CREDIT OPINION

23 May 2025

Update

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RATINGS

**KBC Group N.V.**

| | |
|---|---|
| Domicile | Brussels, Belgium |
| Long Term CRR | Not Assigned |
| Long Term Debt | A3 |
| Type | Senior Unsecured - Fgn Curr |
| Outlook | Stable |
| Long Term Deposit | Not Assigned |

*Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*

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# KBC Group N.V.

## Semi-annual update

## Summary

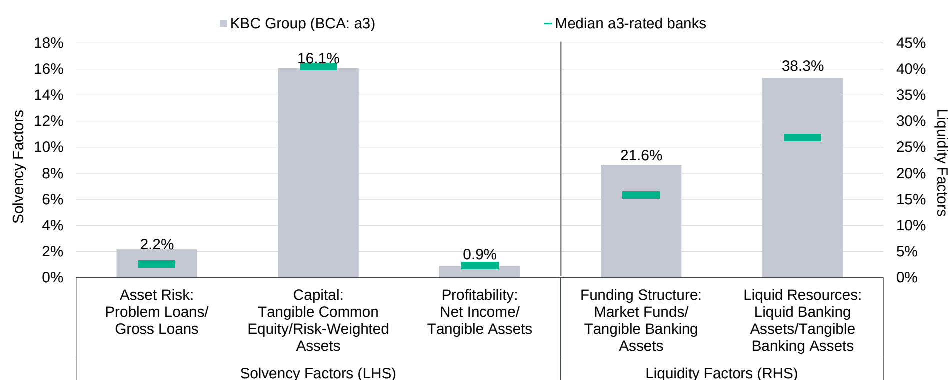
KBC Group N.V.'s (KBC; A3 stable[1]) long-term senior unsecured debt rating reflects KBC Bank N.V.'s (KBC Bank; Aa3 stable, a3[2]) Baseline Credit Assessment (BCA) of a3 and our Advanced Loss Given Failure (LGF) analysis applied to KBC Group that results in no uplift, reflecting a moderate loss-given-failure for the instrument.

KBC Bank's a3 BCA reflects KBC's strong franchise supported by its solid presence in Belgium and CEE countries, and diversified businesses, spanning banking activities, insurance and asset management. It also reflects its well-contained asset quality, its track-record of strong and resilient profitability, its comfortable capitalization and its robust funding and liquidity.

KBC Bank's Aa3 long-term deposit rating and IFIMA's A1 backed senior unsecured debt rating benefit from an extremely low and very low loss-given-failure, respectively, leading to a three-notch and two-notch uplift respectively from the bank's Adjusted BCA. Our support assumption from the Government of Belgium (Aa3 negative) is moderate for both instruments but does not result in any rating uplift.

Exhibit 1

**Rating Scorecard - Key financial ratios**




Data as of end-December 2024
*Source: Moody's Ratings*

## Credit strengths

» Strong earnings power, supported by the group's solid presence in Belgium and CEE countries, and diversified businesses, spanning banking activities, insurance and asset management.

» Good performance of the loan portfolio.

» Comfortable capital, commensurate with the group’s risk profile.

» Robust liquidity based on a strong core deposit base.

## Credit challenges

» Some pockets of risks in the corporate loan portfolio.

» Tight margin on loans

## Outlook

The outlook on KBC Bank's long-term deposits, IFIMA's backed senior unsecured debt and KBC's senior unsecured debt and long-term issuer ratings is stable, reflecting our view that asset quality and profitability will remain resilient and that the group will preserve a sound level of capital and liquidity.

## Factors that could lead to an upgrade

» Although unlikely in the short-term, KBC Bank's BCA could be upgraded if the group's asset risk, capital and profitability were all to improve substantially. All other things being equal, an upgrade of the BCA would likely lead to an upgrade of KBC's issuer and senior unsecured debt ratings, KBC Bank's long-term deposit rating and IFIMA's backed senior unsecured rating.

» KBC's issuer and senior unsecured debt ratings and IFIMA's backed senior unsecured rating could also be upgraded if their respective loss-given-failure were to reduce through higher subordination or instrument volume.

## Factors that could lead to a downgrade

» A downgrade of KBC Bank's BCA could result from a sustained reduction in profitability, should fees and net interest income both materially decline; a significant decline in regulatory capital ratios; or a material deterioration in asset quality.

» A downgrade of the BCA would typically result in a downgrade of KBC's issuer and senior unsecured debt ratings and KBC Bank's long-term deposit rating. It would however likely not result in a downgrade of IFIMA's backed senior unsecured rating, which could then benefit from a rating uplift from government support.

» The long-term ratings of KBC, IFIMA and KBC Bank could also be downgraded if their respective loss-given-failure were to increase through reduced subordination or lower instrument volume.

## Key indicators

Exhibit 2

**KBC Group N.V. (Consolidated Financials) [1]**

| | 12-24[2] | 12-23[2] | 12-22[2] | 12-21[2] | 12-20[2] | CAGR/Avg.[3] |
|---|---|---|---|---|---|---|
| Total Assets (EUR Million) | 368,174.0 | 341,241.0 | 347,142.0 | 333,488.0 | 313,695.0 | 4.1[4] |
| Total Assets (USD Million) | 381,243.0 | 376,953.6 | 370,486.3 | 377,877.2 | 383,823.4 | (0.2)[4] |
| Tangible Common Equity (EUR Million) | 19,256.0 | 18,913.0 | 17,850.0 | 19,648.0 | 18,139.3 | 1.5[4] |
| Tangible Common Equity (USD Million) | 19,939.5 | 20,892.3 | 19,050.4 | 22,263.3 | 22,194.4 | (2.6)[4] |
| Problem Loans / Gross Loans (%) | 2.0 | 2.2 | 2.2 | 2.5 | 3.3 | 2.5[5] |
| Tangible Common Equity / Risk Weighted Assets (%) | 16.1 | 16.7 | 16.2 | 18.8 | 17.8 | 17.1[6] |
| Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%) | 17.9 | 19.2 | 19.8 | 18.4 | 24.8 | 20.0[5] |
| Net Interest Margin (%) | 1.5 | 1.5 | 1.5 | 1.3 | 1.5 | 1.5[5] |
| PPI / Average RWA (%) | 3.4 | 3.4 | 3.4 | 3.0 | 3.1 | 3.3[6] |
| Net Income / Tangible Assets (%) | 0.9 | 0.9 | 0.7 | 0.9 | 0.5 | 0.8[5] |
| Cost / Income Ratio (%) | 53.4 | 54.8 | 53.9 | 58.7 | 57.4 | 55.6[5] |
| Market Funds / Tangible Banking Assets (%) | 21.6 | 19.2 | 19.7 | 22.5 | 22.8 | 21.2[5] |
| Liquid Banking Assets / Tangible Banking Assets (%) | 38.3 | 36.7 | 38.5 | 38.7 | 37.2 | 37.9[5] |
| Gross Loans / Due to Customers (%) | 84.5 | 85.4 | 80.2 | 81.6 | 86.3 | 83.6[5] |

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

*Sources: Moody's Ratings and company filings*

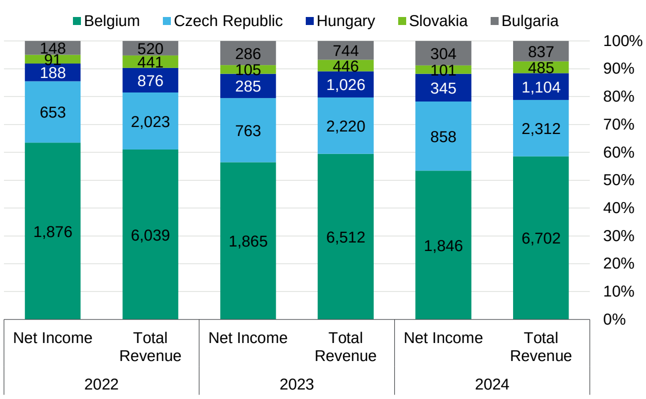
## Profile

KBC Group N.V. (KBC) is a leading bank insurance group based in Belgium with total assets of €373 billion (€368 billion after our own adjustments) as of year-end 2024. The group is active in Belgium (in 2024, some 60% of consolidated revenue or 53% of its net profit), and several CEE countries (namely the Czech Republic, Slovakia, Hungary and Bulgaria, together accounting for about 40% of revenue or 47% of net income in 2024)[3] (Exhibit 3). KBC runs its banking operations, accounting for approximately 85% of the group's net profit, through KBC Bank N.V. and its insurance activities (around 15% of net profit) through KBC Insurance N.V., active in both life and non-life activities (Exhibit 4).

Exhibit 3

**CEE accounts for over one-third of the group's consolidated total revenue and net income**

**Breakdown of Total Revenue and Net Income by market in % and € millions**



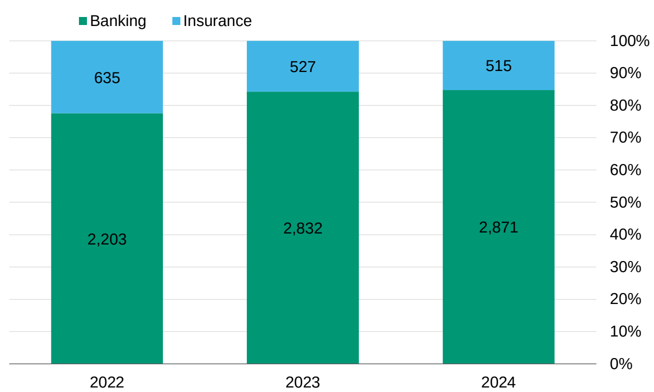

Figures per Business Unit/market excluding the Corporate Center

*Source: KBC Group and Moody's Ratings*

Exhibit 4

**Insurance business accounts for approximately 20% of the net income of the group**

**Breakdown of Net Income by business in % and € millions**




Figures excluding the Corporate Center

*Source: KBC Group and Moody's Ratings*

In Belgium, KBC reported market shares of 21% in loans and deposits and 27% in investment funds as of year-end 2024. In CEE, the bank reported estimated market shares on banking products of 20% in the Czech Republic, 11% in Hungary, 12% in Slovakia and 19% in Bulgaria.

In Ireland, KBC sold substantially all of KBC Bank Ireland's loan assets and its deposit book to Bank of Ireland Group plc (BOI, A3 positive[4]), the holding company of Bank of Ireland (A1/A1 positive, baa1[5]). The finalization of this deal has ultimately led to KBC withdrawing from the Irish market.

In Bulgaria, KBC has completed a series of acquisitions to expand its cross-selling opportunities and gain scale in the Bulgarian market. UBB, KBC's earlier acquired Bulgarian subsidiary that now consolidates all subsequent acquisitions in the country, is the largest bank in Bulgaria and represented 20% of the Bulgarian banking system's assets as of year-end 2024.

On 15 May 2025, KBC announced its intention to acquire 365.bank, the 7th ranking bank in Slovakia focused on retail banking and with subsidiaries in both asset management and consumer finance. The group's intention is to eventually merge it with CSOB, thereby reaching the number 3 position in Slovakia with market shares ranging from 14% to 21% depending on products. This transaction therefore fits KBC's strategy to be part of the top three players in both banking and insurance in all its core markets. Closing is expected by the end of 2025 and the estimated impact on the group's Common Equity Tier 1 ratio is 50 bps.

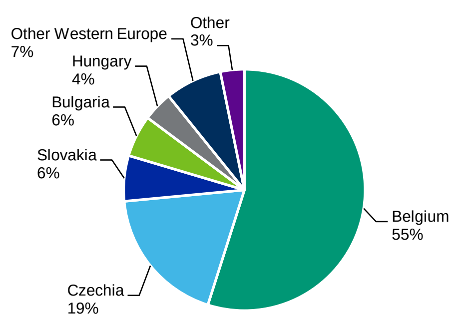
## Detailed credit considerations

### Overall asset quality is sound despite some pockets of risks in the corporate loan portfolio

The assigned Asset Risk score of baa1, one notch below the macro-adjusted score of a3 reflects KBC's sound asset quality. The negative adjustment from the macro-adjusted score reflects the risks stemming from a few industry concentrations in the corporate portfolio including the real estate, distribution and manufacturing sectors.

KBC's credit exposures[6] reflect the group's franchise in its core markets (Exhibit 5) including Belgium (55% as of year-end 2024), the Czech Republic (19%), Slovakia (6%), Bulgaria (5%) and Hungary (4%). The remaining exposures (11%) primarily consist of exposures to other Western Europe and Central and Eastern European countries. At year-end 2024, some 41% of the loan portfolio consisted of exposures to private individuals (predominantly mortgages) and 37% to corporates, with almost 12% concentration on real estate and construction activities.

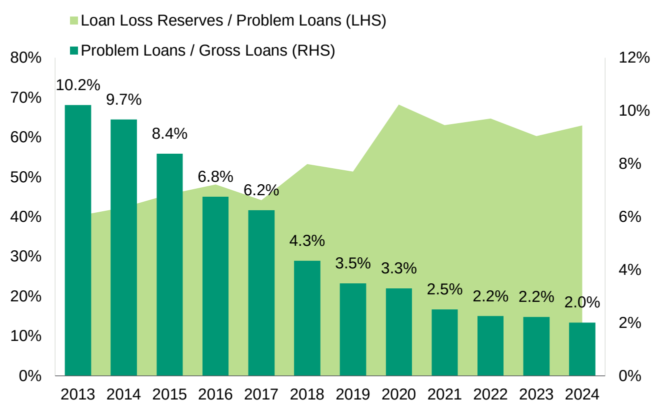
Exhibit 5
**The group's exposures reflect its franchises in Belgium and core markets in CEE**
**Geographic breakdown of loan portfolio by geography**




*Source: KBC Group data*

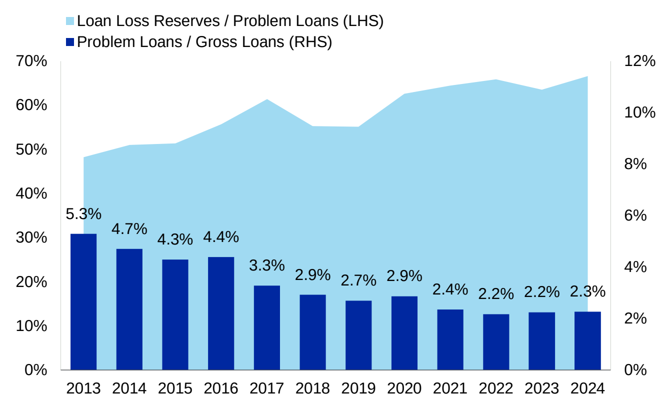
We view KBC's asset quality as sound, with a low nonperforming loan (NPL) ratio of 2% as of December 2024[7] (i.e. a slight improvement from 2.2% at year-end 2023), and conservative provisioning policy. The legacy nonperforming mortgage book of KBC Ireland had long been weighing on the group's NPL ratio. Since its disposal in February 2022, KBC's NPL ratio has been broadly in line with its Belgian peers (Exhibits 6 and 7). The NPL has been on a declining trend since 2020 in all core markets. Despite the uncertainties related to the US tariffs issue and geopolitical risks, we expect the level of the NPL ratio to remain relatively stable in the foreseeable future.

Exhibit 6
**KBC's loan book quality has been steadily improving after the NPL peak of 2013...**
**KBC's asset quality metrics**




*Source: KBC Group data and Moody's Ratings*

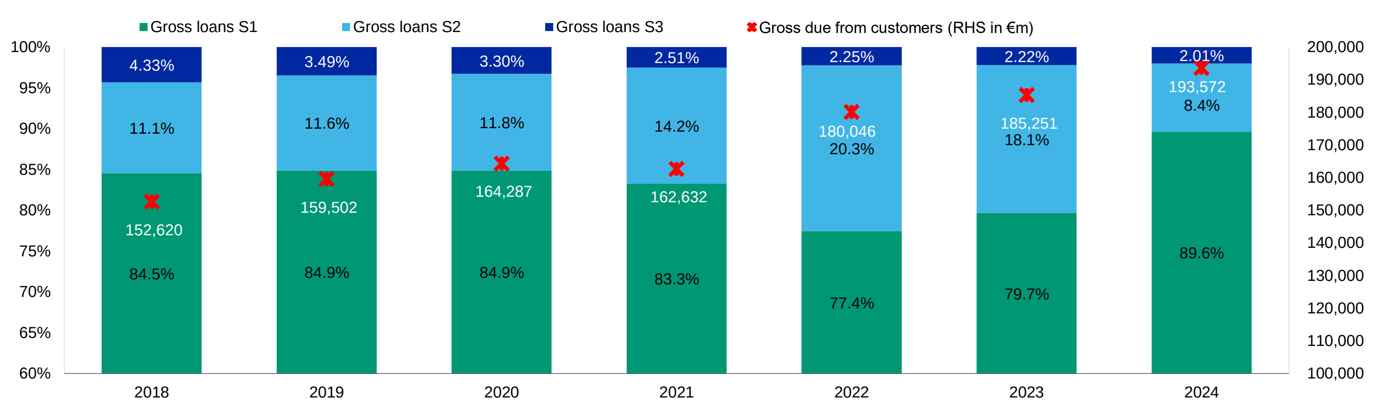
Exhibit 7
**... closer to Belgian peers' level**
**Belgian banks' consolidated asset quality metrics**




*Source: Moody's Ratings*

The Stage 2 loan ratio[8] was 8.4% at end-December 2024,[9] significantly down from 18% at year-end 2023 and 20.3% at year-end 2022 (Exhibit 8), and broadly in line with the Belgian banking system average of 9% as of end-September 2024.[10] The substantial size of the Stage 2 ratio in 2022 resulted from the collective transfers from Stage 1 to Stage 2 of portfolios that were indirectly exposed to the military conflict in Ukraine, which had started earlier that year, and were deemed vulnerable to the geopolitical and macroeconomic uncertainties that prevailed at the time. The cumulative amount of these transfers totaled €12 billion and represented one-third of total stage 2 loans at year-end 2023. The stage 2 ratio materially dropped in Q1 2024 as a result of €8.5 billion asset transfer to Stage 1, which partly stemmed from a revision in KBC's loan staging methodology,[11] and for the rest from a reassessment of the change in credit risk on KBC commercial finance exposure,[12] taking account of the portfolio's very low historical credit losses and short maturities. The stage 2 ratio further improved in the course of 2024, mainly reflecting a decrease in credits deemed vulnerable in the current geopolitical and macroeconomic context. We therefore view more the temporary surge in Stage 2 ratio in 2022 as a reflection of KBC's conservative asset staging approach than as an indication of higher asset risk compared to peers. Going forward, we do not expect any further methodology-driven improvements of the Stage 2 ratio and we consider that the current ratio reflects the intrinsic quality of the portfolio.

Exhibit 8
**Stage 2 loans soared in 2022 but materially declined in 2024**
**Distribution of gross customer loans by Stages**




Reverse repos and interbank loans are assumed to be Stage 1 and therefore deducted from this bucket to obtain gross due from customers amounts.
*Source: KBC Group data and Moody's Ratings*

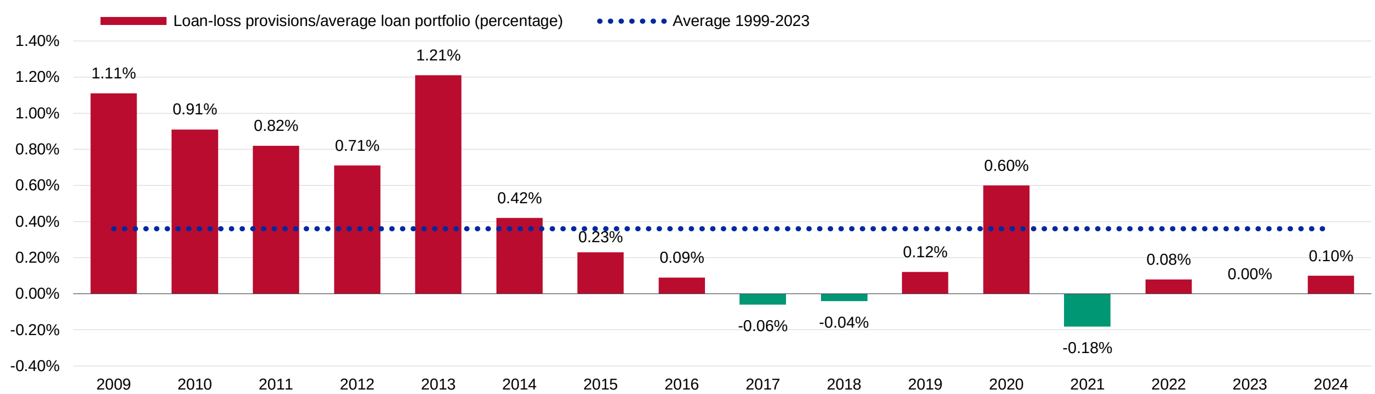
With the exception of 2020 where the rise in Stage 1 and Stage 2 provisions in the context of the pandemic drove the group's cost of risk to 60 basis points (bps) of outstanding loans, loan loss charges have been consistently below 12 bps since 2017. The cost of risk was 8 bps in Q1 2025 and 10 bps in full-year 2024[13] (Exhibit 9). The annual cost of risk since 2021 have somewhat been distorted by changes in the level of Covid, geopolitical and macroeconomic uncertainties-related reserve. Excluding these impacts, loan loss charges remained low with 9 bps in 2021, 0 bp in 2022, 7 bps in 2023, 16 bps in 2024 at the same level in Q1 2025. We expect the cost of risk to progressively normalize to slightly higher levels over the coming quarters. KBC expects it to remain well below the 25 bps-30 bps range in 2025. This guidance remained unchanged at the announcement of Q1 2025 results.

At year-end 2024, the reserve for geopolitical and macroeconomic uncertainties amounted to €117 million (out of €507 million total stage 1 and 2 provisions), down from €256 millon at year-end 2023 and €429 million at year-end 2022.[14] The coverage of problem loans by total provisions[15] remain comfortable at 63%, up from 60% at year-end 2023, roughly in line with the Belgian banks' average of approximately 65%.

Exhibit 9

**The cost of risk remains at historic lows**

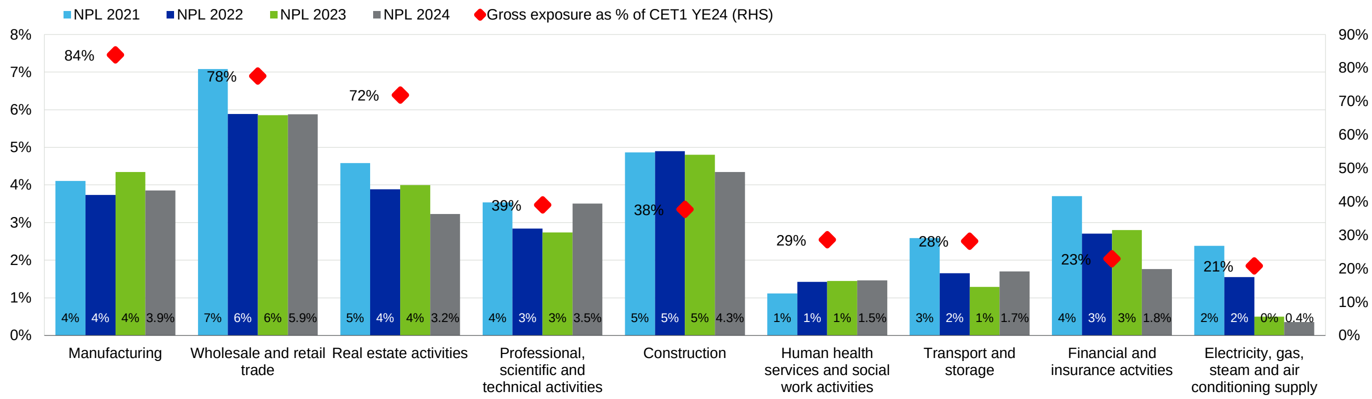
**Loan-loss provisions/average loan portfolio (percentage)**




*Source: KBC Group data and Moody's Ratings*

Although globally well-diversified, the corporate loan portfolio contains some material industry concentrations in volatile sectors, the largest of which are the commercial real estate sector (6.7% of the loan book and 72% of the group's CET1 capital as of year-end 2024), the wholesale and retail trade sector (7.3% of loan book and 78% of CET1 capital), and the manufacturing sector (7.8% of loan book and 84% of CET1 capital). The NPL ratios of these sectors were 3.2%, 5.9% and 3.9% respectively at year-end 2024 (Exhibit 10). Although relatively high, there has been no substantial deterioration in these ratios over the past three years. The commercial real estate portfolio is essentially located in Belgium (69%) and the Czech Republic (19%) and had a reasonable average LTV of 50% at year-end 2024. Positively, the exposure to real estate development is limited to around 6% of the total CRE exposure (€800 million).

Exhibit 10
**The corporate loan portfolio contains some material industry concentrations in volatile sectors**
**Credit quality of loans to non-financial corporations by industry**




The exhibit refers to industries representing a concentration of over 20% of FL CET1
*Source: KBC Group Pillar III disclosures and Moody's Ratings calculations*

## The group's capitalisation is good and its strong earnings generation capacity provides comfortable buffer to absorb Basel IV impact

The assigned capital score of a2 is based on our assumption that KBC Group's common equity Tier 1 (CET1) ratio will remain within a range of 14% to 15%. The assigned score also takes account of the group's strong capital generation ability and limited expected remaining RWA inflation under Basel IV.

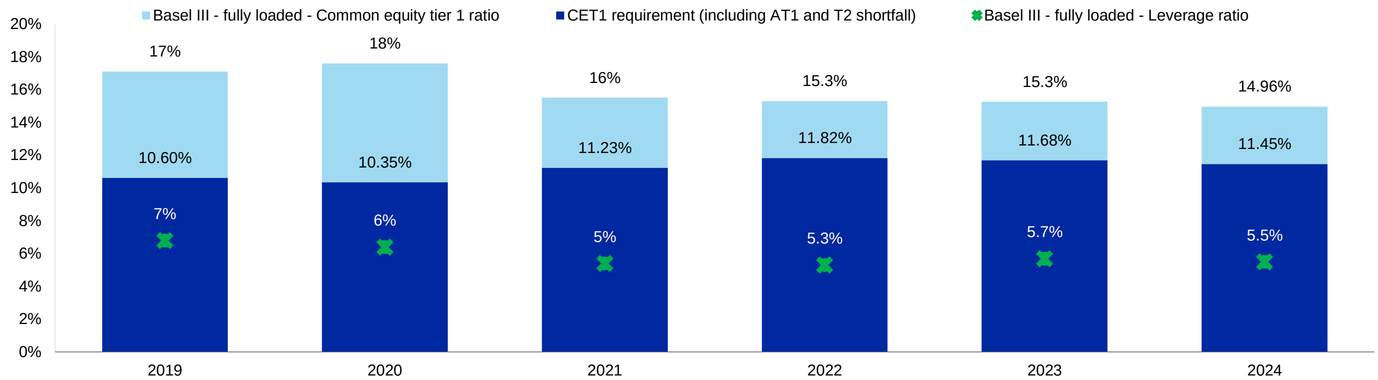
As of end-March 2025, the group reported an unfloored[16] fully loaded Basel IV common equity Tier1 (CET1) ratio of 14.5%, reflecting a capital base of €18 billion and RWAs of €124.8 billion. These RWAs incorporate both the first-time application impact of €0.9 billion as well as the transitional impact of €1.6 billion[17] to be phased-in between 2026 and 2033 but not the output floor. Assuming a static balance sheet and no management action, KBC projects the output floor to inflate the RWAs by a further €2.6 billion in 2033. This is equivalent to an additional 37 basis point negative impact on the unfloored fully loaded CET1 ratio as of end-March 2025, an amount that can easily be absorbed thanks to KBC's strong earnings generation.

On May 15, 2025, KBC announced an update to its capital deployment policy. The updated policy stipulates a payout ratio ranging from 50% to 65% of consolidated profits. The upper limit of this range is consistent with the actual average distribution rate over the past decade (including share buybacks and AT1 coupon payments). Each year, the final distribution will remain at the discretion of the Board of Directors whose decision will be driven by both the group's stated aim to be amongst the better capitalised financial institutions in Europe and its further organic and external growth ambitions. The group also set its minimum unfloored fully loaded CET1 ratio at 13%. Although KBC removed the 15% CET1 threshold set under its previous capital policy for any distribution above 50% payout, we expect that it will preserve an unfloored fully loaded CET1 ratio well above 13%. We also assume that any drop below 14% would be temporary and remediated in a short period of time.

The 14.5% CET1 ratio reported as of end-March 2025 is well above the regulatory requirement of 10.9%.[18] The estimated impact on the CET1 ratio of the planned acquisition of 365.bank is a negative 50 bps at closing expected by the end of 2025. A material portion of this impact will likely be absorbed by the positive effects expected from the liquidation of the Irish operations, dividends from the insurance subsidiaries that have not yet been incorporated into the regulatory capital, as well as some planned significant risk transfers (SRTs).

The group's fully loaded leverage ratio was 5.4% as of end-March 2025.

Exhibit 11
**Capitalisation of KBC has been solid**




*Source: KBC Group data and Moody's Ratings*

At end-March 2025, the group's MREL, composed of KBC's holding company's senior debt, its Tier 2 and AT1 debt and its CET1 capital, stood at 31.4% of RWA and 10.4% of leverage ratio exposure (LRE), comfortably above the requirements of 28.47% (including the Combined Buffer Requirement of 5.24%) and 7.42% respectively.

### Underpinned by diversification and strong franchises in the core markets, earnings generation capacity will remain strong despite high operating expenses

Our assigned Profitability score of baa2 reflects KBC's strong earnings diversification and generation capacity, together with our expectation that net interest income in 2025 will still be supported by organic growth of the loan book and resilient net interest margins. We also expect pressures on operating expenses to subside as inflationary pressures ease in KBC's core markets. Finally, we expect cost of risk to normalize at somewhat higher levels in the coming quarters as a consequence of relatively weak economic growth prospects as well as little remaining reserves for the geopolitical and emerging risks to be released.

KBC has strong earnings power, supported by its solid franchise in Belgium and CEE countries, and diversified businesses, spanning banking activities, insurance and asset management. KBC has thus far delivered on its strategic plan's objectives, aiming to gain market shares in its core markets and developing its highly integrated bancassurance model in Belgium and Czech Republic. KBC's ambition to achieve sizable presence in Slovakia, Hungary and Bulgaria through organic growth and acquisitions is also on track.

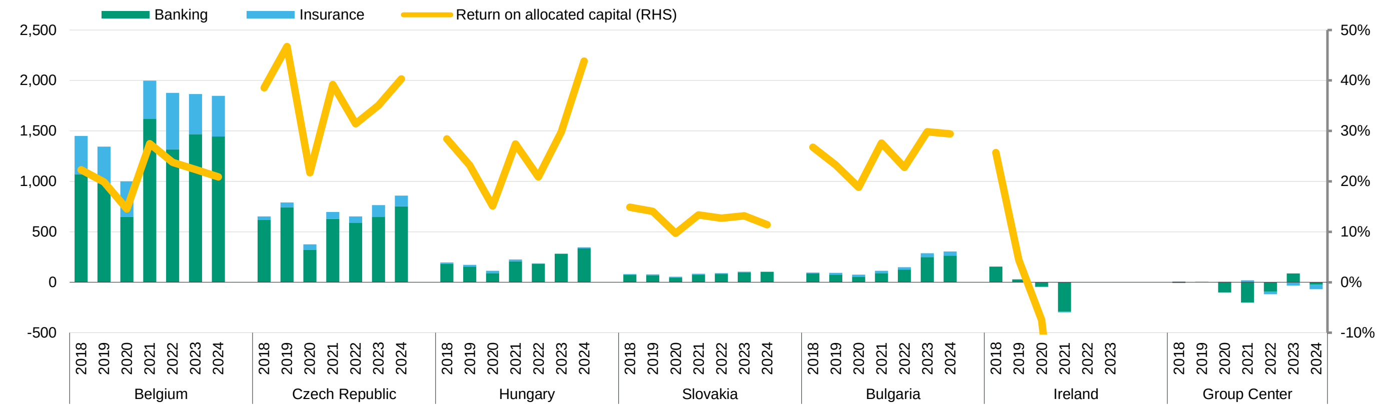
We consider KBC's profitability to be strong and among the highest in the Belgian banking system, as evidenced by its average net income to tangible assets ratio of 79 basis point over the 5-year period ended 31 December 2024 (93 basis points in 2024) versus 67 basis points on average for the five largest Belgian banks over the five-year period to end-June 2024 (71 basis points in 1H 2024). With the exception of 2020 where the group's results were hit by higher loan loss provisions in the context of the pandemic, KBC's overall profitability has proven resilient and stable through the period, demonstrating its ability to preserve solid margins even in a very low interest rate environment.

While the subsidiaries in CEE, which continue to benefit from higher interest margins than in Belgium, contribute to the strong profitability of the group, KBC's Belgian business also generates sound levels of profit (Exhibit 12). The contributions of banking and insurance activities to the group's consolidated net profit have been 79% and 21% respectively on average over the past five years. Within the banking business, net interest income (NII) represented an average of 64% of total revenues over the five-year period ended 31 December 2024, while net fee and commission income accounted for 31%.

Exhibit 12

**The Belgian business also generates sound levels of profit**

**Breakdown of net profit by business unit and activity (in million €) versus business units' return on allocated capital**




*Source: KBC Group data and Moody's Ratings calculations*

KBC reported net income of €3.4 billion in 2024, broadly stable from 2023 (+0.4%). Excluding the largest one-off items from the results of both years,[19] the group's net income grew by 2% in 2024.

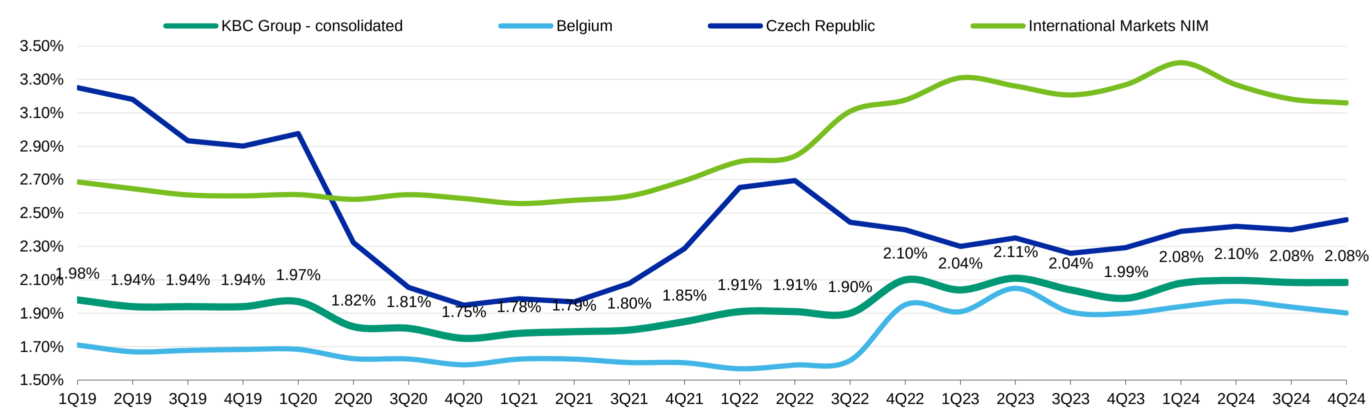
Underlying revenue increased by 3% year-on-year[20] to €11.2 billion as a result of resilient net interest income, material growth in both fee and commission income and revenue from insurance activities, and positive foreign exchange effect, partly offset by lower trading and fair value income. Operating expenses decreased by 1.1% to €4.56 billion, mainly driven by lower bank and insurance taxes. Insurance service cost (after reinsurance) increased by 13% to €2.5 billion due to higher claim expenses,[21] partly offsetting the positive impact of higher revenue and lower operating costs. As a result, underlying pre-provision income increased by 2.9% to €4.1 billion. Impairment charges increased by 15% to €248 million.

Net interest income (NII) amounted to €5.6 billion in 2024, up by 2% from €5.5 billion in 2023. Higher average loan book, higher margins on current and savings accounts resulting from higher yield of the replicating portfolio (referred to by the group as transformation result[22]) supported the NII growth. These factors were partly offset by lower margins on loans in some markets, higher costs related to the minimum required reserves held with the central banks, higher wholesale funding costs and lower margins on term deposits[23] - among other factors. Overall, KBC's net interest margin (NIM) was 2.09% on a full year basis, 4 basis points higher year-on-year. The NIM has been stable throughout the year despite declining interest rates (Exhibit 13), and we expect it to remain so in 2025 thanks to the expected resilience in its transformation result.

Exhibit 13

**Net interest margins have been stable throughout 2024**

**Net interest margins by business unit**




*Source: KBC Group data*

Net fee and commission income amounted to €2.6 billion in 2024, up by 10% year-on-year, supported by both higher fees from banking services and higher earnings from asset management. End-of-period assets under management (AUM) were up by 13% in 2024 compared to 2023 as a result of both positive market performance and new net inflows.

KBC's operating expenses (excluding expenses directly attributable to insurance activities) decreased by 1.1% to €4,565 million in 2024. Excluding banking and insurance taxes, operating expenses were flat. Bank and insurance taxes decreased by 9% thanks to lower contribution to the Single Resolution Fund, partly offset by higher national taxes in some markets.

KBC's reported a net profit of €546 million in Q1 2025, up 8% on Q1 2024. The increase was underpinned by good net interest income (+3.8%) which benefited from both growth in lending and resilient net interest margins, strong fee and commission income (+12%) and further improvement in insurance revenue (+8%). Operating expenses including bank and insurance taxes were up by 4% on Q1 2024.

## Funding is robust because of a strong core deposit base and liquidity is ample

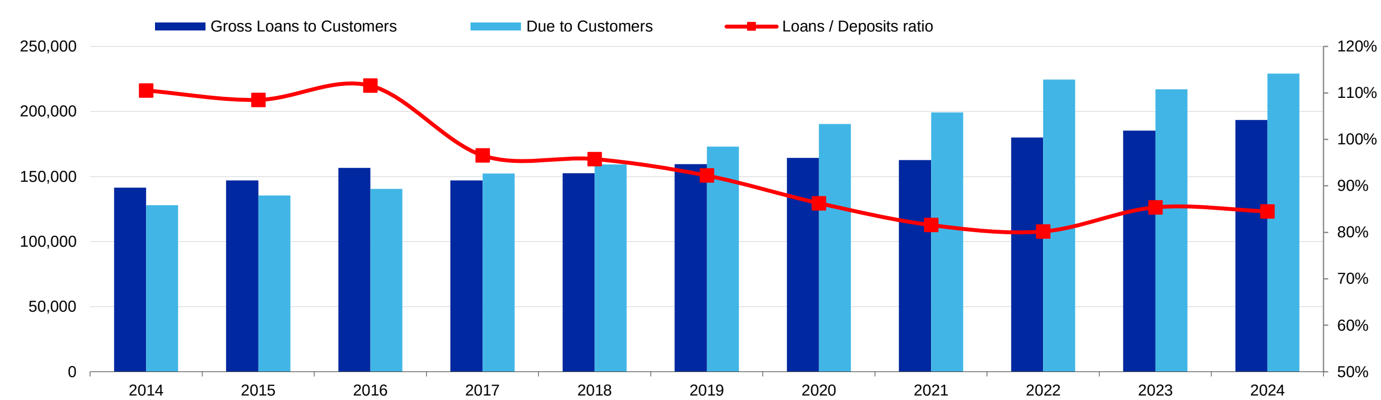
Our assigned funding structure score of baa2, in line with the macro-adjusted score, reflects the group's sound funding structure. The assigned liquid resources score of a3 reflects the group's high liquidity buffer. The 1-notch negative adjustment from the macro-adjusted score results from the removal of encumbered assets from the numerator of the liquid resources ratio.

KBC's solid funding profile lies on its substantial customer deposits, which consistently represented around 70% of its funding base[24] over the past five years (71% or €229 billion at year-end 2024). The group's loan-to-deposit (LTD) ratio was at a comfortable 84% at year-end 2024, slightly improved from 85% at year-end 2023 (Exhibit 14).

In September 2024, KBC, along with its peers, recovered the clients' monies that had flown out of its deposit base the previous year when the Belgian state issued high-yielding and fiscally advantageous one-year Treasury notes for an amount equivalent to 3% of the Belgian banks' consolidated domestic deposits.[25] The €6.5 billion customer money inflow in the Belgium business unit at the maturity of the State Notes was the main contributor to 7% rise in KBC's customer deposit base during 2024 while the outflow of September 2023 was the main driver of 3% decrease in deposits in 2023.

Despite the temporary outflow of deposits experienced in Belgium in 2023, we consider that KBC's customer deposits are stable. The group benefits from strong customer deposit bases in each core market. The vast majority of this funding source (86% at year-end 2024) consists of deposits from private individuals and SMEs, while the rest relates to mid-cap companies (11%) and government and public sector entities (3%). As of year-end 2024, around 56% of the group's customer deposit base was covered by deposit guarantee schemes.

Exhibit 14
**KBC's funding benefits from its substantial customer deposits**
**Customer loans and deposits evolution**




*Source: KBC Group data and Moody's Ratings*

As of year-end 2024, KBC's medium-to-long-term (MLT) wholesale funding amounted to €28.1 billion[26] (8% of its funding) and was 60% composed of senior unsecured debt issued from the holding company, 4% of senior unsecured debt is issued from the operating company, 19% of covered bonds and 17% of subordinated and AT1 securities. The redemption profile of the MLT debt is well distributed over time with a maximum of approximately €6 billion repayment in a single year.

The bank holds a comfortable buffer of high-quality liquid assets. The liquidity portfolio amounted to approximately €100 billion as of year-end 2024, 43% of which were cash and withdrawable central bank receivables and 55% where high quality level 1 debt securities mostly composed of government bonds. As of year-end 2024, the liquidity buffer represented 1.9 times the group's short-term funding (€53 billion including €13 billion due to banks, €14.4 billion certificates of deposit, €21 billion repos and the portion of MTL debt with a residual maturity of less than one year).

KBC continues to book the majority of its portfolio at amortized cost. A material increase in interest rates or credit spreads could result in material unrealized losses that remain unrecognized in its regulatory capital.[27] We nonetheless believe that given the high quality of the group's deposits, the substantial size of the liquidity buffer relative to the risk of funding outflows and the fact that the bonds can be repoed in the markets or at central banks, the risk for such unrealized losses to crystallize for liquidity purposes remains limited.

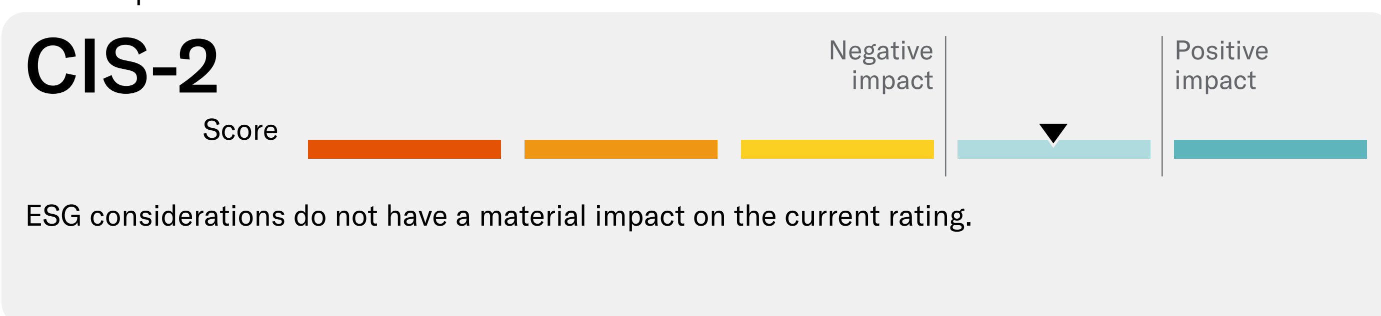
The group's average Liquidity Coverage ratio (LCR) for the 12-month period ended 31 December 2024 was 158%, stable compared to 2023. Its Net Stable Funding ratio (NSFR) was 139% at year-end 2024, slightly up from 136% at year-end 2022.

## ESG considerations

### KBC Bank N.V.'s ESG credit impact score is CIS-2

Exhibit 15

**ESG credit impact score**

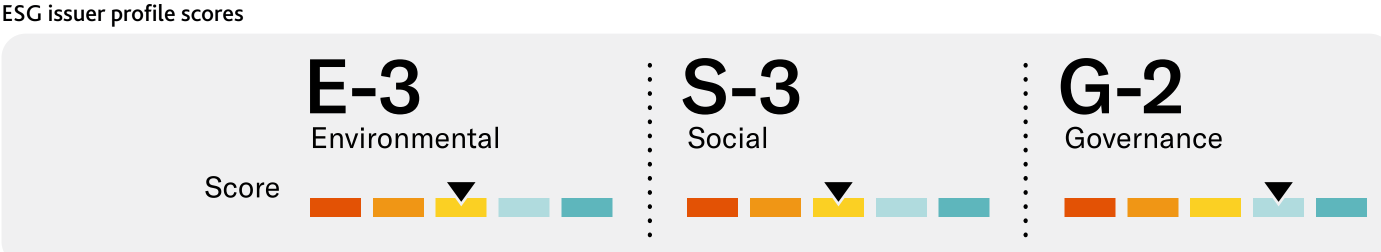



*Source: Moody's Ratings*

KBC's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 16

**ESG issuer profile scores**




*Source: Moody's Ratings*

### Environmental

KBC faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk. In line with its peers, KBC is exposed to mounting business risks and stakeholder pressure to meet more demanding carbon transition targets. KBC is actively engaged in further developing its climate risk management and reporting frameworks, and optimizing its loan portfolio toward less carbon-intensive assets.

### Social

KBC faces moderate industrywide social risks related to regulatory risk, litigation exposure and high compliance standards. The Belgian supervisor's focus on mis-selling and misrepresentation may have negative implications, which are mitigated by internal policies and procedures. KBC's high cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches.

### Governance

KBC has solid corporate governance practices and prudent financial policies, commensurate with its universal banking model. KBC operates in multiple jurisdictions, mainly in Central and Eastern Europe, which entails governance and risk management challenges. The group has not recorded significant failures in its risk management and controls in recent years.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Loss Given Failure (LGF) analysis

KBC Bank (together with its parent KBC Group) is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We assume a residual tangible common equity of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits, a 5% run-off in preferred deposits and a proportion of 26% of deposits as junior, and assign a 25% probability of deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions.

» Our LGF analysis indicates an extremely low loss given failure for KBC Bank's deposits and a very low loss given failure for the issuing entity IFIMA's senior unsecured debt, leading us to assign a three- and two-notch uplifts, respectively, above the bank's Adjusted BCA.

» Our LGF analysis indicates a moderate loss given failure for KBC Group's long-term senior unsecured debt, leading to no uplift from the bank's Adjusted BCA.

» Our LGF analysis indicates a high loss given failure for subordinated debt and junior debt classes, leading us to adjust these instruments' ratings down by one notch from KBC Bank's Adjusted BCA. This is driven by the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate an additional two-notch negative adjustment for preference share instruments, reflecting the risk of a suspension of coupon payments ahead of the point of non-viability.

Considering the bank's overseas subsidiaries, we view that group-wide resolutions will be coordinated in a unified manner for entities required to issue internal loss absorbing capital in jurisdictions that have an operational resolution regime for banks, leading to a likely transfer of losses from subsidiaries to parents at the point of failure. In the case of KBC, we include the tangible banking assets of its subsidiaries Ceskoslovenska Obchodni Banka, a.s.(CSOB), Ceskoslovenska obchodna banka (Slovakia) and Kereskedelmi & Hitel Bank Rt. in the resolution perimeter of KBC Group designated as the single point of entry for the group resolution.

### Government support considerations

There is a moderate likelihood of government support for KBC Bank's deposits and IFIMA's senior debt in the event of failure, reflecting the bank's systemic importance in Belgium, given its significant share of retail and corporate deposits in the country. This assumption however does not result in any additional uplift for these instruments' ratings as is typically the case when such support would lead bank ratings to be in line with or above the sovereign debt rating.

Group's senior unsecured debt, which is structurally subordinated to KBC Bank's deposits and debt, is assigned a low probability of government support, also leading to no uplift from the Adjusted BCA.

### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 17
**Rating Factors**

| **Macro Factors** | | |
|---|---|---|
| **Weighted Macro Profile** | **Strong** | **100%** |

| **Factor** | **Historic Ratio** | **Initial Score** | **Expected Trend** | **Assigned Score** | **Key driver #1** | **Key driver #2** |
|---|---|---|---|---|---|---|
| Solvency | | | | | | |
| Asset Risk | | | | | | |
| Problem Loans / Gross Loans | 2.2% | a3 | ↔ | baa1 | Sector concentration | Expected trend |
| Capital | | | | | | |
| Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded) | 16.1% | aa3 | ↓ | a2 | Expected trend | |
| Profitability | | | | | | |
| Net Income / Tangible Assets | 0.9% | baa2 | ↔ | baa2 | Earnings quality | Expected trend |
| Combined Solvency Score | | a2 | | a3 | | |
| Liquidity | | | | | | |
| Funding Structure | | | | | | |
| Market Funds / Tangible Banking Assets | 21.6% | baa2 | ↔ | baa2 | Deposit quality | |
| Liquid Resources | | | | | | |
| Liquid Banking Assets / Tangible Banking Assets | 38.3% | a2 | ↓ | a3 | Expected trend | Stock of liquid assets |
| Combined Liquidity Score | | baa1 | | baa1 | | |
| Financial Profile | | a3 | | a3 | | |
| Qualitative Adjustments | | | | Adjustment | | |
| Business Diversification | | | | 0 | | |
| Opacity and Complexity | | | | 0 | | |
| Corporate Behavior | | | | 0 | | |
| Total Qualitative Adjustments | | | | 0 | | |
| Sovereign or Affiliate constraint | | | | Aa3 | | |
| BCA Scorecard-indicated Outcome - Range | | | | a2 - baa1 | | |
| Assigned BCA | | | | a3 | | |
| Affiliate Support notching | | | | 0 | | |
| Adjusted BCA | | | | a3 | | |

| **Balance Sheet** | **in-scope (EUR Million)** | **% in-scope** | **at-failure (EUR Million)** | **% at-failure** |
|---|---|---|---|---|
| Other liabilities | 53,308 | 16.3% | 78,107 | 23.8% |
| Deposits | 243,128 | 74.1% | 218,329 | 66.6% |
| Preferred deposits | 179,915 | 54.8% | 170,919 | 52.1% |
| Junior deposits | 63,213 | 19.3% | 47,410 | 14.5% |
| Senior unsecured bank debt | 1,060 | 0.3% | 1,060 | 0.3% |
| Dated subordinated bank debt | 145 | 0.0% | 145 | 0.0% |
| Senior unsecured holding company debt | 16,311 | 5.0% | 16,311 | 5.0% |
| Dated subordinated holding company debt | 2,365 | 0.7% | 2,365 | 0.7% |
| Preference shares(holding company) | 1,864 | 0.6% | 1,864 | 0.6% |
| Equity | 9,841 | 3.0% | 9,841 | 3.0% |
| Total Tangible Banking Assets | 328,021 | 100.0% | 328,021 | 100.0% |

| **Debt Class** | **De Jure waterfall** | | **De Facto waterfall** | | **Notching** | | **LGF Notching Guidance vs. Adjusted BCA** | **Assigned LGF notching** | **Additional Notching** | **Preliminary Rating Assessment** |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Instrument volume + subordination** | **Sub-ordination** | **Instrument volume + subordination** | **Sub-ordination** | **De Jure** | **De Facto** | | | | |
| Counterparty Risk Rating | 24.1% | 24.1% | 24.1% | 24.1% | 3 | 3 | 3 | 3 | 0 | aa3 |
| Counterparty Risk Assessment | 24.1% | 24.1% | 24.1% | 24.1% | 3 | 3 | 3 | 3 | 0 | aa3 (cr) |
| Deposits | 24.1% | 9.3% | 24.1% | 9.6% | 3 | 3 | 3 | 3 | 0 | aa3 |
| Senior unsecured bank debt | 24.1% | 9.3% | 9.6% | 9.3% | 3 | 1 | 2 | 2 | 0 | a1 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Senior unsecured holding company debt | 9.3% | 4.3% | 9.3% | 4.3% | 0 | 0 | 0 | 0 | 0 | a3 |
| Dated subordinated bank debt | 4.3% | 3.6% | 4.3% | 3.6% | -1 | -1 | -1 | -1 | 0 | baa1 |
| Dated subordinated holding company debt | 4.3% | 3.6% | 4.3% | 3.6% | -1 | -1 | -1 | -1 | 0 | baa1 |
| Holding company non-cumulative preference shares | 3.6% | 3.0% | 3.6% | 3.0% | -1 | -1 | -1 | -1 | -2 | baa3 |

| Instrument Class | Loss Given Failure notching | Additional notching | Preliminary Rating Assessment | Government Support notching | Local Currency Rating | Foreign Currency Rating |
|---|---|---|---|---|---|---|
| Counterparty Risk Rating | 3 | 0 | aa3 | 0 | Aa3 | Aa3 |
| Counterparty Risk Assessment | 3 | 0 | aa3 (cr) | 0 | Aa3(cr) | |
| Deposits | 3 | 0 | aa3 | 0 | Aa3 | Aa3 |
| Senior unsecured bank debt | 2 | 0 | a1 | 0 | A1 | A1 |
| Senior unsecured holding company debt | 0 | 0 | a3 | 0 | A3 | A3 |
| Dated subordinated bank debt | -1 | 0 | baa1 | 0 | Baa1 | Baa1 |
| Dated subordinated holding company debt | -1 | 0 | baa1 | 0 | Baa1 | Baa1 |
| Holding company non-cumulative preference shares | -1 | -2 | baa3 | 0 | Baa3 (hyb) | |

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
*Source: Moody's Ratings*

## Ratings

Exhibit 18

| Category | Moody's Rating |
|---|---|
| **KBC GROUP N.V.** | |
| Outlook | Stable |
| Deposit Note/CD Program -Dom Curr | --/P-2 |
| Issuer Rating | A3 |
| Senior Unsecured | A3 |
| Subordinate | Baa1 |
| Pref. Stock Non-cumulative -Dom Curr | Baa3 (hyb) |
| ST Issuer Rating | P-2 |
| Other Short Term | (P)P-2 |
| **CESKOSLOVENSKA OBCHODNI BANKA, A.S.** | |
| Outlook | Stable |
| Counterparty Risk Rating | Aa3/P-1 |
| Bank Deposits | A1/P-1 |
| Baseline Credit Assessment | a3 |
| Adjusted Baseline Credit Assessment | a3 |
| Counterparty Risk Assessment | Aa3(cr)/P-1(cr) |
| **KERESKEDELMI & HITEL BANK RT.** | |
| Outlook | Negative |
| Counterparty Risk Rating | A3/P-2 |
| Bank Deposits | A3/P-2 |
| Baseline Credit Assessment | ba1 |
| Adjusted Baseline Credit Assessment | baa2 |
| Counterparty Risk Assessment | Baa1(cr)/P-2(cr) |
| **KBC IFIMA S.A.** | |
| Outlook | Stable |
| Bkd Senior Unsecured | A1 |
| Bkd Subordinate MTN -Dom Curr | (P)Baa1 |
| Bkd Other Short Term -Dom Curr | (P)P-1 |
| **KBC BANK N.V.** | |
| Outlook | Stable |
| Counterparty Risk Rating | Aa3/P-1 |
| Bank Deposits | Aa3/P-1 |
| Baseline Credit Assessment | a3 |
| Adjusted Baseline Credit Assessment | a3 |
| Counterparty Risk Assessment | Aa3(cr)/P-1(cr) |
| **CESKOSLOVENSKA OBCHODNA BANKA (SLOVAKIA)** | |
| Outlook | Positive |
| Counterparty Risk Rating -Dom Curr | A1/P-1 |
| Bank Deposits | A2/P-1 |
| Baseline Credit Assessment | baa3 |
| Adjusted Baseline Credit Assessment | baa1 |
| Counterparty Risk Assessment | A2(cr)/P-1(cr) |
| Issuer Rating | A3 |

*Source: Moody's Ratings*

## Endnotes

1 The rating shown is KBC Group's senior unsecured debt rating.

2 The ratings shown are KBC Bank's deposit rating and Baseline Credit Assessment.

3 The figures are estimated excluding the corporate center.

4 The rating shown is Bank of Ireland Group plc's senior unsecured debt rating.

5 The ratings shown are the Bank of Ireland's long-term deposit rating, senior unsecured debt rating and Baseline Credit Assessment.

6 The breakdown of credit exposures (banking activities) is based on KBC's classification of loan and investment portfolio in its quarterly financial statements. The exposures include the outstanding loans (including to banks) and securities from the group's investment portfolio other than government bonds.

7 Based on our own calculation.

8 Under IFRS 9 accounting standards, Stage 2 loans are those whose credit risk has significantly increased since their initial recognition.

9 Based on our own calculation.

10 Source: EBA dashboard.

11 The main criterion for assessing the increase in credit risk was switched to a lifetime probability of default from a 12-month probability of default. The change in lifetime probability of default was considered as better reflecting the move in the credit risk of a loan from origination than the change in the 12-month probability of default.

12 KBC commercial finance exposure consists of a book of short-term lending to corporate clients.

13 The loan loss ratios referred to in this section corresponds to those disclosed by the issuer

14 Covid-related overlays were released in 2021.

15 These include the stock of stage 1, stage 2 and stage 3 provisions.

16 Unfloored means that the ratio does not incorporate the impact of the output floor.

17 This amount also includes the impact of the fundamental review of the trading book (FRTB), of which implementation was postponed by one year last year by the European Commission until January 2026.

18 The regulatory requirement was composed of 4.5% pillar 1 requirement, 1.06% pillar 2 requirement to be satisfied with CET1 capital, 2.5% capital conservation buffer, 1.5% O-SII buffer, 1.15% countercyclical buffer and 0.11% systemic risk buffer.

19 In 2024, the group's result included €318 million positive tax effect related to the forthcoming liquidation of KBC Ireland. In 2023, it included €370 million gain (post-tax) generated by the sale of the loan and deposit portfolio of KBC Bank Ireland.

20 Excluding the €405 million gain (pre-tax) generated by the sale of the loan and deposit portfolio of KBC Bank Ireland from 2023 revenue.

21 Non-life claim related expenses increased by 22% in 2024. The combined ratio nonetheless remains relatively low at 90% up from 87% in 2023. The ratio was inflated in 2024 by the impact of Boris floods, mainly in the Czech Republic. Excluding this impact, the combined ratio would have been approximately 88%.

22 The maturity profile of liabilities without contractual maturity (current accounts, savings, equity) are modeled. These liabilities are invested in a replicating portfolio mirroring the deposits profile, the difference between the yield of the replicating portfolio and the interest paid on the non-maturity liabilities corresponding to transformation result.

23 This was driven by the fierce competition between banks for the recuperation of the maturing Belgian state notes in September 2024.

24 Funding base in this calculation includes shareholders' equity (7% at year-end 2024) but excludes derivatives and short trading positions.

25 For KBC, the outflow in 2023 due to the issuance of the State notes amounted to €5.7 billion while the inflow at the maturity of these notes in 2024 totaled €6.5 billion.

26 This amount excludes €13 billion due to banks, €21 billion repos and €14.4 billion certificates of deposits

27 At year-end 2024, the unrealized losses on KBC's securities portfolio amounted to €1.9 billion (or 10% of the group's fully-loaded CET1 capital), down from €2.4 billion at year-end 2023 and €4.8 billion at year-end 2022.

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CLIENT SERVICES


| | |
|---|---|
| Americas | 1-212-553-1653 |
| Asia Pacific | 852-3551-3077 |
| Japan | 81-3-5408-4100 |
| EMEA | 44-20-7772-5454 |