KBC Group NV

Update

Banks
Universal Commercial Banks
Belgium

Key Rating Drivers

Sound Business Profile: KBC Group NV's ratings are underpinned by the bank's leading franchises in commercial banking and insurance in Belgium and the Czech Republic, strong and diversified earnings, solid capitalisation, and sound funding and liquidity. The ratings also incorporate KBC's operations in less developed and more volatile operating environments in central and eastern Europe (CEE), as well as its conservative risk appetite and sound risk-adjusted profitability.

Strong Franchise in Core Countries: KBC is one of the largest banking groups in Belgium and a market leader in the Czech Republic. The bank also has well-established market footprints in Slovakia, Bulgaria and Hungary. KBC's stable business model is underpinned by insurance and asset-management franchises, which provide good cross-selling opportunities and revenue diversification, contributing to the group's strong profitability.

Moderate Risk Appetite: The group's generally conservative risk appetite is supported by the dominance of its fairly low-risk Belgian operations and stability in its Czech operations. Exposure to some CEE countries could lead to earnings and asset-quality volatility, but these risks should be contained given the strong integration of risk controls and credit standards within the group. Prudent management of insurance risks leads to low risk of potential losses in this business segment.

Stable Asset Quality: Fitch Ratings expects KBC's impaired loans ratio to be slightly over 2% at end-2025 and end-2026, which compares favourably with Belgian peers'. Asset quality in the bank's material exposure to CEE countries should hold up well. The impaired loans ratio has improved materially in recent years due to the sale of Irish impaired loans and tightened underwriting. The group's large SME and corporate lending poses moderate asset-quality risks.

Robust Earnings Generation: KBC's profitability is a rating strength and compares favourably with that of peers. The group's earnings generation has been resilient, even with low interest rates, due to its sound revenue and geographical diversification, lower reliance on net interest income than western European peers, integrated bancassurance business, and sound pricing power in its home markets. We expect the operating profit/risk-weighted assets (RWAs) ratio to remain robust at 3.2% in 2025 and to grow slightly in 2026.

Solid Capital Buffers: Capitalisation is strong, underpinned by robust internal capital generation, and is in line with similarly rated peers. We expect KBC's fully loaded common equity Tier 1 (CET1) ratio to remain close to 15% in 2025, which provides comfortable buffers above its regulatory minimum capital requirements.

Sound Funding and Liquidity: KBC's funding and liquidity profile is a rating strength, underpinned by a stable and diversified retail and SME deposit franchise base that is the main source of funding. We expect the bank's consolidated loans/deposits ratio to remain below 90% in 2025 and 2026. All subsidiaries, except for Slovakia, are self-funded. KBC has good access to wholesale funding markets, upcoming maturities are reasonably balanced, and an ample liquidity buffer adequately mitigates refinancing risk.

Ratings Reflect Consolidated Group: Fitch believes that the failure risk of KBC and that of its main subsidiary KBC Bank (90% of group assets) are substantially the same, given the high integration of insurance and banking operations. KBC is the group's holding company, and its Viability Rating (VR) is equalised with KBC Bank's VR. The group is regulated on a consolidated basis and holding company double leverage is generally maintained at below 120%. Liquidity is managed centrally and the fungibility of capital is high.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a
Government Support Rating	ns
Sovereign Risk (Belgium)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Global Economic Outlook (March 2025)

Benelux Banking M&A Driven by Diversification and Fee Income (March 2025)

Fitch Affirms Belgium at 'AA-'; Outlook Negative (February 2025)

Fitch Affirms Czech Republic at 'AA-'; Outlook Stable (February 2025)

Western European Banks Outlook 2025 (December 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

KBC's and KBC Bank's ratings are mainly sensitive to a substantial and durable deterioration in asset quality, translating into erosion of the bank's profitability and capital generation. This could be signalled by an increase in the impaired loans ratio to above 3%, operating profit durably below 3% of RWAs, and our expectation that the group's fully loaded CET1 ratio falls below 14% without prospects of a swift recovery.

An adverse change in KBC's risk appetite could be negative for the ratings, for example, if the contribution of more volatile CEE countries to KBC's earnings grows rapidly, as this could imply an increase in exposure to weaker operating environments.

A potential lowering of the Belgian banks' operating environment score of 'aa-'/negative would most likely lead to a revision of KBC's own operating environment by one notch to 'a'. However, the bank's ratings would be unaffected by this.

KBC's ratings could also be downgraded should the holding company's double leverage sustainably rise above 120% without a clear path to reduction, although this is not Fitch's expectation.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Upgrades of KBC's and KBC Bank's ratings would require a stabilisation of the operating environment assessment for Belgian banks and for the group. In this scenario, an upgrade would be contingent on a stronger business profile and a structural improvement in asset-quality and capitalisation metrics while maintaining risk appetite and strong profitability.

Other Debt and Issuer Ratings

Rating level	KBC Group NV	KBC Bank NV	KBC IFIMA S.A.
Senior unsecured debt	A/F1	A+/F1	A+/F1
Tier 2 subordinated debt	BBB+	-	-
Additional Tier 1 notes	BBB-	-	-

Source: Fitch Ratings

KBC Group and KBC Bank

KBC Bank's Long-Term Issuer Default Rating (IDR) and long-term senior unsecured debt are rated 'A+', which is one notch above the bank's VR, because Fitch believes the risk of default on senior obligations, as measured by the Long-Term IDR, is lower than the risk of the bank failing, as measured by its VR. The group adopts a single-point-of-entry resolution strategy with bail-in as the preferred resolution tool. KBC is the resolution entity, which meets the group's minimum requirements for own funds and eligible liabilities (MREL). MREL instruments issued by KBC and channelled to KBC Bank rank junior to third-party senior creditors.

KBC's and KBC Bank's Short-Term IDR and short-term senior unsecured debt are rated 'F1'. This is the lower of the two options that map to the respective long-term ratings, reflecting our 'a+' assessment of funding and liquidity.

KBC Bank's Derivative Counterparty Rating is aligned with its Long-Term IDR because, under Belgian legislation, derivative counterparties have no preferential status over other senior obligations in a resolution.

The subordinated Tier 2 debt securities issued by KBC are notched down twice from its VR, reflecting baseline notching for this type of debt under Fitch's criteria.

KBC's additional Tier 1 (AT1) notes are rated four notches below its VR, reflecting poor recoveries of these securities given their deep subordination (two notches) as well as incremental risk of non-performance relative to the VR due to fully discretionary coupons (two notches). Our assessment is based on the bank operating with a CET1 ratio that is comfortably above maximum distributable amount thresholds, and our expectation that this will continue.

KBC IFIMA S.A.

KBC IFIMA S.A.'s senior debt rating is aligned with KBC Bank's IDRs, as the debt is guaranteed by KBC Bank and we believe that KBC Bank will ensure these obligations are met.

Significant Changes from Last Review

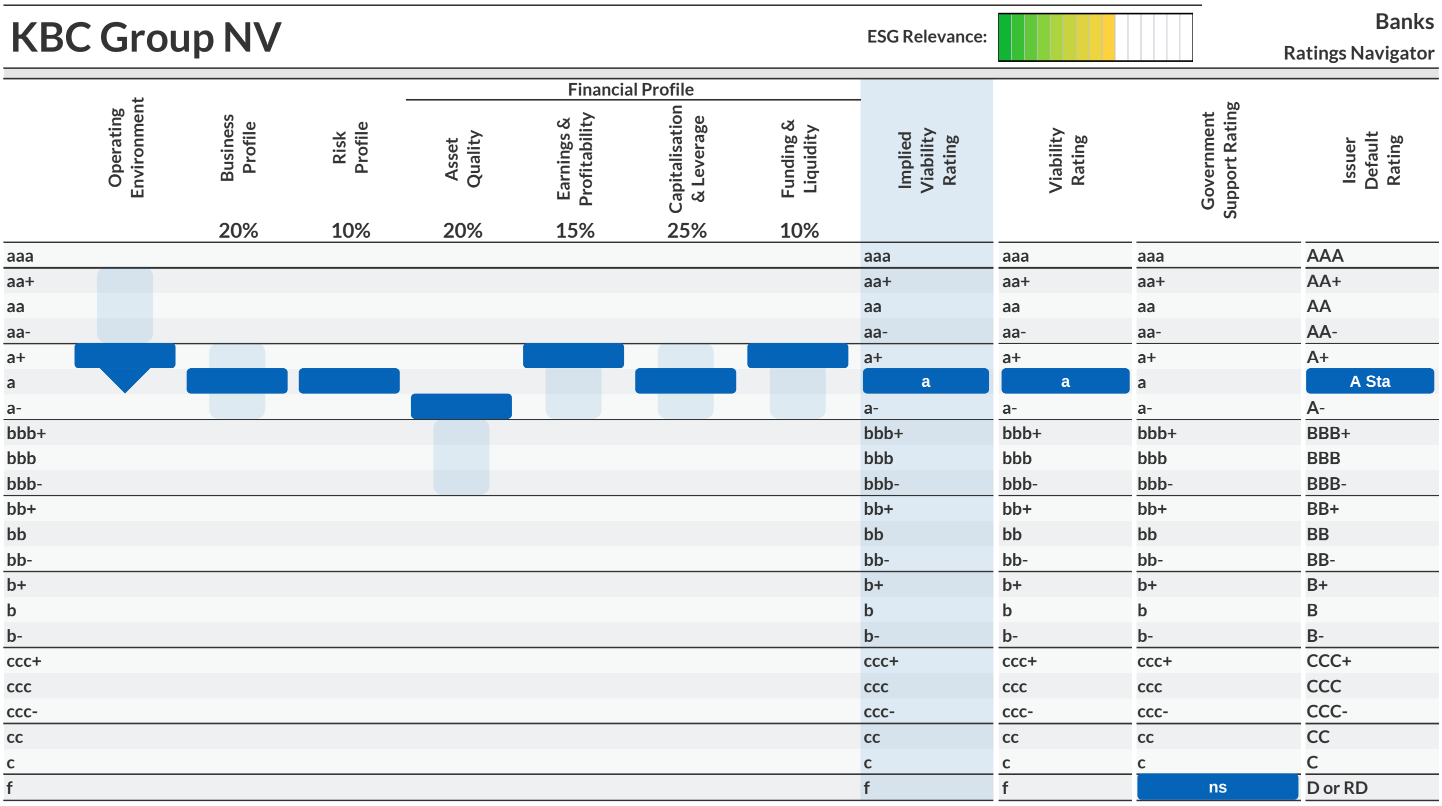
KBC's 2024 results were strong, as it remained one of the most profitable large banks in western Europe. The bank's operating profit/RWAs ratio of 3.3% was in line with our expectations, aided by almost 5% higher income. We forecast KBC's operating profit/RWAs ratio to weaken only slightly to 3.2% in 2025, but then to pick up in 2026–2027.

The bank is moderately reliant on net interest income, and we expect its profitability to remain strong despite policy rate cuts. Growing contributions from the insurance business and asset-management fees are main income strengths. We expect net interest income, which increased by 2% in 2024, to improve similarly in 2025, supported by increasing average reinvestment yields in bond portfolios, a gradual migration of savings from term deposits to current accounts, and healthy loan and deposit growth. We expect the growth to remain much faster in CEE, underpinned by low saturation of lending and insurance products.

The group's impaired loans ratio improved to 1.8% at end-2024, mainly due to better asset quality in CEE. We expect the ratio to return to around 2% in 2025–2026, which is a natural level considering KBC's business mix and geographical footprint. Loan impairment charges should reach around 20bp of gross loans in 2025–2027, slightly above the 2024 level (16bp excluding the release of allowances for geopolitical and macroeconomic uncertainties).

KBC will announce its updated dividend policy and capital deployment plan in mid-May 2025. We expect the bank's medium-term fully loaded CET1 ratio to remain strong and comfortably above 14%.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of 'a+' is below the 'aa' implied category score and below the 'aa-' score of domestic Belgian banks due to the following adjustment reason: geographical scope (negative).

The asset quality score of 'a-' is above the 'bbb' implied category score due to the following adjustment reason: impaired loan formation (positive).

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Not disclosed	Not disclosed	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	5,852	5,631	5,532	5,221	4,496
Net fees and commissions	2,679	2,578	2,349	2,218	1,836
Other operating income	3,157	3,038	2,916	2,518	1,221
Total operating income	11,689	11,247	10,797	9,957	7,553
Operating costs	7,386	7,107	6,949	6,378	4,461
Pre-impairment operating profit	4,303	4,140	3,848	3,579	3,092
Loan and other impairment charges	207	199	-17	154	-333
Operating profit	4,096	3,941	3,865	3,425	3,425
Other non-operating items (net)	n.a.	n.a.	314	63	-7
Tax	548	527	778	670	804
Net income	3,548	3,414	3,401	2,818	2,614
Other comprehensive income	-127	-122	495	217	401
Fitch comprehensive income	3,421	3,292	3,896	3,035	3,015
Summary balance sheet					
Assets					
Gross loans	202,159	194,515	186,087	180,671	162,300
- Of which impaired	3,608	3,472	3,694	3,616	4,081
Loan loss allowances	2,544	2,448	2,474	2,619	2,573
Net loans	199,615	192,067	183,613	178,052	159,727
Interbank	2,535	2,439	2,779	4,254	7,920
Derivatives	3,040	2,925	2,511	2,486	5,290
Other securities and earning assets	122,907	118,259	114,123	100,810	109,030
Total earning assets	328,097	315,690	303,026	285,602	281,967
Cash and due from banks	48,675	46,834	34,530	51,427	40,653
Other assets	10,938	10,524	9,365	17,516	17,726
Total assets	387,709	373,048	346,921	354,545	340,346
Liabilities					
Customer deposits	237,736	228,746	216,423	224,407	199,476
Interbank and other short-term funding	50,212	48,313	37,213	45,343	47,868
Other long-term funding	31,299	30,115	28,689	21,361	22,378
Trading liabilities and derivatives	5,707	5,491	6,825	8,179	7,478
Total funding and derivatives	324,953	312,665	289,150	299,290	277,200
Other liabilities	37,490	36,072	33,511	33,437	40,069
Preference shares and hybrid capital	1,937	1,864	2,250	1,500	1,500
Total equity	23,329	22,447	22,010	20,318	21,577
Total liabilities and equity	387,709	373,048	346,921	354,545	340,346
Exchange rate		USD1 = EUR0.962186	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, KBC Group NV

Key Ratios

	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.3	3.4	3.1	3.3
Net interest income/average earning assets	1.8	1.8	1.8	1.6
Non-interest expense/gross revenue	63.6	64.3	64.0	59.0
Net income/average equity	15.6	15.9	14.0	12.3
Asset quality				
Impaired loans ratio	1.8	2.0	2.0	2.5
Growth in gross loans	4.5	3.0	11.3	-0.6
Loan loss allowances/impaired loans	70.5	67.0	72.4	63.1
Loan impairment charges/average gross loans	0.1	0.0	0.1	-0.2
Capitalisation				
Common equity Tier 1 ratio	13.9	13.8	14.1	16.8
Fully loaded common equity Tier 1 ratio	15.0	15.2	15.3	15.5
Tangible common equity/tangible assets	5.2	5.6	5.1	5.6
Basel leverage ratio	5.1	5.2	4.9	6.5
Net impaired loans/common equity Tier 1	6.2	7.8	6.4	8.6
Funding and liquidity				
Gross loans/customer deposits	85.0	86.0	80.5	81.4
Liquidity coverage ratio	158.0	159.0	152.0	167.0
Customer deposits/total non-equity funding	73.8	75.7	76.4	73.1
Net stable funding ratio	139.0	136.0	136.0	148.0

Source: Fitch Ratings, Fitch Solutions, KBC Group NV

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Negative
Size of banking system	Neutral
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

No Government Support

KBC's and KBC Bank's Government Support Rating of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that KBC or KBC Bank become non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

Subsidiaries and Affiliates

Subsidiary Ratings

Rating Level	Kereskedelmi es Hitelbank Zrt (K&H Bank Zrt)	United Bulgarian Bank AD
Long-Term IDR	BBB+/Stable	A-/Positive
Short-Term IDR	F1	F1
Viability Rating	bbb-	bb+
Shareholder Support Rating	bbb+	a-

Source: Fitch Ratings

The IDRs of United Bulgarian Bank AD (UBB) and Kereskedelmi es Hitelbank Zrt (K&H Bank Zrt) are driven by their Shareholder Support Ratings, reflecting Fitch's view of a very high (UBB) and high (K&H) probability of support from their owner, KBC Bank, in case of need.

UBB's Long-Term IDR is capped by Bulgaria's Country Ceiling of 'A-', two notches above the sovereign rating of 'BBB'/Positive. UBB's 'F1' Short-Term IDR is the higher of the two options corresponding to its LT IDR, as we believe transfer and convertibility risks in Bulgaria are materially lower in the short term than in the long term.

K&H's LT IDR of 'BBB+' is capped one notch above the Hungarian sovereign rating of 'BBB'/Stable to reflect the country risks faced by domestic banks, in particular the record of state interventions in the banking system.

The Outlooks on UBB's (Positive) and K&H's (Stable) LT IDRs reflect those on the Bulgarian and Hungarian sovereign, respectively.

UBB's VR is underpinned by its leading domestic franchise and balanced business model, moderate impaired loans, improved profitability, high capital ratios and a stable funding and liquidity profile. UBB has consolidated its position as the largest Bulgarian bank by assets following a merger with KBC Bank Bulgaria in 2023, and has strong market shares of around 20% of loans and deposits. The bank leverages its parent's business model to offer complete services to its client base through banking, insurance and asset management.

K&H's VR recognises the bank's solid franchise as Hungary's third-largest bank, and its good asset quality and resilient performance through the cycle. The assessment also captures the bank's balanced business model and lower risk appetite than domestic peers, although these are not fully insulated from the risks of the Hungarian operating environment. Reasonable capital metrics that could be enhanced by the parent, if needed, and sound deposit-based funding underpin the rating.

Environmental, Social and Governance Considerations

FitchRatings **KBC Group NV**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

				ESG Relevance to Credit Rating
KBC Group NV has 5 ESG potential rating drivers ➡ KBC Group NV has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. ➡ Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5
	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.