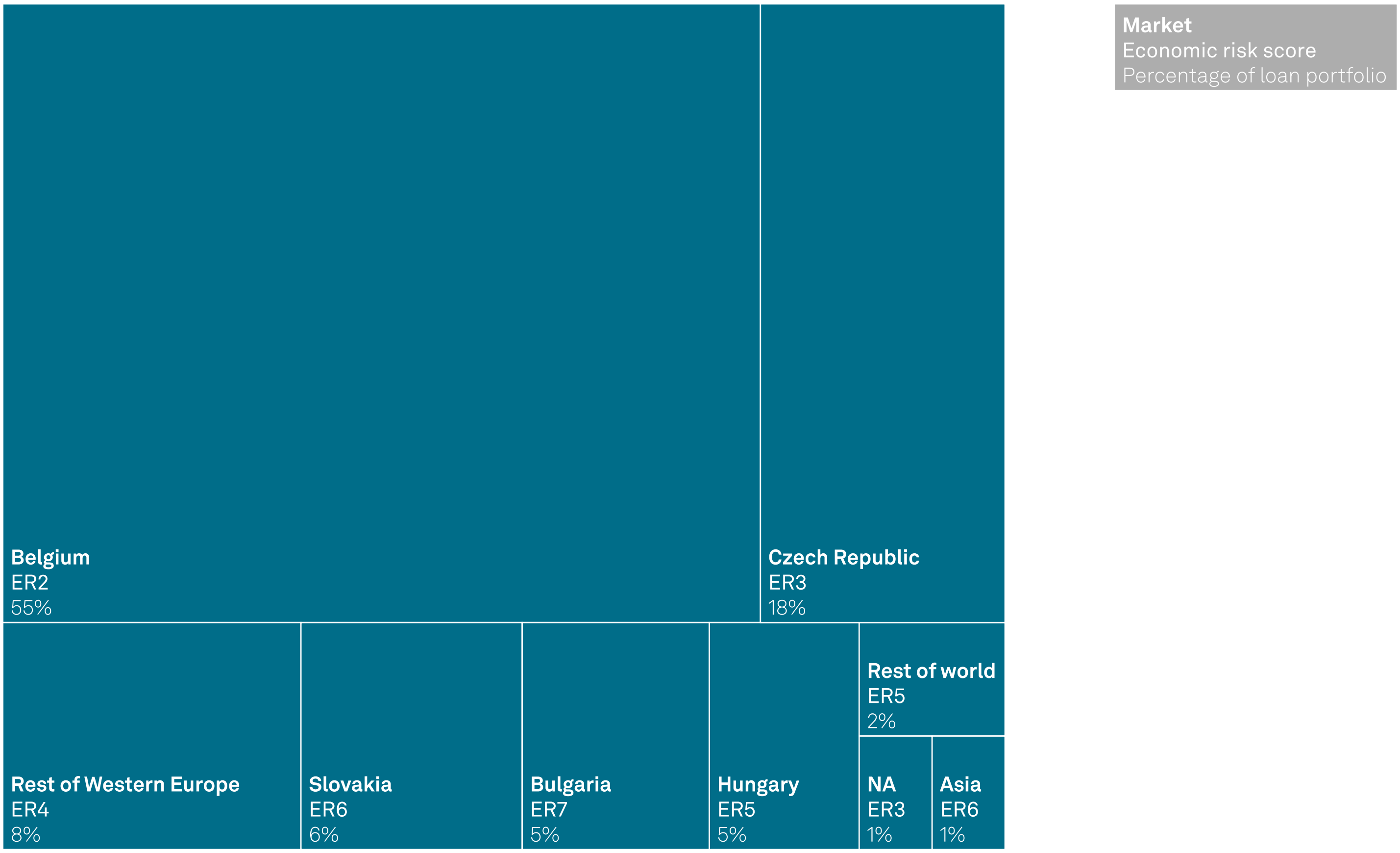


Source: S&P Global Ratings.

Our assessment of the industry risk trend for Belgium-based banks is also stable. The higher-interest-rate environment, and the bancassurance business model will continue to support banks' profitability, counterbalancing increasing costs. These costs relate to inflationary pressure, and continued investment in digital, information technology (IT), and compliance requirements. Furthermore, deposit betas increased faster than initially planned following the issuance of the 3.3% gross-of-tax-yield one-year government bond in 2023, but they are expected to stabilize in 2024. Customer deposits remain the core of banks' funding, fully financing outstanding loans. We anticipate that the loan-to-deposit ratio—as per our calculation—will likely increase from the estimated 83% in the context of more normalized interest rates. We consider that Belgian systemwide funding benefits from the depth of the domestic financial market and potential funding support from the European Central Bank (ECB), among other factors.

Chart 2

KBC Group has a diverse loan portfolio



Data at end-September 2023. Economic risk (ER) scores are part of S&P Global Ratings Banking Industry Country Risk Assessments (BICRA). Economic risk scores rank from 1 to 10, 1 being the lowest risk level. NA--North America.
Sources: KBC, S&P Global Ratings.

Business Position: Leading Bank And Insurance Franchise In Belgium And Central Eastern Europe

KBC's focused strategy of gaining and maintaining meaningful market shares in the core markets where it operates, and its well-integrated bank insurance model, make the group resilient to the economic, digital, regulatory, and competitive challenges facing the industry. With about €360 billion of reported assets as of March 30, 2024, KBC is a diversified financial services group. It is smaller than many of the large and diversified banking groups operating in Europe, but we think it displays superior earnings and efficiency metrics.

The group's main banking arm, KBC Bank, is a market leader in the wealthy Flemish part of Belgium and has a domestic market share of about 20% in loans and deposits and 27% in investment funds as of March 30, 2024. Its Czech bank subsidiary, Ceskoslovenská Obchodní Banka, is a leading player with a 21% share of the loan and deposit market, which we consider a low-risk segment.

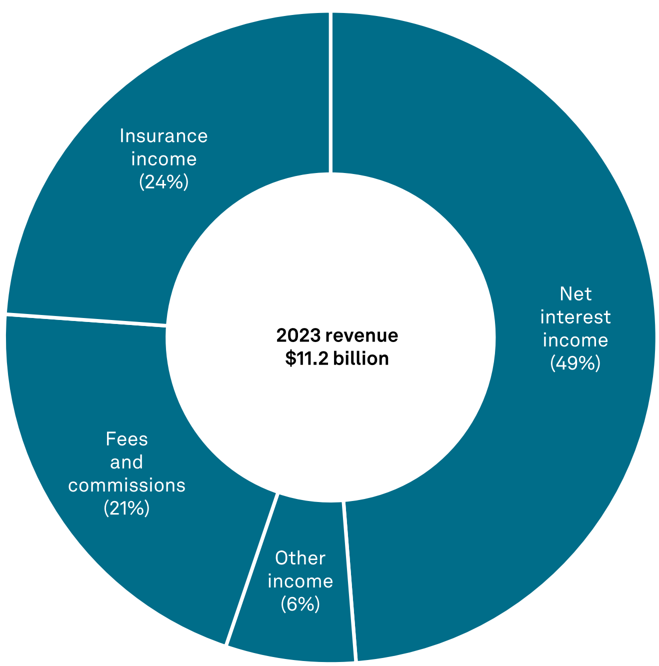
KBC runs also insurance activities through its subsidiary KBC Insurance N.V. which enjoys a market share of 12% in life insurance and 9% in property/casualty (P/C) insurance in Belgium, and 7% in life insurance and 10% in P/C insurance in the Czech Republic. KBC Insurance is highly integrated, with bank channels accounting for the majority of total sales. This enables high levels of efficiency and a dominant share of profitable unit-linked life policies. The insurance business has historically been a strong contributor to revenue, and, above all, it provides diverse earning streams and supports customer loyalty.

KBC's recurring fee income, which provides about 28% of operating revenue as of March 30, 2024, also adds to the group's business diversity. The bulk of the fee income is mainly driven by the asset-management business, with reported assets under management (AUM) of €258 billion in the first quarter of 2024.

Chart 3

KBC's diversified business model is a strength

Fiscal 2023 revenue by business line



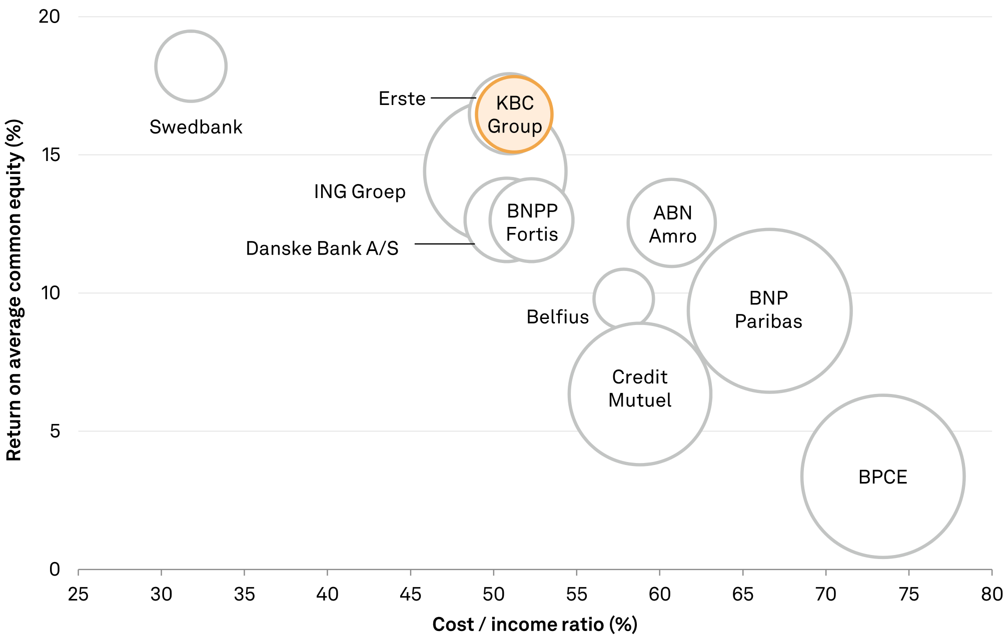
Sources: KBC, S&P Global Ratings.

KBC's digitally advanced, cost-efficient, geographically diversified and integrated bank insurance business will continue to support the group's superior earnings generation. We calculate that KBC will continue to post return on equity ranging 14.5%-15.5%, higher than most of its larger European peers. This will mostly stem from better cost efficiency and diversified, recurring revenue. Kate--a data driven and AI-enhanced infrastructure--is at the center of KBC's digital agenda. While contributing to an improvement in the group's internal processes and cost efficiency, it also acts as a data-driven customer interface, capable of improving customers' experience and sales productivity.

Beyond recurrent earnings, the group's superior efficiency is reflected in a cost-to-income ratio averaging 56% for the past five years, and we expect the group to maintain this at the lower end of the 50%-55% range in the next two years, which is better than most European peers.

Chart 4

KBC's earnings capacity more than compensates for its smaller size
Efficiency ratios compared with peers (as of December 2023)



KBC Group's 2023 cost figure includes €687 million of bank and insurance tax. Bubble size represents gross customer loans in EUR. Latest available data were used. Source: S&P Global Ratings.

Capital And Earnings: Prudent Capital Management And Stable Earnings Support Strong Capital Buffer

We view KBC's capital as a well-capitalized bank and broadly in line with that of most Dutch and Nordic peers, while the group's profitability is among the strongest in Europe.

KBC reported a Common Equity Tier 1 (CET1) ratio of 14.9% as of March 30, 2024 (considering the extraordinary interim dividend of 0.70 euros per share), well above its 10.9% minimum requirement.

We estimate that KBC's RAC ratio could range 11.0%-11.5% as of end-2023. We project that the RAC ratio will remain broadly stable in this range over the next two years. This forecast takes into consideration the following assumptions:

- Operating revenue increasing 3.5%-4.0% per year, supported by: 1) increasing net interest income thanks to continued loan book growth--steadily increasing by 3%-4% over 2024-2026--as well as the growth of the commercial transformation result driven by increasing average reinvestment yields; and 2) growing fee income, in particular in asset management.

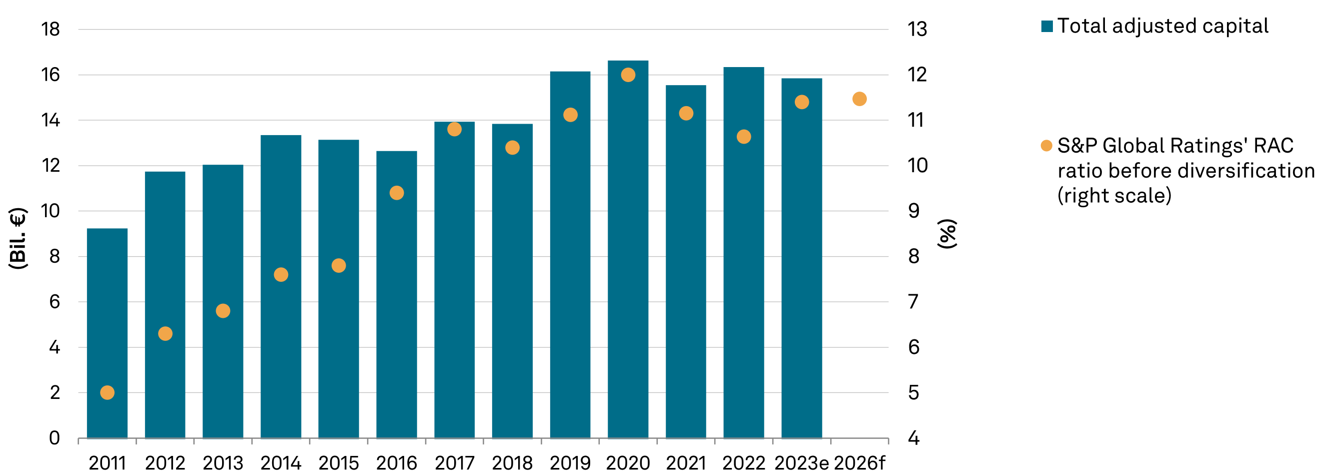
- Operating expenses to increase by about 1.7% per year in 2024-2026, considering persistent wage inflationary pressures. Ongoing efficiency measures should be offset by inflation and continuous investment in the digital-first strategy.
- Since we anticipate some moderate asset quality deterioration, we forecast an increase in cost of risk to 15-20bps from the 0.01bps decrease we calculated at year-end 2023. Our projections exclude any potential release of the €223 million expected credit loss buffer for geopolitical risks still outstanding as of Q1 2024.
- The dividend payout ratio remaining at 50% through 2026. In addition, as part of our estimated projections, we include other exceptional shareholder returns to capture our view that KBC will maintain a CET1 ratio at 15%. That said, the capital distribution policy may change in 2025, following the implementation of Basel IV.

We calculate KBC's RAC ratio at the group level because we consider that KBC will remain an integrated bank insurance group, and because it manages capital allocation on a consolidated basis. We think KBC Insurance's capital position is consistent with the overall capital position of its banking activities.

Chart 5

We expect KBC's capitalization will remain solid

Capital and risk-adjusted capital ratio since 2011



e--Estimate. f--Forecast. Source: S&P Global Ratings.

Risk Position: Asset Quality Improved Following Exit From Ireland And Expected To Remain Solid

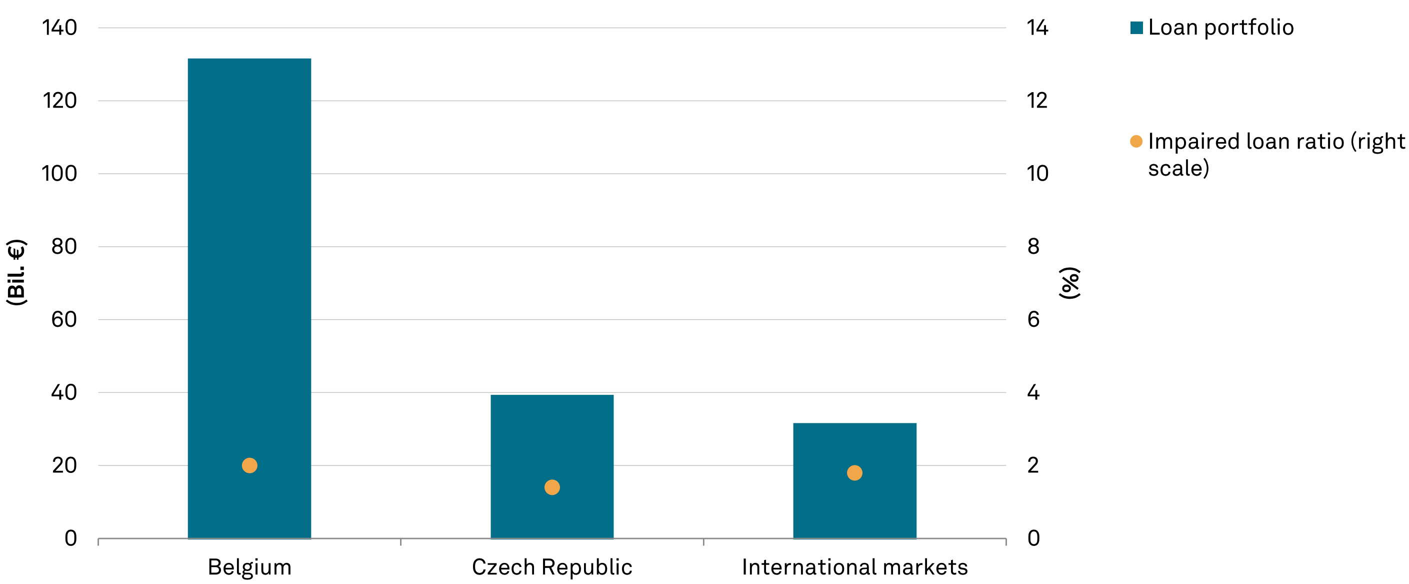
KBC Bank's loan portfolio is geographically diverse, and single-name and sector concentrations are low. We understand that KBC aims to expand, but within the boundaries of its existing areas of expertise. In our view, KBC will cautiously manage its expansion strategy after years of significant efforts to reduce risk. The withdrawal from the Irish market has significantly de-risked KBC's balance sheet given the high proportion of legacy impaired loans in the Irish loan book. We think the group's sizable corporate and SME book (37.1% and 22.1% of group outstanding loan portfolio as of March-end 2024 respectively) still remains exposed to risks because we generally see these counterparties as more vulnerable to economic shocks and downturns. We therefore forecast NPLs will be higher than for KBC's peers operating solely in Belgium, reflecting its substantial corporate and SME exposure and presence in CEE countries, which offer growth opportunities but also entail higher credit risk.

The majority of the group's riskier assets relate to its Belgian business unit, as well as the Czech Republic business. We do not expect any rapid transformation of the group's geographical breakdown of activities following the exit of Ireland and additional investments in CEE within KBC's core markets. That said, we will be tracking the extent of the gradual rebalancing of activities between Belgium, a low-risk but mature market, and other markets in Eastern Europe with higher growth potential but higher risk profiles. Overall, we think KBC's RAC ratio adequately reflects the credit risk of operating in countries with higher economic risk than Belgium.

Chart 6

KBC Group's loan portfolio is geographically diverse with credit risk mostly concentrated in mature markets

Asset-quality metrics for KBC Group's main loan portfolios



NPL--Outstanding impaired loans as reported by KBC. Data as of end-2023. Sources: KBC, S&P Global Ratings.

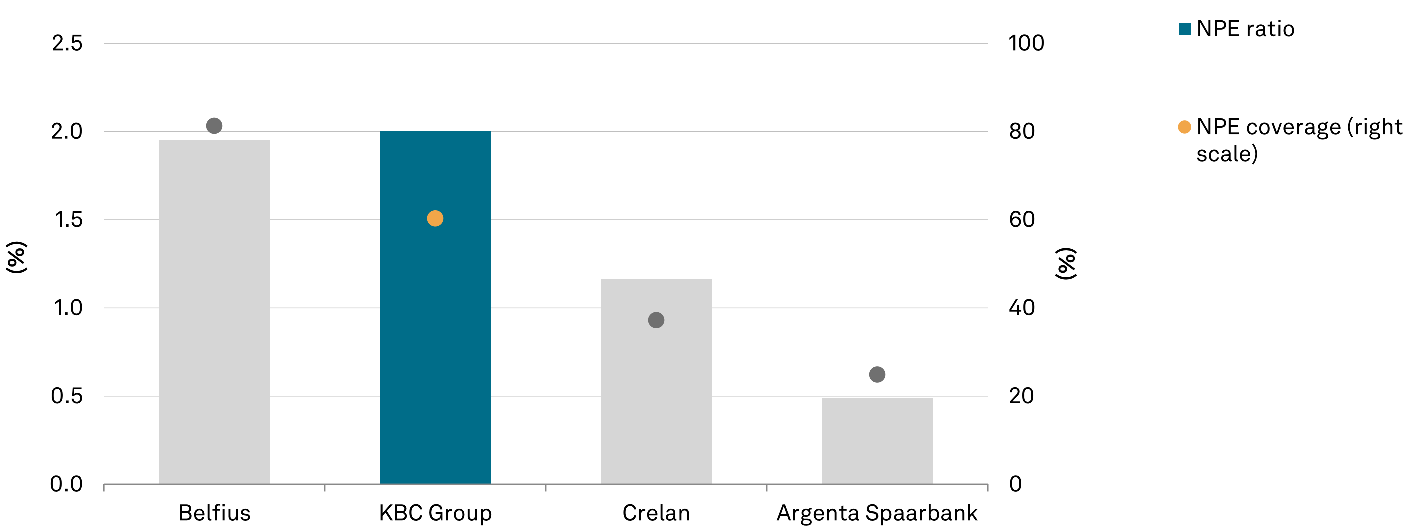
Typically, there is some concentration in low-risk mortgages, which comprise about 41% KBC's loan book as of end-2023, mainly in Belgium and the Czech Republic. We consider that pockets of risk in the domestic portfolio have remained contained, as the bank maintained prudent credit standards on mortgage origination in Belgium, in line with stricter rules introduced by the National Bank of Belgium on indebtedness and leverage since 2019. KBC reported a prudent average indexed loan to value (LTV) on mortgages below 60% in both countries. The reported impaired loan ratio was 2.1% as of March 30, 2024--stable quarter-on-quarter--which compares well with those of Belgian peers and has improved materially in the past couple of years due to the sale of all of its Irish impaired loans and tightened underwriting. There are still some weaker spots in terms of asset quality, such as its exposure in Bulgaria, where we see a higher economic risk compared to the other countries in which the group operates. However, the impaired loan ratio here has also improved significantly over recent years, declining to 2.2% in 2023 from 2.8% in 2022 and 5.3% in 2021.

In our opinion, KBC's impaired ratio is likely to stabilize at about 2.0%-2.1% in 2024-2026. However, we think this risk is mitigated by KBC's strong coverage ratio and by its resilient earnings profile, which provides a comfortable cushion against unexpected losses before affecting capital.

Overall, we expect the group to remain fundamentally low risk. KBC Group's cost of risk in Q1 2024 stood at 3bps, compared to a net release of €16 million (negative 1bp) at year-end 2023. The minimal cost of risk at year-end 2023 was supported by steady releases of the ECL buffer, against the backdrop of improved micro and macroeconomic indicators. We expect cost of risk to remain below 20bps in the next two years, below historical average levels of 30-40bps.

Chart 7

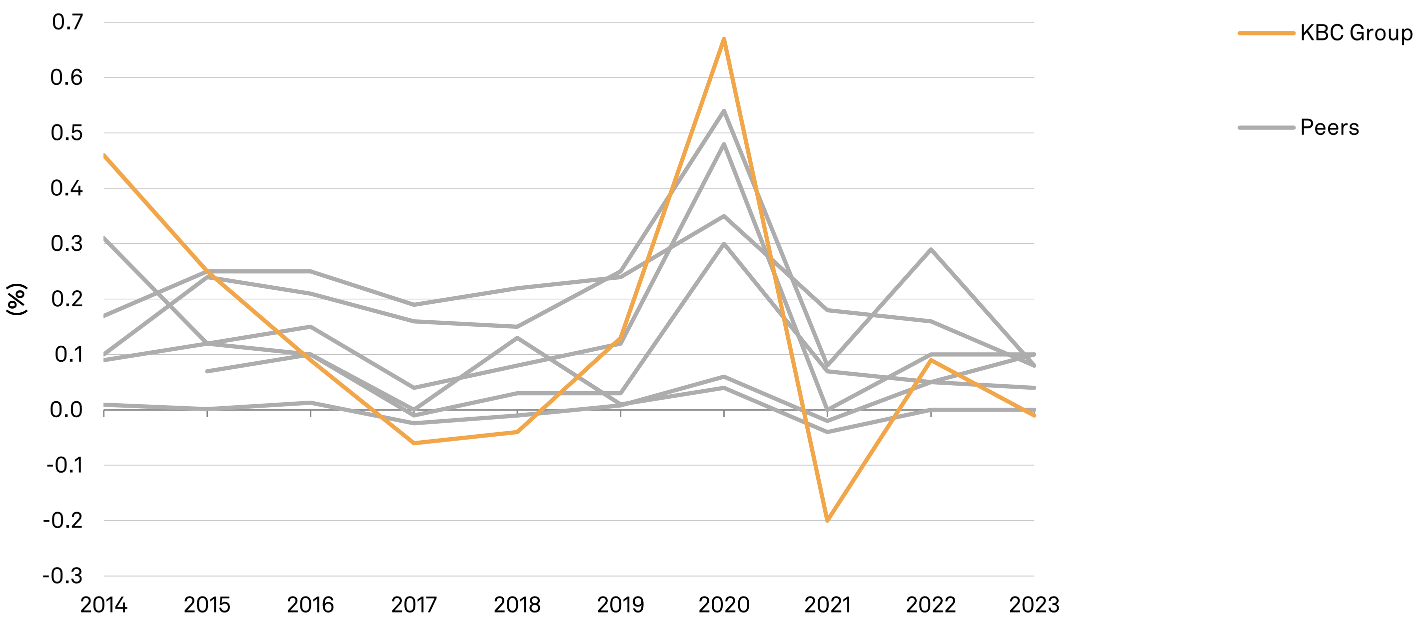
KBC's NPE ratio is higher than domestic peers', but we expect it to remain close to 2%



NPE--Nonperforming exposure. Source: S&P Global Ratings.

Chart 8

KBC Group's new loan loss provisions versus Belgian peers



Data as of Dec. 31, 2023 for KBC Group, AXA Bank Belgium, ING Belgium, and Belfius Bank. Data as of June 30, 2023 for BNP Paribas Fortis, Argenta Spaarbank, and Crelan. Source: S&P Global Ratings.

Funding And Liquidity: Stable Core Deposit Base Provide A Comfortable Funding Structure

The group's large retail branch network and established franchise provide it with a stable base of core deposits that fully cover the loan portfolio. The group is funded by deposits in all its key markets with a consolidated loan-to-deposit ratio of 87% as of March 2024. For the same period, we estimate that KBC had a solid stable funding ratio of 125% and comfortable broad liquid asset coverage to total wholesale funding of 1.6x. These ratios compare favorably to those disclosed by many large European peers and are unlikely to change materially over the next two years, despite the complete repayment of its targeted longer-term refinancing operations participation by 2024. We think most of KBC Group's entities are self-funded, supported by its strong deposit franchise in most of the markets in which it operates. Furthermore, the group makes opportunistic use of its liquidity excess in some countries to support entities across the group.

The group also reported metrics well above the regulatory minimum, with a liquidity coverage ratio of 162% reflecting the large stock of high-quality liquid assets, and an estimated net stable funding ratio of 139% as of March 2024.

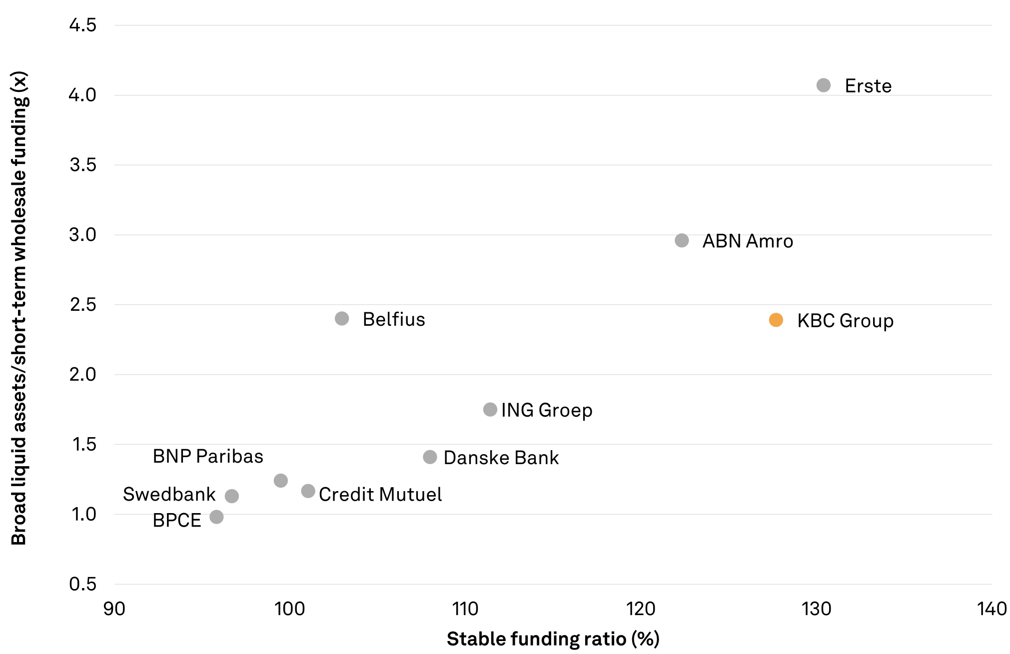
We consider the medium-term wholesale funding that matures in the next three years to be relatively granular and diversified.

The bank holds a comfortable buffer of high-quality liquid assets amounting to approximately €123 billion in March 2024 (about 29% of total assets), largely covering short-term wholesale funding needs. The liquidity buffer mainly comprises cash and bonds that can be replaced in the private market and at the central bank.

Chart 9

KBC Group's funding and liquidity metrics compare well with peers

Thanks to high deposit bases in Belgium and Czech Republic



Data as of December 2023. Source: S&P Global Ratings.

Support: One Notch Of Additional Loss-Absorbing Capacity

We think the prospect of extraordinary government support for the Belgian banking sector is uncertain under the EU resolution regime. This is because it contains a well-defined bail-in process under which the authorities would permit nonviable, systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities. KBC has a single point of entry approach for the bank's resolution strategy.

Our assessment of KBC's ALAC leads us to add one notch of uplift to the group credit profile (GCP), reflecting KBC's buffer of debt at the holding company that is structurally subordinated to KBC Bank's senior debt. We therefore think senior creditors of the core banking entities will remain protected by this sizable buffer of bail-in-able debt. We estimate the ALAC buffer is already above the 3.25% threshold we deem appropriate for KBC , at more than 8%. We think the ALAC buffer will remain above 8% of our RWA measure by end-2026. This is based on the expectation that KBC Group N.V. will continue to issue senior unsecured debt instruments and Tier 2 instruments, offset by maturing instruments and an anticipated increase in RWAs.

We use an adjusted 3.25% threshold, as opposed to the usual 3.00%, because we cannot rule out that KBC might need to use part of its ALAC buffer for prepositioning purposes, and we think the fungibility of such resources would therefore be constrained. This is in line with our approach for KBC's peers, including, for example, international groups operating in the Czech Republic. We think there will be no capital fungibility between the bank and insurance operations in case of stress, including a resolution scenario under which we think the insurance perimeter would be out of scope.

Group Structure, Rated Subsidiaries, And Hybrids

The ratings on KBC Bank and KBC Insurance reflect our view of their core status to the group. KBC Group owns 100% of both KBC Bank and KBC Insurance. We consider KBC Bank and KBC Insurance to be fully integrated with the group. That said, we use the 'a' group SACP to determine the issuer credit rating and financial strength rating on KBC Insurance, since we do not think ALAC support will be available for insurance subsidiaries, which are outside the bank resolution perimeters. We also view the Luxembourg-based reinsurer KBC Group Re S.A. as core to the group, and we equalize our ratings on it with the 'a' group SACP.

The ratings on Ceskoslovenska Obchodni Banka (CSOB) A.S. reflect our view of its core status to the group. We equalize our ratings on it with the GCP, and the ratings on other core operating bank entities of the group, such as KBC Bank. We equalize our ratings on KBC Bank and CSOB, given our view that a single point of entry resolution strategy at the group level is probable, even if the Czech regulator further clarifies how it approaches the case of locally systemic financial institutions that are part of a wider pan-eurozone banking group regulated by the ECB.

How we rate the Additional Tier 1 (AT1) instruments issued by KBC

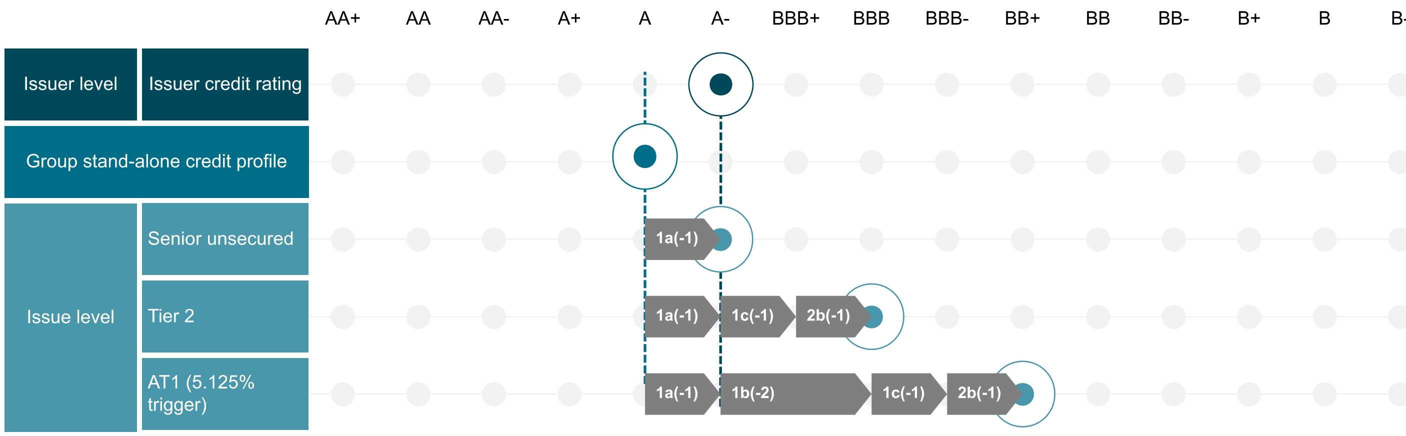
Our 'BB+' rating on KBC's AT1 notes is four notches below our 'A-' issuer credit rating on the group. This four-notch difference represents:

- One notch to reflect subordination risk.
- Two additional notches to take into account the risk of nonpayment at the issuer's full discretion and the hybrid's expected inclusion in the issuer's Tier 1 regulatory capital.
- One notch due to a mandatory contingent capital clause that would lead to equity conversion if KBC's CET1 ratio falls below 5.125%. We do not consider this to be a going-concern trigger.

Compliance with the minimum regulatory capital requirements is necessary to avoid the risk of potential restrictions in the payment of coupons on the AT1 notes. We view this risk as limited for KBC since its fully loaded CET1 ratio is well above the minimum set by regulators.

Chart 10

KBC Group N.V.: NOHC notching



Key to notching

---- Issuer credit rating

----- Group stand-alone credit profile

1a Contractual subordination

1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital

1c Mandatory contingent capital clause or equivalent

2b Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.
AT1--Additional Tier 1.

Resolution Counterparty Ratings (RCRs)

An 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. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and the issuer is likely to be subject to a resolution that entails a bail-in if it reaches nonviability. The long-term RCR for KBC Bank is one notch above the long-term 'A+' issuer credit rating, at 'AA-', and the short-term rating is 'A-1+'.

Key Statistics

Table 1

KBC Group N.V. Key Figures

	--Year-ended Dec. 31--				
(Mil. €)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	324,692.0	313,034.0	323,817.0	303,367.0	284,424.0
Customer loans (gross)	186,154.0	186,087.0	180,671.0	162,301.0	163,316.0

Table 1

KBC Group N.V. Key Figures (cont.)

		--Year-ended Dec. 31--			
(Mil. €)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted common equity	17,117.0	14,968.0	14,792.0	14,048.1	15,084.9
Operating revenues	2,128.0	9,011.0	8,602.0	7,553.0	7,185.0
Noninterest expenses	1,431.0	4,617.0	4,818.0	4,299.0	4,156.0
Core earnings	506.0	3,609.3	2,972.3	2,744.9	1,538.3

*Data as of March 31.
N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 2

KBC Group N.V. Business Position

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Loan market share in country of domicile	N/A	N/A	20.0	19.0	19.0
Deposit market share in country of domicile	N/A	N/A	20.0	N/A	N/A
Total revenues from business line (currency in millions)	2,128.0	9,011.0	8,602.0	7,553.0	7,185.0
Commercial banking/total revenues from business line	N/A	N/A	N/A	N/A	N/A
Retail banking/total revenues from business line	N/A	N/A	N/A	N/A	N/A
Commercial & retail banking/total revenues from business line	50.6	52.9	69.7	69.9	73.7
Trading and sales income/total revenues from business line	0.0	3.6	4.7	1.9	0.5
Corporate finance/total revenues from business line	N/A	N/A	N/A	N/A	N/A
Brokerage/total revenues from business line	N/A	N/A	N/A	N/A	N/A
Insurance activities/total revenues from business line	33.6	29.7	11.3	11.3	11.9
Agency services/total revenues from business line	N/A	N/A	N/A	N/A	N/A
Payments and settlements/total revenues from business line	N/A	N/A	N/A	N/A	N/A
Asset management/total revenues from business line	15.9	13.8	14.3	16.9	13.9
Other revenues/total revenues from business line	N/A	N/A	N/A	N/A	0.0
Investment banking/total revenues from business line	0.0	3.6	4.7	1.9	0.5
Return on average common equity	9.2	16.5	13.4	12.6	7.4

*Data as of March 31.
N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 3

KBC Group N.V. Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	16.5	16.8	16.7	16.9	19.1
S&P Global Ratings' RAC ratio before diversification	N/A	N/A	10.6	11.2	12.1
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	11.6	11.9	13.5
Adjusted common equity/total adjusted capital	90.7	86.9	90.8	90.4	91.0
Double leverage	N.M.	N.M.	N.M.	N.M.	N.M.
Net interest income/operating revenues	64.3	60.7	60.0	58.9	62.2
Fee income/operating revenues	28.9	26.1	21.5	24.3	22.4

Table 3

KBC Group N.V. Capital And Earnings (cont.)

	--Year-ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Market-sensitive income/operating revenues	1.4	3.3	4.2	2.7	1.2
Cost to income ratio	67.2	51.2	56.0	56.9	57.8
Preprovision operating income/average assets	0.8	1.3	1.1	1.0	1.0
Core earnings/average managed assets	0.6	1.0	0.9	0.8	0.5

*Data as of March 31.
N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 4

KBC Group N.V.--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	71,890	5,236	7	1,502	2
Of which regional governments and local authorities	335	67	20	47	14
Institutions and CCPs	18,053	3,424	19	4,664	26
Corporate	85,845	42,304	49	68,532	80
Retail	115,879	20,197	17	45,368	39
Of which mortgage	97,290	14,079	14	29,078	30
Securitization§	176	26	15	35	20
Other assets†	6,157	2,338	38	8,653	141
Total credit risk	298,000	73,525	25	128,754	43
Credit valuation adjustment					
Total credit valuation adjustment	--	757	--	0	--
Market Risk					
Equity in the banking book	422	932	221	3,490	827
Trading book market risk	--	3,146	--	4,269	--
Total market risk	--	4,078	--	7,759	--
Operational risk					
Total operational risk	--	12,184	--	16,600	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	108,928	--	153,113	100
Total diversification/ Concentration adjustments	--	--	--	(12,389)	(8)
RWA after diversification	--	108,928	--	140,724	92
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					

Table 4

KBC Group N.V.--Risk-adjusted capital framework data (cont.)				
Capital ratio before adjustments	18,441	16.9	16,292	10.6
Capital ratio after adjustments‡	18,441	16.8	16,292	11.6

*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, 2022, S&P Global Ratings.

Table 5

KBC Group N.V. Risk Position

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	0.1	3.0	11.3	(0.6)	2.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	N/A	(8.1)	(6.0)	(10.7)
Total managed assets/adjusted common equity (x)	21.0	23.2	24.1	24.2	21.3
New loan loss provisions/average customer loans	0.0	(0.0)	0.1	(0.2)	0.7
Net charge-offs/average customer loans	N.M.	(0.2)	(0.2)	(0.4)	(0.2)
Gross nonperforming assets/customer loans + other real estate owned	1.1	1.1	1.3	1.8	2.0
Loan loss reserves/gross nonperforming assets	117.7	120.6	114.4	89.2	114.8

*Data as of March 31. N/A--Not applicable. N.M.--Not meaningful.

Table 6

KBC Group N.V. Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	74.2	77.0	77.5	74.2	74.8
Customer loans (net)/customer deposits	84.9	84.8	79.3	80.0	83.6
Long-term funding ratio	81.0	83.4	84.7	90.3	89.8
Stable funding ratio	125.1	125.6	127.7	141.1	139.8
Short-term wholesale funding/funding base	20.4	17.9	16.3	10.4	11.0
Regulatory net stable funding ratio	139.0	136.0	136.0	148.0	N/A
Broad liquid assets/short-term wholesale funding (x)	2.1	2.2	2.5	4.1	3.7
Broad liquid assets/total assets	34.2	32.4	33.7	33.7	32.1
Broad liquid assets/customer deposits	56.8	51.9	53.5	57.5	53.9
Net broad liquid assets/short-term customer deposits	31.7	31.0	34.6	45.5	42.3
Regulatory liquidity coverage ratio (LCR) (%)	162.0	159.0	152.0	167.0	N/A
Short-term wholesale funding/total wholesale funding	77.3	75.3	70.9	39.6	42.5
Narrow liquid assets/3-month wholesale funding (x)	2.6	2.6	4.5	5.4	4.5

*Data as of March 31. N/A--Not applicable.

KBC Group N.V.--Rating component scores

Issuer Credit Rating	**A+/Stable/A-1**
SACP	a
Anchor	bbb+

KBC Group N.V.--Rating component scores (cont.)	
Issuer Credit Rating	**A+/Stable/A-1**
Economic risk	3
Industry risk	3
Business position	Strong
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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
- 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
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of July 5, 2024)*		
KBC Group N.V.		
Issuer Credit Rating		A-/Stable/A-2
Junior Subordinated		BB+
Senior Unsecured		A-
Subordinated		BBB
Issuer Credit Ratings History		
24-Jun-2021	*Foreign Currency*	A-/Stable/A-2
23-Apr-2020		A-/Negative/A-2

Ratings Detail (As Of July 5, 2024)*(cont.)		
30-Jul-2018		A-/Stable/A-2
24-Jun-2021	*Local Currency*	A-/Stable/A-2
23-Apr-2020		A-/Negative/A-2
30-Jul-2018		A-/Stable/A-2
Sovereign Rating		
Belgium		AA/Stable/A-1+
Related Entities		
Ceskoslovenska Obchodni Banka A.S.		
Issuer Credit Rating		A+/Stable/A-1
Resolution Counterparty Rating		AA-/--/A-1+
KBC Bank N.V.		
Issuer Credit Rating		A+/Stable/A-1
Resolution Counterparty Rating		AA-/--/A-1+
Junior Subordinated		BBB-
KBC Group Re S.A.		
Financial Strength Rating		
Local Currency		A/Stable/--
Issuer Credit Rating		
Local Currency		A/Stable/--
KBC Insurance N.V.		
Financial Strength Rating		
Local Currency		A/Stable/--
Issuer Credit Rating		
Local Currency		A/Stable/--

*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.