KBC Group NV

Full Rating Report

Ratings

KBC Group NV

Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a
Support Rating	5
Support Rating Floor	NF

KBC Bank

Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a
Derivative Counterparty Rating	A+(dcr)
Support Rating	F1
Support Rating Floor	NF

Sovereign Risk

Long-Term Local-Currency Rating	AA-
Short-Term Local-Currency Rating	AA-

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

KBC Group NV

	31 Dec 18	31 Dec 17
Total assets (USDm)	325,074	350,605
Total assets (EURm)	283,808	292,342
Total equity (EURm)	17,233	17,403
Operating profit (EURm)	3,355	3,783
Published net income (EURm)	2,570	2,575
Comprehensive income (EURm)	2,079	2,658
Operating profit/risk weighted assets (%)	3.5	4.1
Operating ROAE (%)	19.7	22.6
Fitch Core Capital/weighted risks(%)	14.9	15.7
Common equity Tier 1 ratio (%)	16.0	16.5
Impaired loans/gross Loans (%)	4.4	6.0

Source: Fitch Ratings, Fitch Solutions

Related Research

Fitch 2019 Outlook: Western European Banks (December 2018)

KBC Group NV - Ratings Navigator (February 2019)

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Key Rating Drivers

Strong Franchise in Home Markets: KBC Group NV's ratings reflect its strong retail and commercial franchises in its two key markets, Belgium and the Czech Republic, and its improved impaired loan ratio, although still weaker than similarly rated peers'. They also reflect the bank's conservative risk appetite but also operations in potentially volatile countries, strong and diversified earnings generation, solid capitalisation and sound funding and liquidity.

Improving Impaired Loan Ratio: The stock of impaired loans has been steadily decreasing and, following the recent sale of Irish impaired loans, the gross impaired loan ratio was around 4.4% at end-2018. This is still higher than at similarly rated peers but the gap between banks with similar write-off policies is narrowing. Fitch Ratings expects the ratio to reduce further as restructured Irish loans cure, aided by a solid economic recovery.

Robust Risk Controls: Asset quality is supported by the dominance of the low-risk Belgian operations and stable Czech operations. Exposure to several other countries in central and eastern Europe (CEE) gives rise to potential earnings and asset-quality volatility, but risk controls and credit standards are robust.

Solid Capitalisation: The fully loaded common equity Tier 1 (CET1) ratio was a solid 16% at end-2018. Risk-weighted capital ratios compare well with peers', mitigating the slightly higher risk appetite from operations in less stable CEE countries than the Czech Republic.

Resilient Earnings: Resilient and stable profitability is underpinned by the bancassurance business model in KBC Group's core markets and by tight cost control. Belgian and Czech operations have been resilient, contributing around half and a quarter of profit respectively.

Strong Liquidity: KBC Group has a solid retail funding base, and nearly all of its subsidiaries are self-funded. Customer deposits are its largest source of funding and fund its lending. The group also has access to the debt capital markets through a wide range of products. Wholesale funding maturities are evenly distributed and the liquidity buffer is ample.

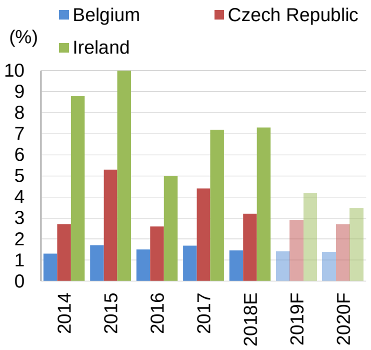
KBC Bank Notched Up: The 'A+' Long-Term Issuer Default Rating (IDR) of KBC Bank is one notch above its Viability Rating (VR) of 'a'. This is because of the large buffer of qualifying junior debt (QJD, close to 9% of group risk-weighted assets (RWAs) at end-2018). We expect KBC Bank to maintain a buffer of approximately 9% on a sustainable basis due to the group's need to meet the minimum requirement for eligible liabilities and own funds (MREL).

Rating Sensitivities

Sensitive to Change in VRs: The Long-Term IDRs of KBC Bank and KBC Group are sensitive to changes in the VRs. KBC Bank's ratings are also sensitive to a material reduction in the QJD buffer, in particular should it fall below 9%. The notching is also sensitive to changes in assumptions on the resolution intervention point and post-resolution capital needs, and to the development of resolution planning more generally. KBC Group's ratings are also sensitive to deterioration in double leverage beyond 120%.

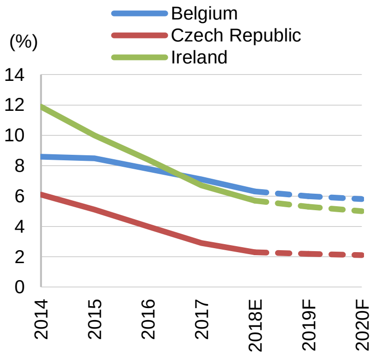
Limited Rating Upside: Upside for the VR is limited given high impaired loans compared with similarly rated peers. We expect further reduction in KBC Group's impaired loan ratio. An upgrade would also require an improved risk profile, including an improved operating environment in the more volatile countries in which the group operates. The ratings factor in expectations that earnings generation and capitalisation will remain strong.

GDP Growth



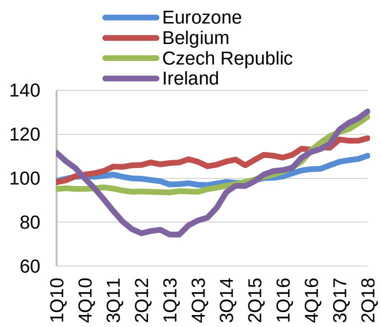
Source: Fitch Ratings

Unemployment Rate



Source: Fitch Ratings

Housing Price Index
1Q10-2Q18, 100=2010



Source: Fitch Ratings, BIS

Operating Environment

KBC Group primarily operates in Belgium (AA-/Stable) and the Czech Republic (AA-/Stable). The group also operates in four other core markets: Bulgaria, Hungary (through Kereskedelmi es Hitelbank Zrt, K&H Bank Zrt; BBB/Positive/bb+), Ireland and Slovakia.

Belgium is an open, export-driven economy with growth closely linked to that of the eurozone. France, Germany and the Netherlands are its main trading partners. Belgium's sovereign rating balances high public-sector indebtedness against high income per capita and macroeconomic stability, a net external creditor position and governance indicators in line with the 'AA' median. The country also scores highly on Ease of Doing Business indicators. Household debt to GDP has been increasing and was 105% at end-June 2018. This is mitigated by strong household balance sheet (net household wealth 2.3x of GDP at end-June 2018), which combined with declining unemployment should support banks' asset quality.

The Belgian banking sector (total assets of about 2x GDP at end-2017) is concentrated with the four main players collectively representing about 65% of system assets. These are BNP Paribas Fortis SA/NV (A+/Stable), Belfius (A-/Stable), ING Belgium (A+/Stable) and KBC Bank. The high barriers to entry leave these banks with well-established franchises, but competition among them is fierce.

The Czech Republic was upgraded by Fitch in 2018 from 'A+' to 'AA-' on strong fiscal management and a decline in general government debt. The country's external position is strong but growth is now past its cyclical peak, and GDP per capita is materially lower than similarly rated peers. Fitch expects GDP growth to average 2.7% in 2019-2020, down from 3.8% in 2015-2018. The Czech banking sector is dominated by four subsidiaries of large European banks, including KBC's subsidiary Ceskoslovenska Obchodni Banka a.s. (CSOB), which together control just under two-thirds of banking assets. The high degree of consolidation seems to have averted excessive competition and margin compression in the recent past.

KBC Group's supervision is conducted by the ECB, although the National Bank of Belgium (NBB) remains involved in the prudential supervision. The NBB has designated KBC Group as an "other systemically important institution" (O-SII) and assigned it a CET1 capital surcharge of 1.5%. It has also imposed higher risk weights on mortgage loans in response to a continued increase in house prices.

Company Profile

Strong Franchise in Home Markets, Growing in Core Markets

KBC Group is one of the three-largest bank insurers in its home markets of Belgium and the Czech Republic (through CSOB), where it also has leading positions in investment funds. The presence in its core markets (Bulgaria, Hungary, Ireland and Slovakia) is smaller but not negligible. The acquisition of United Bulgarian Bank (A-/Stable/bb) in 2017 strengthened KBC Group's franchise in Bulgaria. In Ireland, the group will gradually build its market share in the retail and micro SME segment while running off its legacy corporate loan book and develop bank-insurance similar to its other core markets.

Banking Operations Represent the Bulk of Group Assets and Income

KBC Group is the holding company that controls operating companies KBC Bank and KBC Insurance N.V. The banking arm represents about 90% of KBC Group's total assets and equity, and historically contributes about 85% to the group's profits. Fitch assesses KBC Group on a consolidated basis given it is managed as a group with the insurance and banking operations highly integrated.

Related Criteria
Bank Rating Criteria (October 2018)

KBC Group runs a highly integrated bancassurance distribution and operation model in Belgium and focuses on implementing an integrated distribution model throughout all of its CEE operations. In some countries, it may take some time before the strategy is as successful as it is in Belgium due to the relatively lower level of wealth in these countries.

The group's organisational structure split is by geography, including three main business units. These are Belgium, the Czech Republic and international markets (Bulgaria, Hungary, Ireland and Slovakia).

Market Shares

At end-2018 (%)

Country	Loans and deposits	Investment funds
Belgium	20	32
Czech Republic	19	23
Slovakia	10	7
Hungary	11	13
Bulgaria	10	14
Ireland	9[a]	-

[a] In the retail segment
Source: KBC Group

Management and Strategy

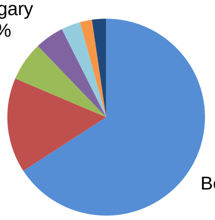
Solid Management, Well-Articulated Strategy

The executive and senior management teams include experienced banking professionals. Most of the seven members of the executive board have been with the group for more than 20 years. Senior management and decision-making powers are centralised at the KBC Group level. The group's listing ensures a high degree of public scrutiny. A group of core shareholders owns about 40% of KBC Group's capital, which provides stability, while the rest of the shares are publicly traded. Corporate governance appears good and board oversight effective.

Fitch believes the group has built a record of resilient and stable profitability that is underpinned by management's focus on the bancassurance business model and tight cost control, while maintaining solid capitalisation and sound liquidity. We expect management to continue focusing on strengthening the bancassurance business model via a multi-channel distribution approach and on bolt-on acquisitions in smaller core countries to achieve critical mass.

Loan Book By Geography

EUR164.8bn at end-2018



Gross loans as reported by KBC Group
Source: Fitch Ratings, KBC Group

Risk Appetite

Conservative Risk Appetite; Robust Credit Standards

KBC Group's overall risk appetite is fairly conservative, supported by the dominance of the Belgian operations but also taking into account its operations in inherently riskier countries in CEE and Ireland. Credit risk represented over 83% of KBC Bank's RWAs at end-2018 (or 75% of KBC Group's RWAs, which include RWAs related to KBC Insurance).

Fitch believes underwriting standards are generally prudent. In Belgium, a credit bureau provides accurate data on borrowers' indebtedness and the debt/income ratio is generally 35%-45% depending on borrower income. The mortgage loan book is amortising and the vast majority of the loans are fixed rate. Variable-rate mortgage loans are capped by law at double the initial rate, which mitigates borrower default risk. Average indexed loan/value (LTV) for mortgage loans in Belgium has historically been about 60%. The average indexed LTV of the Czech mortgage loan book is in line with the Belgian portfolio.

In Hungary, K&H has better asset quality than peers, reflecting its historically lower risk appetite in the non-retail segment. The average indexed LTV for the Hungarian mortgage lending has improved (66% at end-2018) since the introduction of a maximum LTV of 80% and a maximum payment/income ratio of 60% in 2015. The large losses on retail loans in the past were driven by government interventions, which amplify country risks for banks operating locally. In Ireland, we believe the bank has adopted more prudent underwriting standards. The average indexed LTV of the Irish mortgage loan portfolio (68% at end-2018) has benefited from the recent positive developments in the Irish housing market and the sale of impaired loans, although 9% of Irish mortgage loans still had LTVs above 100% at end-2018.

In Belgium, the group has a higher market share in Flanders, due to its Flemish roots, but intends to strengthen its franchise in Brussels and Wallonia, which Fitch views as in line with its low-risk profile target. In the Czech Republic, growth opportunities are mainly in SME and consumer lending. Other assets are generally low risk and focused on high-quality liquid assets.

Centralised Risk Controls

Risk is managed at the KBC Group level, using a traditional three lines of defence model. Internal controls appear effective. Risks are managed globally by the group in cooperation with the local subsidiaries' credit risk officers. There are risk-management frameworks with limits, delegations and models and these are regularly stress- and back-tested.

Modest Market Risk

Trading risk is limited. The trading operations focus on servicing customers or treasury and are mainly conducted in Brussels, with minor activities in CEE, Asia and the UK. The focus is on interest-rate-related instruments, while activities on the foreign-exchange markets have traditionally been limited. Market risk from trading activities, measured by value at risk (VaR; with a 10-day holding period, a 99% confidence level and 500 days of historical data), reached a maximum of EUR31 million in 2017, or 1% of profit before tax. KBC Group also uses scenario analysis, concentration and stop-loss limits, and stress- and back-tests its VaR estimates.

Structural interest-rate risk in the banking book is contained and within the boundaries set by the national regulator. At end-2017, the group estimated that a 10-basis-point upward shift in the yield curve would have reduced the value of the banking book by EUR76 million (EUR64 million including insurance operations), or less than 1% of Fitch Core Capital (FCC). Interest-rate positions are managed using a group-wide assets and liabilities management framework, which incorporates banking and insurance. The group fully hedges foreign-currency risk from stakes in subsidiaries, and local-currency operations are generally funded domestically.

We view market risk stemming from insurance activities as modest to moderate. The investment portfolio of insurance entities (EUR23.3 billion at end-2017 excluding EUR14.5 billion related to unit-linked products) mostly consisted of investment-grade fixed-income securities (over 90%). The negative value impact of a 25% decrease in share prices was manageable at EUR366 million at end-2017 (2% of KBC Group equity). The sensitivity to a 25% drop in real estate prices and the impact of a 10% decrease in value of a given foreign currency were immaterial.

Financial Profile

Asset Quality

Gradually Catching Up with Similarly Rated Banks

The loan book accounts for about half of total assets. Two-thirds of loans are in Belgium, about 25% in CEE and about 6% in Ireland. A further 15% of assets are government bonds, with the rest being mainly other debt securities, reverse repo, interbank placements and derivatives. KBC's stock of impaired loans has been steadily decreasing, and following the sale of Irish impaired loans, the impaired loan ratio declined to 4.4% at end-2018. This is still higher than similarly rated peers', but the gap between banks with similar write-off policies is narrowing.

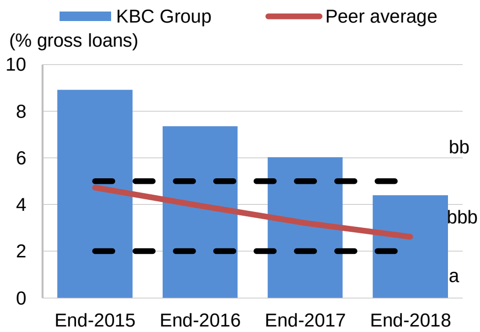
Note on Charts

Black dashed lines in the Asset Quality chart and further in the report represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category.

Peer average includes KBC Group, BNP Paribas Fortis SA/NV (VR: a), Erste Group Bank AG (a), ABN AMRO Bank NV (a), ING Bank NV (a+) and Danske Bank AS (a).

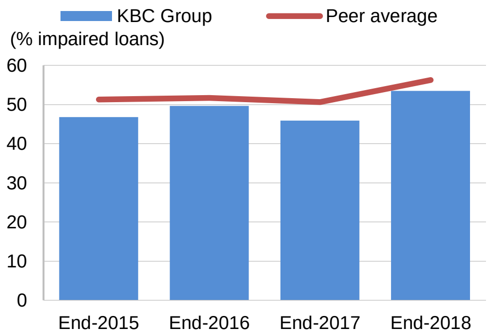
For BNP Paribas Fortis SA/NV and Erste Group Bank AG, end-June 2018 and end-September 2018 data, respectively, was used as a proxy for end-2018 data, which was not available at the time of publication.

Impaired Loans



Source: Fitch Ratings, Banks

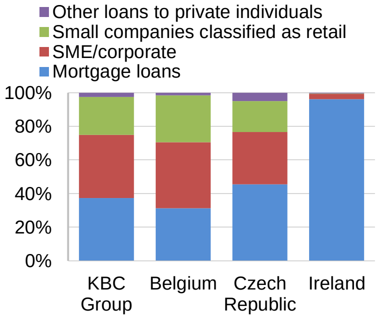
Loans Loss Allowances



Source: Fitch Ratings, Banks

Loan Book by Business Unit

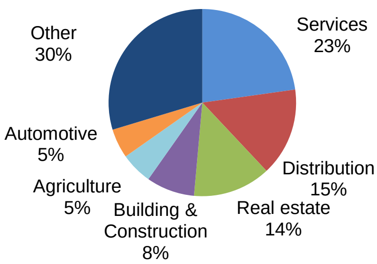
EUR164.8bn at end-2018



Gross Loans as reported by KBC Group
Source: Fitch Ratings, KBC Group

Corporate Loans by Sector

EUR81.1bn at end-2018



Gross loans as reported by KBC Group
Source: Fitch Ratings, KBC Group

Solid Retail Loan Book, Diversified Corporate Loan Book

The retail portfolio (about 65% of gross loans) is made up of about 60% of mortgage loans and a third of loans to the self-employed and liberal professions clients. About 55% of mortgage loans are granted to Belgian clients and 19% to Czech clients. These mortgage loans are of high quality with low losses historically and a moderate average indexed LTV. Ireland represents less than a fifth of total mortgage loans but remains the main source of impaired loans. The Hungarian portfolio has been problematic in the past but represents a small portion of the overall loan book.

The corporate loan portfolio has good obligor and sector diversification. The bank monitors the loan book by borrower and sector to avoid concentration and uses various techniques to rebalance the portfolio when required, including credit derivatives. The bank has some exposure to the real estate sector (including commercial real estate and REITs, 7% of total lending at end-2018), mainly in Belgium and the Czech Republic. Irish and Bulgarian commercial real estate have been suffering but the Irish commercial real estate exposure is now very limited and the Bulgarian book is in run-off. The building and construction sector represented 4% of total lending at end-2018.

Reduced Risks in the Irish Portfolio

In December 2018, KBC Group closed the sale of EUR1.9 billion of mostly non-performing Irish corporate and UK buy-to-let mortgage loans. The volume of impaired loans in KBC Ireland decreased by about 40% relative to end-September 2018 as a result of the sale, and the impaired loan ratio in Ireland improved to about 25%. The quality of the Irish book remains weak but we believe tail risks have significantly reduced as a result of the transaction. The majority of the remaining impaired loans in Ireland are forborne impaired loans (according to the European Banking Authority's definition). These loans have been restructured and are paying interest and/or principal but are still classified as impaired. We expect a material portion of these loans to cure over the coming years aided by the economic recovery and recovering collateral values.

Irish Loans

	Outstanding (EURbn)		Impaired loans (%)		Impaired coverage[a] (%)	
Loan type	**End-2018**	**End-2017**	**End-2018**	**End-2017**	**End-2018**	**End-2017**
Owner-occupied mortgage loans	9.2	8.9	21	24	29	23
Buy-to-let mortgage loans	1.0	2.1	44	65	78	40
Other[b]	0.4	1.2	9	58	63	61
Total	**10.6**	**12.1**	**23**	**35**	**39**	**36**

[a] Specific loan loss allowances to gross impaired loans
[b] At end-2018, consists of EUR0.3 billion corporate and EUR0.1 billion non-mortgage retail loans. At end-2017, consists of EUR0.5 billion SME/corporate, EUR0.5 billion real estate investment and EUR0.1 billion real estate development loans
Source: Fitch Ratings, KBC Group

Good-Quality Securities Portfolio

KBC Group's investment portfolio was EUR60 billion at end-2018 (about 20% of total assets). This includes securities held by insurance entities. The portfolio is predominantly invested in sovereign bonds (EUR48 billion) and is mostly highly rated. The two main exposures are to Belgium (32%) and the Czech Republic (about 13%). Sovereign exposure to peripheral eurozone countries was limited at EUR6.2 billion at end-2018 (including securities held by KBC Insurance), mostly to Spain followed by Italy and Ireland.

Profit Before Tax

(EURm)

Business unit	**2018**	**2017**
Belgium	1,963	2,372
Czech Republic	788	842
Hungary	228	176
Slovakia	107	103
Bulgaria	107	56
Ireland	180	193
Group centre & other	-67	-75
Total	**3,310**	**3,667**

Source: KBC Group

Earnings and Profitability

Earnings Compare Well With Peers

KBC Group's profitability has improved markedly in recent years owing to lower loan impairment charges (LICs) and tight cost control. Profitability compares well with that of peers, partly as a result of the bank's CEE operations where margins are higher but also due to its focus on the bancassurance business model in its core markets. The strengthened focus on a

Net Fee and Commission Income
(EURm)

	2018	2017
Asset management services	1,110	1,232
Banking services	883	764
Distribution	-274	-290
Total	**1,719**	**1,707**

Source: KBC Group

Loan Impairment Charges/ Loans[a]

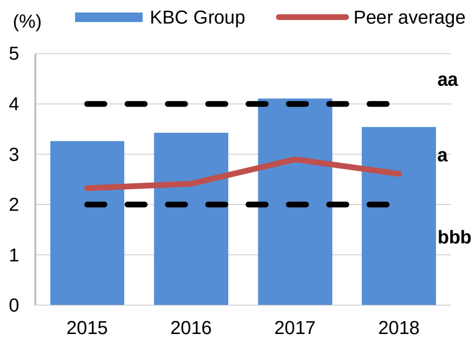
(Basis points)	2018	2017
Belgium	9	9
Czech Republic	3	2
Slovakia	6	16
Hungary	-18	-22
Bulgaria	-31	83
Ireland	-96	-170
Group centre	-83	40
KBC total	**-4**	**-6**

[a] As defined by KBC Group
Source: KBC Group

relationship banking business model and a more client-centric distribution network complemented with digital channels should further support profitability. The Belgium operations are the largest profit contributor, although the Czech business also remains strong. We expect international markets to become a stronger contributor to the net result following the return to profit of the Irish subsidiary since 2015.

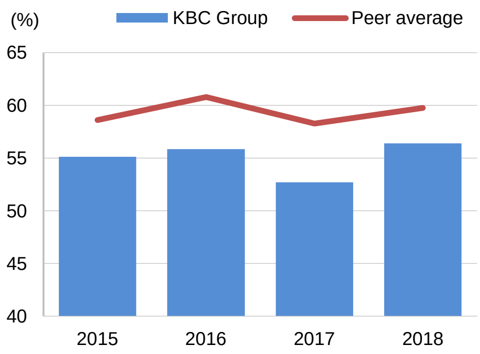
Net interest income benefitted in 2018 from volume growth, higher interest rates in the Czech Republic and lower overall funding costs. Net interest margin remains under pressure due to low reinvestment yields and tight commercial margins in the group's core countries. Net fees and commissions (NFC, about 25% of operating income) are underpinned by KBC Group's strong market shares in insurance and mutual funds although they have recently suffered from lower entry fees as inflows of assets under management (AuM) slowed, particularly in the turbulent last quarter of 2018. AuM were about EUR200 billion at end-2018, down from EUR217 billion at end-2017 due to weak net new money flows and negative market performance in 4Q18. Most of the AuM are in Belgium (EUR186.4 billion) and the Czech Republic (EUR9.5 billion).

Operating Profit/RWAs



Source: Fitch Ratings, Banks

Cost/Income



Source: Fitch Ratings, Banks

The bank continues to pay close attention to operating expenses, and its cost/income ratio compares well with that of peers but is subject to high bank taxes (equal to about 10% of operating expenses). We believe cost efficiency will remain strong; the number of staff is reducing although investments in digitalisation and wage inflation may offset cost-cutting measures.

LICs are unsustainably low as they benefitted from releases in Ireland and some CEE countries. However, we believe the group's pre-impairment profitability provides a sufficient buffer to absorb gradual normalisation of LICs.

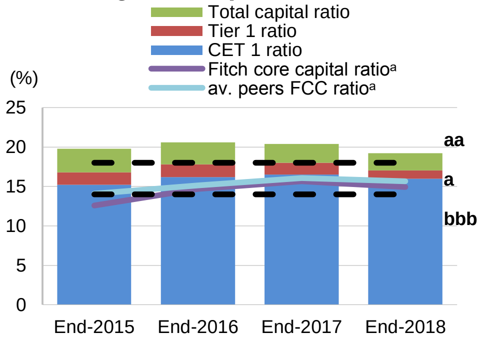
Capitalisation and Leverage

Solid Capital Ratios

Capital is managed centrally at the holding level and the group is supervised primarily on a consolidated basis. At end-2018, KBC Group reported a solid 16% fully loaded CET1 ratio under the Danish Compromise (370% risk-weighting of insurance subsidiaries; 15.9% under the Deduction Method). This compares well with the internal target of at least 14% and the 10.7% fully loaded minimum regulatory requirement from 2019. The FCC ratio was slightly lower at 14.9% since it is affected by the negative cash flow hedge values in other comprehensive income, which are not filtered out of FCC unlike in the regulatory calculations.

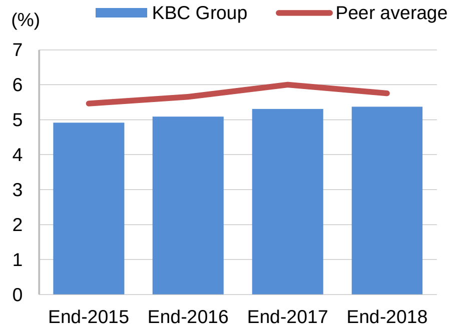
The fully loaded Basel III leverage ratio was also sound at 6.1% at end-2018 and compares well with that of peers. Capital encumbrance by unreserved impaired loans declined to a more acceptable level, at 20% of equity. Fitch views KBC Insurance's capital adequacy as strong (Solvency II ratio of 217% at end-2018). The group aims for a minimum pay-out ratio of at least 50% (including coupons on additional Tier 1 hybrid debt). The actual payout ratio for 2018 is 59%, based on the proposed final dividend.

Risk-Weighted Capital Ratios



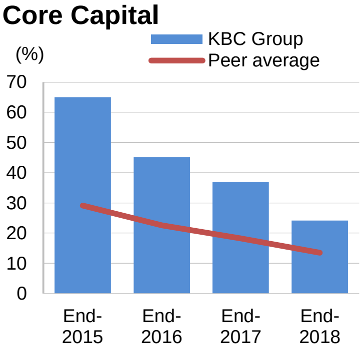
[a] Benchmark ratio
Source: Fitch Ratings, Banks

Tangible Equity/Tangible Assets



Source: Fitch Ratings, Banks

Net Impaired Loans/Fitch Core Capital



Source: Fitch Ratings, Banks

One Notch Uplift at KBC Bank Due to a Large Junior Debt Buffer

KBC Bank's Long-Term IDR of 'A+' is one notch above its VR and the Long-Term IDR of KBC Group. This reflects the build-up of a significant QJD buffer at the bank that provides additional protection for its senior unsecured creditors, coupled with our view that the buffer will be sustainable. The group's preferred resolution strategy is a "single point of entry" approach at the KBC Group level. Most debt issued by the holding company is downstreamed to the bank in a subordinated form that ranks junior to external senior creditors to meet the upcoming minimum requirement for eligible liabilities and own funds (MREL).

We expect that KBC Bank's QJD will provide protection to its third-party senior obligations from default in case of failure, either under a resolution process or as part of a private-sector solution (ie, distressed debt exchange) to avoid a resolution action. Without such a private-sector solution, we would expect a resolution action to be taken on KBC Group when it breaches minimum capital requirements. The group is regulated on a consolidated basis but the bank makes up the majority of the group.

We assume the intervention point would be at a CET1 ratio of no lower than 6.25% of RWAs. Fitch believes that KBC Group would need to meet its minimum capital requirements immediately after a resolution action. Fitch believes minimum capital requirements will include most, if not all, of its combined buffer requirements given KBC Bank's domestic systemic importance. On a risk-weighted basis, Fitch has estimated that a CET1 capital requirement of around 15% is plausible under a bail-in scenario post resolution, and that a QJD buffer of approximately 9% would most likely be sufficient to restore the bank's viability without affecting senior creditors.

At end-2018, the QJD buffer at KBC Bank amounted to 8.9% of group weighted risks. We expect a buffer of approximately 9% to be maintained on a sustainable basis. Our expectation is underpinned by group's need to meet MREL.

Funding and Liquidity

Solid and Stable Funding Profile Underpinned by a Good Deposit Franchise

KBC Group benefits from a large amount of customer funding, which fully funds customer loans. It has a solid retail and mid-cap funding base, especially in Belgium and the Czech Republic where it benefits from strong market shares. Customer funding (including deposits and issues placed through the retail network) represented over 70% of total funding at end-2018 and is complemented predominantly by longer-term wholesale funding. At end-2018, all international subsidiaries were largely self-funded except for Ireland, although the latter had been gradually growing its local deposits base. The group's net stable funding ratio was 136% at end-2018, comfortably above the 100% minimum.

MREL to Be Met with Holdco Issuance

Under KBC Group's single point of entry resolution strategy, the issuance of additional Tier 1 and Tier 2 capital instruments and of a major portion of senior unsecured debt takes place at the holding company level. Issued debt is then downstreamed into KBC Bank in a subordinated manner in order to meet the MREL target calibrated to 25.9% of RWAs (to be met by 1 May 2019). At end-2018, KBC Group had an MREL ratio of 26% including 1% of Tier 2 and senior debt at the bank level to be replaced by holdco issuance. Going forward, KBC Bank will mainly issue covered bonds but could issue senior unsecured debt for funding reasons.

Strong Liquidity

The group's liquidity is strong. The stock of high quality liquid assets eligible for the purposes of the liquidity coverage ratio was at EUR79 billion at end-2018, or about a quarter of KBC Group's total assets. The liquidity coverage ratio was a sound 139% at end-2018.

Support

Sovereign Support Cannot Be Relied On

KBC Group and KBC Bank's Support Ratings of '5' and Support Rating Floors of 'No Floor' reflect Fitch's view that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that KBC Bank becomes 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 is likely to require senior creditors participating in losses, instead of or ahead of a bank receiving sovereign support.

Debt Ratings

Senior debt of KBC Group and KBC Bank is rated in line with the respective IDRs. Senior debt issued by KBC Bank's fully owned subsidiary KBC IFIMA S.A. is guaranteed by KBC Bank. The subsidiary's debt ratings are aligned with the bank's IDRs to reflect our view that KBC Bank will ensure these obligations are met.

Subordinated debt and hybrid securities issued by KBC Group and KBC Bank are notched down from the entities' VRs.

Hybrid securities issued by KBC Bank are rated four notches lower than its VR (two notches for non-performance and two for relative loss severity).

Subordinated debt issued by KBC Group is rated one notch lower than KBC Group's VR to reflect relative loss severity. The CRD IV-compliant undated and deeply subordinated additional Tier 1 debt securities issued by KBC Group are rated five notches below KBC Group's VR. The notching reflects the notes' higher expected loss severity than senior unsecured creditors (two notches) and higher non-performance risk (three notches).

Subordinated debt issued by KBC IFIMA S.A. is rated one notch lower than KBC Bank's VR (for relative loss severity) as the notes are guaranteed by KBC Bank.

KBC Group NV
Income Statement

	31 Dec 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015	
	Year End USDm Unaudited	Year End EURm Unaudited	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	n.a.	n.a.	-	3,819.0	1.49	3,805.0	1.53	4,085.0	1.71
2. Other Interest Income	8,013.2	6,996.0	2.72	2,518.0	0.98	2,837.0	1.14	3,065.0	1.29
3. Dividend Income	93.9	82.0	0.03	63.0	0.02	77.0	0.03	75.0	0.03
4. Gross Interest and Dividend Income	**8,107.1**	**7,078.0**	**2.75**	**6,400.0**	**2.50**	**6,719.0**	**2.71**	**7,225.0**	**3.03**
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Interest Expense	2,809.7	2,453.0	0.95	2,216.0	0.87	2,384.0	0.96	2,839.0	1.19
7. Total Interest Expense	**2,809.7**	**2,453.0**	**0.95**	**2,216.0**	**0.87**	**2,384.0**	**0.96**	**2,839.0**	**1.19**
8. Net Interest Income	**5,297.5**	**4,625.0**	**1.80**	**4,184.0**	**1.64**	**4,335.0**	**1.75**	**4,386.0**	**1.84**
9. Net Fees and Commissions	1,968.9	1,719.0	0.67	1,707.0	0.67	1,450.0	0.58	1,678.0	0.70
10. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	846.0	0.33	546.0	0.22	143.0	0.06
11. Net Gains (Losses) on Assets and Liabilities at FV	264.6	231.0	0.09	10.0	0.00	(14.0)	(0.01)	54.0	0.02
12. Net Gains (Losses) on Other Securities	27.5	24.0	0.01	202.0	0.08	94.0	0.04	196.0	0.08
13. Net Insurance Income	802.9	701.0	0.27	640.0	0.25	438.0	0.18	381.0	0.16
14. Other Operating Income	242.8	212.0	0.08	227.0	0.09	252.0	0.10	280.0	0.12
15. Total Non-Interest Operating Income	**3,306.8**	**2,887.0**	**1.12**	**3,632.0**	**1.42**	**2,766.0**	**1.11**	**2,732.0**	**1.15**
16. Total Operating Income	**8,604.2**	**7,512.0**	**2.92**	**7,816.0**	**3.05**	**7,101.0**	**2.86**	**7,118.0**	**2.99**
17. Personnel Expenses	2,683.7	2,343.0	0.91	2,303.0	0.90	2,252.0	0.91	2,245.0	0.94
18. Other Operating Expenses	2,167.1	1,892.0	0.74	1,815.0	0.71	1,714.0	0.69	1,678.0	0.70
19. Total Non-Interest Expenses	**4,850.8**	**4,235.0**	**1.65**	**4,118.0**	**1.61**	**3,966.0**	**1.60**	**3,923.0**	**1.65**
20. Equity-accounted Profit/ Loss - Operating	18.3	16.0	0.01	11.0	0.00	27.0	0.01	24.0	0.01
21. Pre-Impairment Operating Profit	**3,771.8**	**3,293.0**	**1.28**	**3,709.0**	**1.45**	**3,162.0**	**1.27**	**3,219.0**	**1.35**
22. Loan Impairment Charge	(49.3)	(43.0)	(0.02)	(87.0)	(0.03)	126.0	0.05	323.0	0.14
23. Securities and Other Credit Impairment Charges	(21.8)	(19.0)	(0.01)	13.0	0.01	56.0	0.02	45.0	0.02
24. Operating Profit	**3,842.8**	**3,355.0**	**1.30**	**3,783.0**	**1.48**	**2,980.0**	**1.20**	**2,851.0**	**1.20**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Goodwill Impairment	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Non-recurring Income	n.a.	n.a.	-	n.a.	-	102.0	0.04	11.0	0.00
28. Non-recurring Expense	51.5	45.0	0.02	116.0	0.05	0.0	0.00	344.0	0.14
29. Change in Fair Value of Own Debt	n.a.	n.a.	-	0.0	0.00	8.0	0.00	17.0	0.01
30. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
31. Pre-tax Profit	**3,791.3**	**3,310.0**	**1.29**	**3,667.0**	**1.43**	**3,090.0**	**1.24**	**2,535.0**	**1.06**
32. Tax expense	847.6	740.0	0.29	1,092.0	0.43	662.0	0.27	(104.0)	(0.04)
33. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
34. Net Income	**2,943.7**	**2,570.0**	**1.00**	**2,575.0**	**1.01**	**2,428.0**	**0.98**	**2,639.0**	**1.11**
35. Change in Value of AFS Investments	(288.6)	(252.0)	(0.10)	7.0	0.00	(31.0)	(0.01)	(33.0)	(0.01)
36. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Currency Translation Differences	(68.7)	(60.0)	(0.02)	(7.0)	(0.00)	20.0	0.01	272.0	0.11
38. Remaining OCI Gains/(losses)	(205.0)	(179.0)	(0.07)	83.0	0.03	(1.0)	(0.00)	450.0	0.19
39. Fitch Comprehensive Income	**2,381.3**	**2,079.0**	**0.81**	**2,658.0**	**1.04**	**2,416.0**	**0.97**	**3,328.0**	**1.40**
40. Memo: Profit Allocation to Non-controlling Interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
41. Memo: Net Income after Allocation to Non-controlling Interests	2,943.7	2,570.0	1.00	2,575.0	1.01	2,428.0	0.98	2,639.0	1.11
42. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	1,256.0	0.49	1,171.0	0.47	0.0	0.00
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = EUR0.873057		USD1 = EUR0.83382		USD1 = EUR0.9487		USD1 = EUR0.9185	

KBC Group NV
Balance Sheet

	31 Dec 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	69,601.4	60,766.0	21.41	60,601.0	20.73	57,307.0	20.82	55,050.0	21.81
3. Other Consumer/ Retail Loans	5,177.2	4,520.0	1.59	3,857.0	1.32	3,180.0	1.16	2,928.0	1.16
4. Corporate & Commercial Loans	n.a.	n.a.	-	744.0	0.25	859.0	0.31	937.0	0.37
5. Other Loans	97,577.8	85,191.0	30.02	81,362.0	27.83	78,065.0	28.37	75,987.0	30.11
6. Less: Loan Loss Allowances	4,035.2	3,523.0	1.24	4,058.0	1.39	5,094.0	1.85	5,623.0	2.23
7. Net Loans	**168,321.2**	**146,954.0**	**51.78**	**142,506.0**	**48.75**	**134,317.0**	**48.81**	**129,279.0**	**51.23**
8. Gross Loans	**172,356.4**	**150,477.0**	**53.02**	**146,564.0**	**50.13**	**139,411.0**	**50.66**	**134,902.0**	**53.46**
9. Memo: Impaired Loans included above	7,576.8	6,615.0	2.33	8,843.0	3.02	10,251.0	3.72	12,023.0	4.76
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	5,806.0	5,069.0	1.79	4,876.0	1.67	5,683.0	2.07	6,512.0	2.58
2. Reverse Repos and Securities Borrowing	24,205.8	21,133.0	7.45	20,076.0	6.87	12,152.0	4.42	5,514.0	2.19
3. Derivatives	5,943.5	5,189.0	1.83	5,932.0	2.03	8,861.0	3.22	8,807.0	3.49
4. Trading Securities and at FV through Income	3,303.3	2,884.0	1.02	1,729.0	0.59	1,926.0	0.70	5,286.0	2.09
5. Securities at FV through OCI / Available for Sale	20,936.8	18,279.0	6.44	34,156.0	11.68	36,708.0	13.34	35,670.0	14.13
6. Securities at Amortised Cost / Held to Maturity	49,979.6	43,635.0	15.37	30,979.0	10.60	33,697.0	12.24	32,958.0	13.06
7. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Securities	**74,219.7**	**64,798.0**	**22.83**	**66,864.0**	**22.87**	**72,331.0**	**26.28**	**73,914.0**	**29.29**
9. Memo: Government Securities included Above	55,313.7	48,292.0	17.02	52,358.0	17.91	55,873.0	20.30	54,773.0	21.70
10. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Equity Investments in Associates	246.3	215.0	0.08	240.0	0.08	212.0	0.08	207.0	0.08
12. Investments in Property	n.a.	n.a.	-	485.0	0.17	426.0	0.15	438.0	0.17
13. Insurance Assets	15,986.4	13,957.0	4.92	14,911.0	5.10	14,222.0	5.17	13,552.0	5.37
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**294,728.8**	**257,315.0**	**90.67**	**255,890.0**	**87.53**	**248,204.0**	**90.19**	**238,223.0**	**94.40**
C. Non-Earning Assets									
1. Cash and Due From Banks	21,408.7	18,691.0	6.59	29,727.0	10.17	20,148.0	7.32	7,038.0	2.79
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	3,778.7	3,299.0	1.16	2,721.0	0.93	2,451.0	0.89	2,299.0	0.91
5. Goodwill	n.a.	n.a.	-	719.0	0.25	597.0	0.22	594.0	0.24
6. Other Intangibles	1,523.4	1,330.0	0.47	486.0	0.17	402.0	0.15	365.0	0.14
7. Current Tax Assets	105.4	92.0	0.03	82.0	0.03	66.0	0.02	107.0	0.04
8. Deferred Tax Assets	1,668.8	1,457.0	0.51	1,543.0	0.53	2,246.0	0.82	2,228.0	0.88
9. Discontinued Operations	16.0	14.0	0.00	21.0	0.01	8.0	0.00	15.0	0.01
10. Other Assets	1,844.1	1,610.0	0.57	1,153.0	0.39	1,078.0	0.39	1,487.0	0.59
11. Total Assets	**325,073.8**	**283,808.0**	**100.00**	**292,342.0**	**100.00**	**275,200.0**	**100.00**	**252,356.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Total Customer Deposits	182,461.2	159,299.0	56.13	152,065.0	52.02	140,159.0	50.93	126,847.0	50.27
2. Deposits from Banks	27,127.7	23,684.0	8.35	27,746.0	9.49	20,828.0	7.57	16,700.0	6.62
3. Repos and Securities Lending	1,146.5	1,001.0	0.35	5,835.0	2.00	9,729.0	3.54	9,695.0	3.84
4. Commercial Paper and Short-term Borrowings	22,400.6	19,557.0	6.89	24,923.0	8.53	18,811.0	6.84	7,951.0	3.15
5. Customer Deposits and Short-term Funding	**233,136.0**	**203,541.0**	**71.72**	**210,569.0**	**72.03**	**189,527.0**	**68.87**	**161,193.0**	**63.88**
6. Senior Unsecured Debt	16,870.6	14,729.0	5.19	14,044.0	4.80	14,848.0	5.40	13,668.0	5.42
7. Subordinated Borrowing	2,964.3	2,588.0	0.91	3,330.0	1.14	3,109.0	1.13	3,522.0	1.40
8. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Total LT Funding	**19,834.9**	**17,317.0**	**6.10**	**17,374.0**	**5.94**	**17,957.0**	**6.53**	**17,190.0**	**6.81**
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Trading Liabilities	3,477.4	3,036.0	1.07	2,612.0	0.89	5,125.0	1.86	12,886.0	5.11
13. Total Funding	**256,448.3**	**223,894.0**	**78.89**	**230,555.0**	**78.86**	**212,609.0**	**77.26**	**191,269.0**	**75.79**
14. Derivatives	6,534.5	5,705.0	2.01	7,066.0	2.42	9,242.0	3.36	9,849.0	3.90
15. Total Funding and Derivatives	**262,982.8**	**229,599.0**	**80.90**	**237,621.0**	**81.28**	**221,851.0**	**80.61**	**201,118.0**	**79.70**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	269.2	235.0	0.08	1,024.0	0.35	943.0	0.34	681.0	0.27
4. Current Tax Liabilities	152.3	133.0	0.05	148.0	0.05	188.0	0.07	109.0	0.04
5. Deferred Tax Liabilities	282.9	247.0	0.09	434.0	0.15	493.0	0.18	549.0	0.22
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
8. Insurance Liabilities	35,820.1	31,273.0	11.02	32,193.0	11.01	32,310.0	11.74	31,919.0	12.65
9. Other Liabilities	3,078.8	2,688.0	0.95	2,119.0	0.72	2,058.0	0.75	2,169.0	0.86
10. Total Liabilities	**302,586.2**	**264,175.0**	**93.08**	**273,539.0**	**93.57**	**257,843.0**	**93.69**	**236,545.0**	**93.73**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	2,749.0	2,400.0	0.85	1,400.0	0.48	1,400.0	0.51	1,400.0	0.55
G. Equity									
1. Common Equity	20,428.2	17,835.0	6.28	17,010.0	5.82	15,655.0	5.69	13,764.0	5.45
2. Non-controlling Interest	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Securities Revaluation Reserves	878.5	767.0	0.27	1,751.0	0.60	1,756.0	0.64	1,782.0	0.71
4. Foreign Exchange Revaluation Reserves	(83.6)	(73.0)	(0.03)	33.0	0.01	31.0	0.01	11.0	0.00
5. Fixed Asset Revaluations and Other Accumulated OCI	(1,484.4)	(1,296.0)	(0.46)	(1,391.0)	(0.48)	(1,485.0)	(0.54)	(1,146.0)	(0.45)
6. Total Equity	**19,738.7**	**17,233.0**	**6.07**	**17,403.0**	**5.95**	**15,957.0**	**5.80**	**14,411.0**	**5.71**
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as Equity	22,487.6	19,633.0	6.92	18,803.0	6.43	17,357.0	6.31	15,811.0	6.27
8. Total Liabilities and Equity	**325,073.8**	**283,808.0**	**100.00**	**292,342.0**	**100.00**	**275,200.0**	**100.00**	**252,356.0**	**100.00**
9. Memo: Fitch Core Capital	14,667.5	12,805.6	4.51	12,968.6	4.44	11,426.6	4.15	9,851.6	3.90

Exchange rate	USD1 = EUR0.873057	USD1 = EUR0.83382	USD1 = EUR0.9487	USD1 = EUR0.9185

KBC Group NV
Summary Analytics

	31 Dec 2018 Year End	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	2.72	2.52	2.73	3.00
2. Interest Income on Loans/ Average Gross Loans	n.a.	2.66	2.77	3.08
3. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	1.01	0.94	1.13	1.41
5. Net Interest Income/ Average Earning Assets	1.78	1.65	1.76	1.82
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.79	1.68	1.71	1.68
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.78	1.65	1.76	1.82
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	3.54	4.11	3.43	3.26
2. Non-Interest Expense/ Gross Revenues	56.38	52.69	55.85	55.11
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	(1.88)	(2.00)	5.76	11.43
4. Operating Profit/ Average Total Assets	1.13	1.31	1.13	1.12
5. Non-Interest Income/ Gross Revenues	38.43	46.47	38.95	38.38
6. Non-Interest Expense/ Average Total Assets	1.42	1.42	1.50	1.54
7. Pre-impairment Op. Profit/ Average Equity	19.31	22.20	21.17	23.31
8. Pre-impairment Op. Profit/ Average Total Assets	1.11	1.28	1.20	1.27
9. Operating Profit/ Average Equity	19.68	22.64	19.95	20.64
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	15.07	15.41	16.26	19.11
2. Net Income/ Average Total Assets	0.86	0.89	0.92	1.04
3. Fitch Comprehensive Income/ Average Total Equity	12.19	15.91	16.18	24.10
4. Fitch Comprehensive Income/ Average Total Assets	0.70	0.92	0.91	1.31
5. Taxes/ Pre-tax Profit	22.36	29.78	21.42	(4.10)
6. Net Income/ Risk Weighted Assets	2.71	2.80	2.79	3.02
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	14.94	15.66	14.70	12.60
2. Tangible Common Equity/ Tangible Assets	5.37	5.31	5.09	4.92
3. Equity/ Total Assets	6.07	5.95	5.80	5.71
4. Basel Leverage Ratio	6.06	6.10	6.10	6.30
5. Common Equity Tier 1 Capital Ratio	15.97	16.50	16.20	15.20
6. Fully Loaded Common Equity Tier 1 Capital Ratio	15.97	16.30	15.80	14.90
7. Tier 1 Capital Ratio	17.02	18.00	17.80	16.80
8. Total Capital Ratio	19.20	20.40	20.60	19.80
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	24.15	36.90	45.13	64.96
10. Impaired Loans less Loan Loss Allowances/ Equity	17.94	27.50	32.32	44.41
11. Cash Dividends Paid & Declared/ Net Income	n.a.	48.78	48.23	0.00
12. Risk Weighted Assets/ Total Assets	33.43	31.46	31.57	34.61
E. Loan Quality				
1. Impaired Loans/ Gross Loans	4.40	6.03	7.35	8.91
2. Growth of Gross Loans	2.67	5.13	3.34	4.26
3. Loan Loss Allowances/ Impaired Loans	53.26	45.89	49.69	46.77
4. Loan Impairment Charges/ Average Gross Loans	(0.03)	(0.06)	0.09	0.24
5. Growth of Total Assets	(2.92)	6.23	9.05	2.93
6. Loan Loss Allowances/ Gross Loans	2.34	2.77	3.65	4.17
7. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.	n.a.
8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	4.40	6.03	7.35	8.91
F. Funding and Liquidity				
1. Loans/ Customer Deposits	94.46	96.38	99.47	106.35
2. Liquidity Coverage Ratio	139.00	139.00	139.00	127.00
3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids)	70.39	65.56	65.49	65.84
4. Interbank Assets/ Interbank Liabilities	21.40	17.57	27.29	38.99
5. Net Stable Funding Ratio	136.00	134.50	125.00	121.00
6. Growth of Total Customer Deposits	4.76	8.49	10.49	5.45

KBC Group NV
Reference Data

	31 Dec 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	9,972.0	3.41	9,908.0	3.60	9,364.0	3.71
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	36,078.0	12.34	34,027.0	12.36	36,575.0	14.49
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Off-Balance Sheet items	n.a.	n.a.	-	283.0	0.10	284.0	0.10	220.0	0.09
8. Total Assets under Management	229,423.7	200,300.0	70.58	219,200.0	74.98	213,000.0	77.40	209,000.0	82.82
B. Average Balance Sheet									
1. Average Loans	170,343.3	148,719.4	52.40	143,690.0	49.15	137,441.2	49.94	132,536.2	52.52
2. Average Earning Assets	298,256.6	260,395.0	91.75	254,168.0	86.94	246,526.8	89.58	241,146.4	95.56
3. Average Total Assets	340,606.9	297,369.2	104.78	289,639.8	99.08	264,160.8	95.99	254,042.4	100.67
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Average Interest-Bearing Liabilities	277,945.4	242,662.2	85.50	235,395.8	80.52	211,814.2	76.97	201,356.6	79.79
6. Average Common equity	19,779.2	17,268.4	6.08	16,324.0	5.58	14,447.8	5.25	13,428.2	5.32
7. Average Equity	19,528.9	17,049.8	6.01	16,706.8	5.71	14,934.2	5.43	13,811.0	5.47
8. Average Customer Deposits	180,058.6	157,201.4	55.39	147,044.6	50.30	133,518.8	48.52	125,121.2	49.58
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	**2,964.3**	**2,588.0**	**0.91**	**3,330.0**	**1.14**	**3,109.0**	**1.13**	**3,522.0**	**1.40**
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	108,669.9	94,875.0	33.43	91,972.0	31.46	86,878.0	31.57	87,343.0	34.61
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Assets	(10,460.9)	(9,133.0)	(3.22)	(9,133.0)	(3.12)	(9,133.0)	(3.32)	(9,133.0)	(3.62)
3. Fitch Core Capital Adjusted Risk Weighted Assets	**98,208.9**	**85,742.0**	**30.21**	**82,839.0**	**28.34**	**77,745.0**	**28.25**	**78,210.0**	**30.99**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	**98,208.9**	**85,742.0**	**30.21**	**82,839.0**	**28.34**	**77,745.0**	**28.25**	**78,210.0**	**30.99**
E. Fitch Core Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	19,738.7	17,233.0	6.07	17,403.0	5.95	15,957.0	5.80	14,411.0	5.71
2. Fair-value adjustments relating to own credit risk on debt issued	3.4	3.0	0.00	15.0	0.01	6.0	0.00	14.0	0.01
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	689.5	602.0	0.21	719.0	0.25	597.0	0.22	594.0	0.24
5. Other intangibles	668.9	584.0	0.21	486.0	0.17	402.0	0.15	365.0	0.14
6. Deferred tax assets deduction	888.8	776.0	0.27	776.0	0.27	1,069.0	0.39	1,146.0	0.45
7. Net asset value of insurance subsidiaries	2,827.3	2,468.4	0.87	2,468.4	0.84	2,468.4	0.90	2,468.4	0.98
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fund for general banking risks if not already included and readily convertible into equity	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
10. Fitch Core Capital	**14,667.5**	**12,805.6**	**4.51**	**12,968.6**	**4.44**	**11,426.6**	**4.15**	**9,851.6**	**3.90**
Exchange Rate		USD1 = EUR0.873057		USD1 = EUR0.83382		USD1 = EUR0.9487		USD1 = EUR0.9185	

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