INDUSTRY NOTE

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Jefferies

EQUITY RESEARCH EUROPE

Banks
What We Have Learned From Benelux Q4 Results

Key Takeaway

We re-iterate our Buy on ING on recent share price weakness, and our Hold on ABN and KBC. KBC remains a flight to quality name, but the valuation looks rich. ABN's equity story has run out of steam, in our view, and management needs to come to the market with new targets to build a new dynamic.

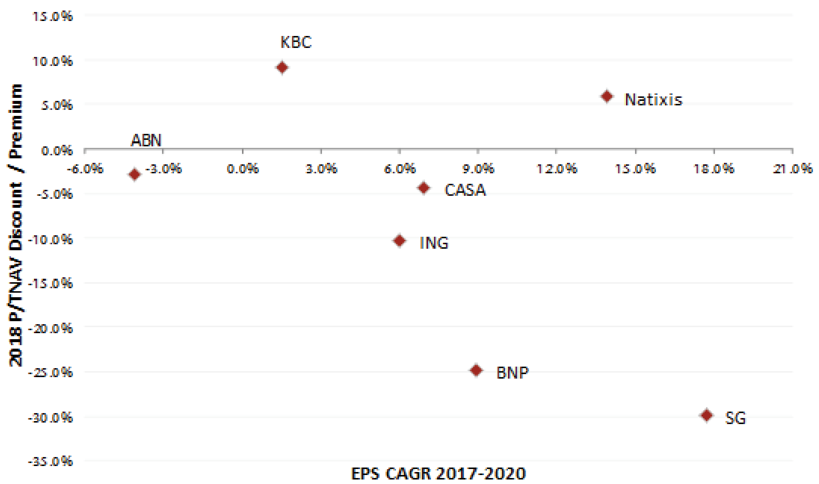
The Basel IV framework was a relief for many banks, especially Benelux banks as they had been expected to be the most affected due to low risk weightings in their mortgage books. Consequently, many investors had built up expectations for further capital distribution. However, **managements of all banks remained very cautious on capital messaging, buying themselves more time**. In our view, investors appear to have forgotten that these banks were all rescued by the state not so long ago. Given it will take a number of years for the capital rules to be finalised, we believe further capital redistribution at this stage could be viewed as hasty - and perceived negatively - by the authorities and public. Based on recent consensus, the average payout 2018-20 for ING is 55%, and 62% for ABN and KBC.

On the other hand, messages from management that support organic or external growth, or plans to strengthen the banks, improve their earnings growth and supporting economies, would be more acceptable to this audience.

What's different in this report

1. We look at **why ING has been under pressure** since the publication of its Q4 results.
2. **Belgium outlook** - in 2017, the commercial dynamic remained strong with loans up 5.4% YoY, and revenues up 1.2% with NII down by 4.4%. We expect 2018 revenues to be up by 2.3%.
3. **Netherlands outlook** - in 2017, revenues were broadly flat YoY with loans down 1.4% as the key players re-positioned themselves. We still expect revenue pressure in 2018.

Summary: in light of the Q4 results, **we favour names with good earnings growth potential, such as SG, BNP** and **ING**, which also have relatively cheap valuations.



Source: Company data, Jefferies estimates

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^Prior trading day's closing price unless otherwise noted.

Company Name	Ticker	Mkt. Cap (MM)	Rating	Price^	Price Target	Cons. Next FY	Current EPS Estimates 2017	2018	2019	Previous Est. 2018	2019
ABN	ABN NA	€23,462.4	HOLD	€24.96	€27.30▲	--	€2.81	€2.33	€2.35	€2.31	€2.32
ING Groep N.V.	INGA NA	€55,089.3	BUY	€14.18	€19.90	--	€1.26	€1.36	€1.58	€1.31	€1.53
KBC	KBC BB	NM	HOLD	€74.42	€77.10▲	--	€6.22	€6.00	€5.81	€5.50	€5.66

Belgium

2016 vs 2017 P&L review

2017 recap vs 2016:

Revenues +1.2%
NII -4.4%
CoR 18bps
Operating income +3.6%
Loans +5.4%

2017 sectorial revenues were up +1.2%; however, this is down to KBC as its results are supported by insurance results, higher fees thanks to its asset management profile, and better gains on the FV line. However, when it comes to underlying NII, KBC suffers the same faith as the other banks; on average NII is down by -4.4% with banks suffering from lower re-investment yields and competitive pressure on loan margins. KBC posted the highest growth in fee income, up +20.7% YoY, vs the average of +7% for the other peers, as it gained more from its AM business. Opex is up by +1.7% across the peer group with most banks booking restructuring charges; mainly KBC (€145m estimated) and ING (€80m estimated). The cost of risk is down by -33%, implying a CoR of 18bps on loans compared to the average of -1.1bps in the Netherlands and 24bps[1] in France. The aggregated operating income is up by +3.6%; yet again this is carried by KBC as other banks suffered a decline, notably ING post its restructuring charges in its Belgium network. The average revenue margin on loans is 3.9% or 2.3% on an NII basis, and all networks but KBC show strong volume growth at around +6%. In terms of RoNE[2], KBC delivers 33.7%, Belfius 23% with ING and BNP at par with c. 12.7%.

Table 1: Belgium retail P&L review 2016 vs 2017

2016 vs 2017 - P&L	KBC*	ING*	BNP *	Belfius	Belgium Total
Revenue Growth	**5.8%**	**-3.8%**	**0.2%**	**-1.9%**	**1.2%**
NII (underlying) Growth	-4.2%**	-4.4%	n.a.	-4.9%	-4.4%
as a % of revenues	48.3%	73.7%	n.a.	53.3%	40.6%
Fee Growth	20.7%	6.0%	n.a.	7.9%	14.7%
as a % of revenues	26.1%	16.5%	n.a.	29.1%	17.4%
Costs Growth	**0.8%**	**3.3%**	**2.0%**	**0.9%**	**1.7%**
C/I Ratio	49.5%	64.0%	70.0%	61.0%	59.6%
C/I Ratio Change (bp)	-2.5	4.4	1.2	1.7	0.3
Gross operating Income Growth	**11.3%**	**-14.5%**	**-3.7%**	**-5.9%**	**0.4%**
Provisions Growth	-33%	-41%	-33%	-2%	-33%
CoR (bp of loans)	35	13	6	9	18
Operating Income Growth	14.4%	-9.1%	-0.9%	-6.8%	3.6%
Group net Income Growth	**15.6%**	**-12.0%**	**2.0%**	**-3.5%**	**4.9%**
Total loans Growth	2.9%	6.1%	6.1%	6.9%	5.4%
Revenue margin on loans	5.2%	3.0%	3.4%	3.7%	3.9%
NII margin on loans	2.5%	2.2%	n.a.	2.0%.	2.3%
PBT margin on loans	2.5%	1.0%	1.0%	1.4%	1.5%
Stated RoE	25.1%	11.6%	12.8%	n.a.	
Adjusted RoE @ 11%	33.7%	12.7%	12.8%	23.0%	
Asset density	47%	43%	46%	39%	

Source: Jefferies, company data

* Revenues adjusted for one-off items

** Net of dealing room

On a quarterly basis, KBC revenues, in contrast to the full year, are down driven by a NII decline of -4.5% (net of dealing room) and, combined with higher costs, despite the low provisioning, net income is down by -4.3%. However, KBC still delivered a strong RoNE of 34.2%. ING had a mix of a NII decline and fee growth; however, it suffered on the restructuring cost catch up and delivered a RoNE of 11.1%. BNPP had fairly low revenue

[1] French banks - What We Have Learned from Q4 Results

[2] RoNE – Return on normalised equity, 11% selected to make it comparable with French banks

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erosion compared to peers, at -2% vs the average of -4.6%; but with opex up by +3.8% the PBT is down by -14.3%.

Table 2: Belgium retail P&L review Q4-17 vs Q4-16

Q4-17 - P&L	KBC	ING	BNP	Belgium Total
Revenue Growth	**-5.2%**	**-7.0%**	**-2.1%**	**-4.6%**
NII (underlying) Growth	-4.5%	-5.7%	n.a.	-5.0%
as a % of revenues	48.3%	76.1%	n.a.	38.9%
Fee Growth	12.2%	0.0%	n.a.	9.3%
as a % of revenues	26.6%	14.7%	n.a.	15.3%
Costs Growth	**1.8%**	**5.0%**	**3.8%**	**3.3%**
C/I Ratio	48.0%	61.3%	68.0%	57.5%
C/I Ratio Change (bp)	3.3	7.0	3.8	4.4
Gross operating Income Growth	**-10.9%**	**-21.2%**	**-12.5%**	**-13.6%**
Provisions Growth	-60%	-25%	40%	-39%
CoR (bp of loans)	5	13	5	7.7
Operating Income Growth	-8.0%	-20.2%	-14. 3%	-12.2%
Group net Income Growth	**-4.3%**	**-33.5%**	**-13.7%**	**-12.5.0%**
Total loans Growth	2.9%	6.1%	6.1%	5.0%
Revenue margin on loans	5.0%	2.9%	3.3%	3.7%
NII margin on loans	2.4%	2.2%	n.a.	2.3%
PBT margin on loans	2.4%	1.0%	1.0%	1.5%
Stated RoE	26.8%	10.2%	12.8%	
Adjusted RoE @ 11%	34. 2%	11.1%	12.8%	
Asset density	47%	43%	47%	

Source: Jefferies, company data
Belfius is excluded from this analysis as it only reports on half-annual basis

What we expect from 2018

2018 expectations:

Flat revenues or 2.3% if adjusted for KBC FV and AFS gains
NII +2.6%
Cost +1.1%
Low CoR 15bps
Net income 2%
Volume growth 3%

We expect the aggregated revenue to remain flat YoY for the three major players. For ING and BNP, we expect reasonable growth from a rebound in interest rates in late 2018 improving the NII line, and the strong fee income should continue as customers look to re-allocate assets in the improved macro environment. KBC's estimated decline in revenues is down to a lower impact from dealing and lower AFS gains post IFRS 9; excluding these items, we estimate operating revenue would be up 1.7%. We expect costs to remain relatively stable, except for ING which will see the last leg of investments before seeing the benefits in 2019. Despite a pick-up in provisioning, the CoR will remain low at 15bps on average. Overall, we expect group net income to be up by 2.0%, thanks not only to the improved revenue line but also to a lower tax rate, set at 28% for 2018. ING should benefit the most from this and we expect it to post a RoNE of 14.1% in 2018.

Table 3: P&L 2018E vs 2017A

2018 -2017	KBC *	ING	BNP	Belgium Total
Revenue Growth	**-3.2%**	**2.6%**	**2.6%**	**0.0%***
NII (underlying) Growth	1.9%	3.6%	n.a.	2.6%
as a % of revenues	55.1%	72.7%	n.a.	41.2%
Fee Growth	6.4%	4.9%	n.a.	6.0%
as a % of revenues	28.6%	16.5%	n.a.	16.4%
Costs Growth	**1.0%**	**2.8%**	**0.1%**	**1.1%**
C/I Ratio	51.7%	62.7%	68.4%	59.7%
C/I Ratio Change (bp)	2.2	-1.3	-2.7	0.1
Gross operating Income Growth	**-7.4%**	**2.2%**	**8.4%**	**-1.7%**
Provisions Growth	36%	43%	64%	45%
CoR (bp of loans)	17	18	10	15
Operating Income Growth	-9.0%	2.2%	4.8%	-3.6%
Group net Income Growth	**-6.3%**	**18.1%**	**10.8%**	**2.0%**

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Table 3: P&L 2018E vs 2017A

2018 -2017	KBC *	ING	BNP	Belgium Total
Total loans Growth	1.8%	3.3%	4.0%	3.0%
Revenue margin on loans	5.0%	3.0%	3.4%	3.8%
NII margin on loans	2.7%	2.2%	n.a.	2.5%
PBT margin on loans	2.2%	1.0%	1.0%	1.4%
Stated RoE	24.9%	12.9%	13.7%	
Adjusted RoE @ 11%	31.8%	14.1%	13.7%	
Asset density	46%	44%	46%	

Source: Jefferies estimates, company data

(*) If adjusted for AFS and FV, the operating revenues are up by 1.7% for KBC, which means the sectorial revenue growth is 2.3%

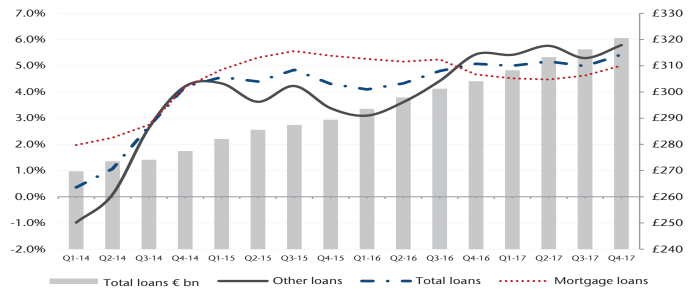
Loan trends

2017 loan growth +5.4%

+5% mortgages
+5.8% other loans

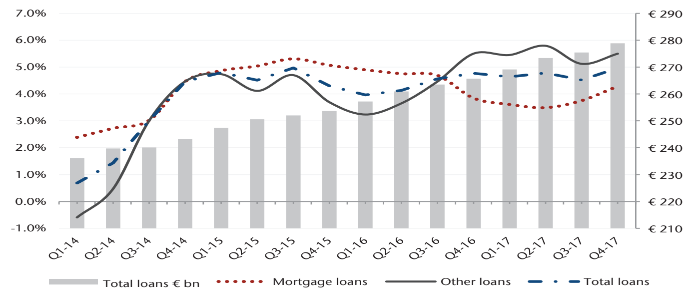
Total loan growth was +5.4% in Q4, which was the strongest in 2017: the average was around +5% compared to +4.5% in 2016 and 2015 after growth finally picked up from Q4-14. Mortgages posted the strongest growth in Q4 and are up +5% YoY, similar to 2015 and 2016, although that was against a low base. Growth in other loans remained strong at +5.8% with all banks reporting a recovery in corporate and SMEs loans.

Chart 1: Total loan growth YoY KBC, ING, BNP, Belfius*



Source: Jefferies estimates, company data
***Belfius 1st and 3rd quarters are average of half year results**

Chart 2: Total loan growth YoY KBC, ING, BNP



Source: Jefferies estimates, company data

Belfius steady growth: loans up by +8.6%

Total volumes per bank: all but KBC reported strong growth above +6% with Belfius pushing its loan growth to +8.6%. KBC's volume growth has been declining steadily since Q3-16 (except for Q4) mostly driven by lower mortgage volumes.

Mortgage volumes: ING is the only network with increasing growth at +9%, despite suffering from a negative image in Belgium due to restructuring leading to a staff reduction of 3,500 announced in 2016. Belfius' growth is still strong at +8.4%; however, this excludes mortgages booked under the insurance business. Including these, Belfius' mortgage growth would be only +5.9%. BNP's mortgage volumes were flat throughout 2017, while KBC's volumes after a low third quarter, picked up modestly to +0.6%.

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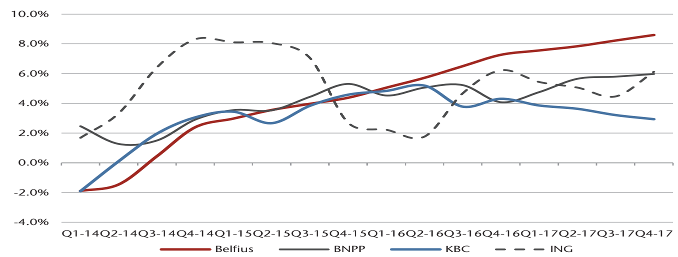
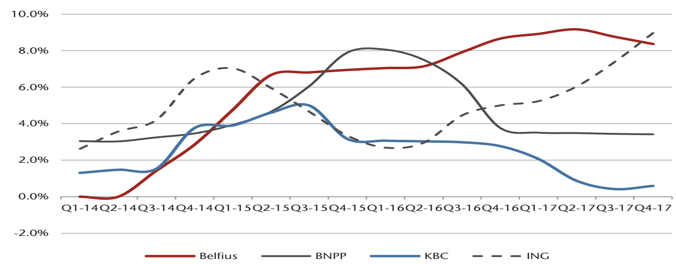
Chart 3: Total volumes for KBC, ING, BNP, Belfius



Source: Jefferies, company data

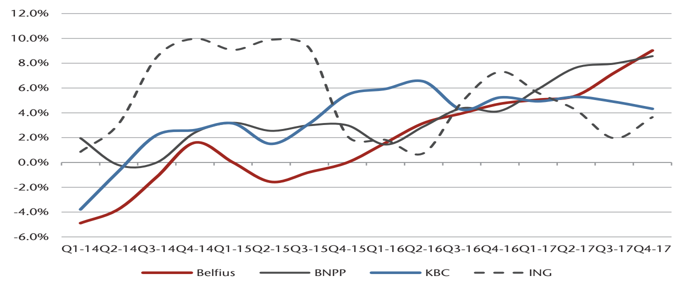
Chart 4: Mortgage volumes for KBC, ING, BNP, Belfius



Source: Jefferies, company data

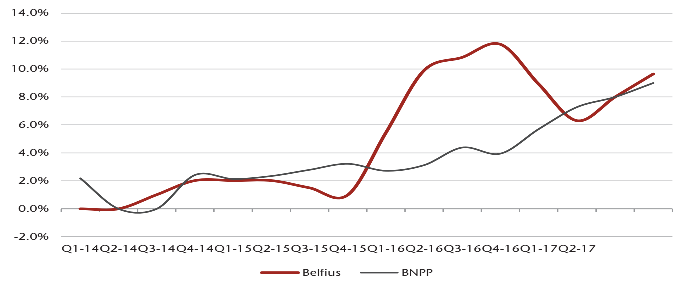
Other loans: are generally up for most networks but KBC. Considering that Belgium in general has shown a good rebound in corporate loans and SMEs (see chart 6 for Belfius and BNP trends), we assume the decline in KBC's volumes is driven by consumer credit.

Chart 5: Other Loans volumes for KBC, ING, BNP, Belfius



Source: Jefferies, company data

Chart 6: Corporate and SME loans for KBC, ING, BNP, Belfius

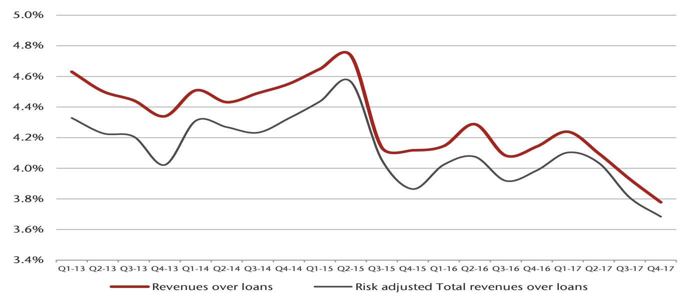


Source: Jefferies, company data

P&L trends

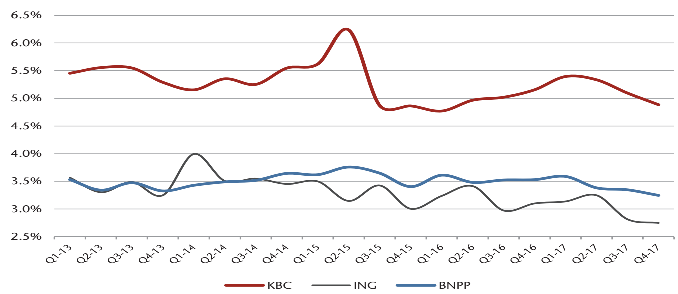
Margins continued to slip despite loan growth, mainly driven by the NII decline with the Belgian banks having less flexibility on the liability side as the regulatory minimum floor for savings is set at 11bps. Hopefully this is the last of the dip, with an interest rate rebound expected later in 2018. In a recent article in *Standaard*, **BNPP Fortis commented that it has adjusted its balance sheet to be able to respond to rising interest rates mainly via shortening the maturity of its investments, which might cost money in the short term; but if rates go up, they will benefit from higher re-investment yields.**

Chart 7: Total revenues over loans YoY KBC, ING, BNP



Source: Jefferies, company data

Chart 8: Risk adjusted revenues per KBC, ING, BNP



Source: Jefferies, company data

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Netherlands

2016 vs 2017 P&L review

ING beats on margins; whilst ABN beats on RoE

Recapping on 2017, total revenues were flat YoY for ING and Rabobank as they managed to top up their fee income to replace the eroding NII. On the other hand, ABN managed to boost its NII but lost on fee income after fee re-allocation between retail and PB. The sectorial C/I came down by 5.9% to 51.7% despite restructuring charges reflecting the Dutch shift to online banking, with ING had the best efficiency ratio in the peer group. 2017 continued the theme of reversed provisioning and all banks, but ING, had a positive cost of risk in 2017. All this combined led to a +18% increase in operating income. ING retained the highest revenue margin via increased fees and reducing volumes. Despite that, ABN remained the most profitable on a RoE basis due to its low risk weighting of 18% vs 32% at ING, where the product mortgage product takes 76% of the book compared to 94% at ABN.

Table 4: Netherlands retail P&L review 2016 vs 2017

2016-2017	ABN	ING	Rabobank	Volksbank	NL Total
Revenue Growth	**-0.1%**	**0.7%**	**0.7%**	**-0.6%**	**0.3%**
NII (underlying) Growth	2.6%	-1.7%	-1.7%	-1.5%	-0.4%
as a % of revenues	88.5%	79.3%	79.3%	89.9%	82.6%
Fee Growth	-12.3%	10.1%	10.1%	-3.5%	3.2%
as a % of revenues	10.4%	13.4%	13.4%	5.4%	12.0%
Costs Growth	**-3.1%**	**-7.2%**	**-7.2%**	**-6.1%**	**-5.9%**
C/I Ratio	55.1%	49.5%	49.5%	58.7%	51.7%
C/I Ratio Change (bp)	-0.8	-4.2	-4.2	-3.4	-3.2
Gross operating Income Growth	**9.4%**	**9.9%**	**9.9%**	**8.4%**	**9.7%**
Provisions Growth	-227%	-92%	-92%	-65%	-135%
CoR (bp of loans)	-2	3	-0.5	-5	-1.1
Operating Income Growth	21%	19.2%	19.2%	-2.2%	18.0%
Group net Income Growth	**22.1%**	**16.0%**	**16.0%**	**-5.7%**	**15.9%**
Total loans Growth	0.4%	-3.4%	-1.8%	1.4%	-1.4%
Revenue margin on loans	2.5%	3.0%	1.6%	2.1%	2.2%
NII margin on loans	2.2%	2.4%	1.3%	1.9%	1.80%
PBT margin on loans	1.2%	1.5%	0.8%	0.9%	1.1%
Adjusted RoE @ 11%	42.8%	31.6%	n.a.	n.a.	
Asset Density	18%	32%			

Source: Jefferies, company data

On a quarterly basis, the two commercial banks held their Q4 revenues well and YoY revenues were down only -0.6%. ING kept its NII thanks to lower volumes and better margins, and ABN's NII was up 2.2% YoY thanks to higher mortgage volumes and better margins. However, ABN lost on re-allocation of the fee income to PB and lower fees on payment for small businesses, and as such the gross operating income is flat and, combined with a positive CoR, the net income is up by 9.7%. ING strongly boosted its fee income and with flat opex delivered a C/I of 54% vs 59.6% at ABN. And, with a much lower CoR, group net income was up 1.6%. As on a yearly basis, ABN beat ING on RoNE due its lower asset density.

Q4-16 vs Q4-17 P&L review

Table 5: Netherlands retail P&L review Q4-16 vs Q4-17

	ABN	ING	NL Total
Revenue Growth	**-0.4%**	**-0.7%**	**-0.6%**
NII (underlying) Growth	2.2%	0.0%	1.1%
as a % of revenues	88.9%	79.2%	83.0%
Fee Growth	-16.1%	10.1%	-2.0%

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Table 5: Netherlands retail P&L review Q4-16 vs Q4-17

	ABN	ING	NL Total
as a % of revenues	10.4%	13.4%	12.0%
Costs Growth	**-1.0%**	**0.2%**	**-0.4%**
C/I Ratio	59.6%	54.1%	57.8%
C/I Ratio Change (bp)	2.3	0.5	1.2
Gross operating Income Growth	**0.5%**	**-1.7%**	**-5.3%**
Provisions Growth	-243%	-83%	-135%
CoR (bp of loans)	-27	4	-11.5
Operating Income Growth	9.3%	3.0%	1.0%
Group net Income Growth	**9.7%**	**1.6%**	**-5.7%**
Total loans Growth	0.4%	-3.4%	-1.5%
Revenue margin on loans	2.5%	3.0%	2.7%
NII margin on loans	2.2%	2.4%	2.26%
PBT margin on loans	1.0%	1.4%	1.2%
Adjusted RoE @ 11%	32.9%	28.9%	
Asset Density	18%	32%	

Source: Jefferies, company data

What we expect from 2018

2018 expectations:

Further NII pressure +2.8%
Cost reduction -1.9%
Continues low CoR at 20bps
Loan growth flat

In contrast to Belgium where we expect better revenue growth but against a low base in 2017, we expect some deterioration on the revenue line in the Netherlands, which is mainly driven by a NII decline as, despite improving rates, loan volumes continue to come down at ING, whilst there is only modest loan growth at ABN. Costs keep coming down, in line with the banks' plans, delivering an average C/I of 52%. Post normalisation of credit risk, which was positive in 2017, the group net income is down by 12.9%. The RoNE for ABN is down to 34.5% from 42.8%, on lower income, but also as we have started to gradually increase the risk weighting ahead of Basel IV.

Table 6: P&L 2018E vs 2017A

	ABN	ING	NL Total
Revenue Growth	**-3.2%**	**-2.9%**	**-3.0%**
NII (underlying) Growth	-1.5%	-4.1%	-2.8%
as a % of revenues	88.8%	78.3%	83.2%
Fee Growth	0.0%	8.5%	5.1%
as a % of revenues	10.5%	15.0%	12.9%
Costs Growth	**-2.1%**	**-1.7%**	**-1.9%**
C/I Ratio	54.21%	50.08%	52.03%
C/I Ratio Change (bp)	0.6	0.6	0.6
Gross operating Income Growth	**-4.5%**	**-4.0%**	**-4.3%**
Provisions Growth	-259%	1046%	-454%
CoR (bp of loans)	10	31	20.5
Operating Income Growth	-17.6%	-10.1%	-13.6%
Group net Income Growth	**-17.1%**	**-9.2%**	**-12.9%**
Total loans Growth	1.0%	-1.3%	-0.2%
Revenue margin on loans	2.4%	2.9%	2.7%
NII margin on loans	2.2%	2.3%	2.23%
PBT margin on loans	1.0%	1.4%	1.2%
Adjusted RoE @ 11%	34.5%	29.2%	
Asset Density	20%	32%	

Source: Jefferies estimates, company data

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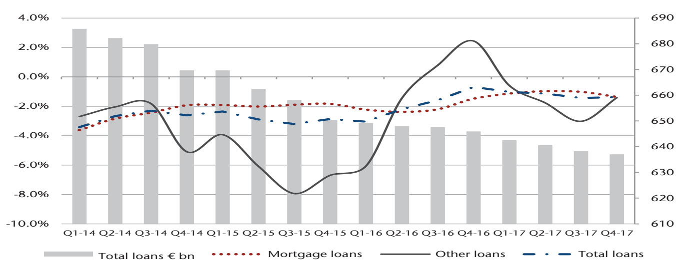
Loan trends

The sectorial loans are down by -1.38%, with mortgages down by 1.37%, which was the biggest decline in 2017; whilst the decline of other loans slowed down in Q4 due to a seasonal effect. On an individual basis, ABN and Volksbank had positive growth at 0.4% and 1.5% respectively. ABN's volumes declined in Q4 compared to previous quarters in 2017, which were on average at 2.4%, mainly due to a decline in residential mortgages. ING volumes' decline actually slowed down and was at -3.4% YoY compared to the average of -5.6% in previous quarters, which is due to a pick-up in other loans.

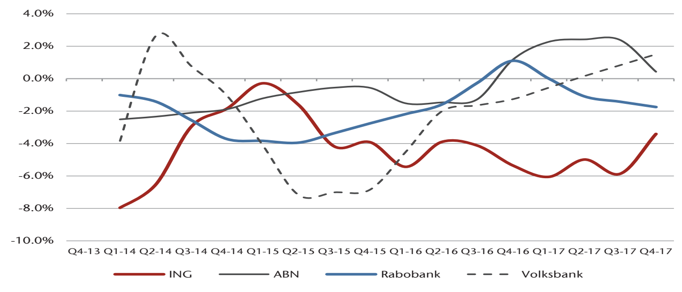
Chart 9: Total loans growth for ING, ABN, Rabobank* and Volksbank*



Source: Jefferies, company data

*Rabobank and Volksbank 1st and 3rd quarters are average of half year results

Chart 10: Loan growth per company

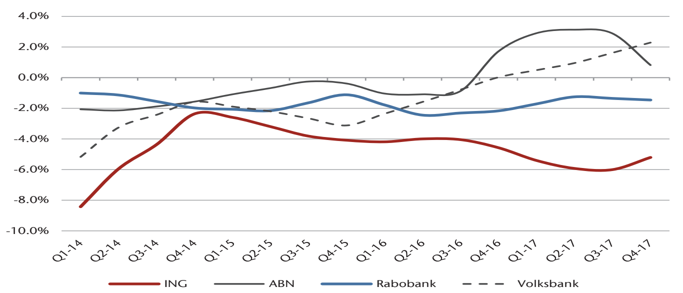


Source: Jefferies, company data

Sectorial mortgage growth was -1.37%. ING's volumes declined -5.2% vs –the average of 5.8% in previous quarters in 2017. Recently, ING has come back to market with a long-term mortgage. ABN actually recorded weak mortgage growth of 0.4% compared to the 2017 average of 2.4%, which is due to traditionally higher redemption levels in the fourth quarter.

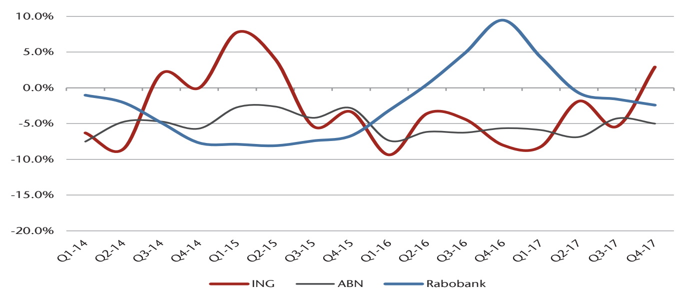
Other loans were down overall by -1.42% with trends fluctuating throughout 2017 mainly due to a pick-up in volumes at Rabobank in H2-16. At ING, Q4 growth was 2.9%, thanks to good growth in business lending. For ABN, there was a continuous decline with Q4 volumes down by -5% YoY, which is in line with the rest of the year.

Chart 11: Mortgage growth for ING, ABN, Rabobank and Volksbank



Source: Jefferies, company data

Chart 12: Other loans growth for ING, ABN and Rabobank



Source: Jefferies, company data

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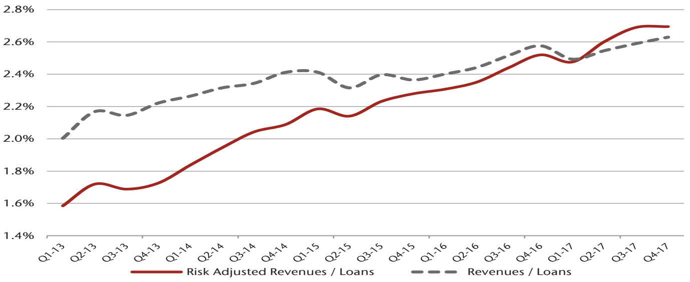
P&L trends

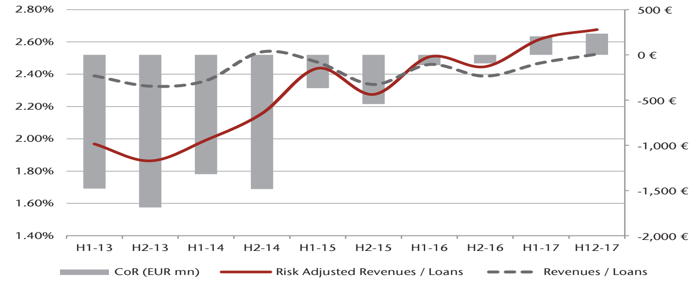
Margins for the Dutch players have been improving, due to a combination of fairly stable NII, compared to the Belgian peers, strong fee growth and, mainly, a positive cost of risk. As such, the Q4 revenue margin was 2.52% or 2.68% if adjusted for CoR.

Chart 13: Risk ad margins ABN and ING



Source: Jefferies, company data

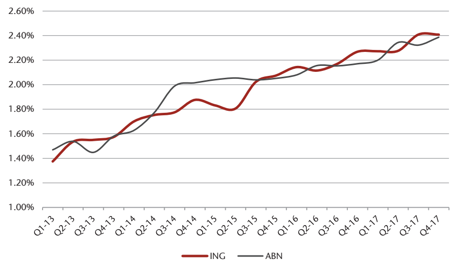
Chart 14: Risk adjusted margins for 4 players



Source: Jefferies, company data

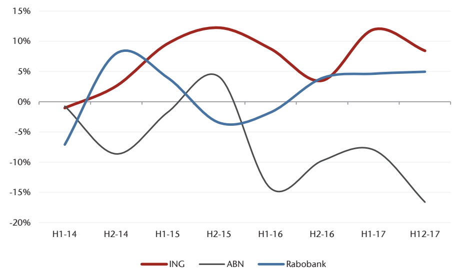
ING's NII margin was stable thanks to improved margin on savings and deposits despite lower income from mortgages as total volumes are down. The same applies to ABN as it managed to hold NII stable with small volume growth. Chart 16 shows ING's strong fee growth, according to its industrial plan, with Rabobank also exhibiting good fee growth trends. The Q4 fall is driven mostly by a seasonal impact. ABN's fee trend line has eroded post the transfer of fee income to PB and a smaller charge for payment services of smaller businesses. The overall NII income has come down since 2013 for ING, but for the two largest players, ABN and Rabobank, NII remains the largest revenue source. As mentioned, ING plans to diversify its revenue more and, as of 2017, NII only accounted for 80% compared to 86% in 2013 with more income coming from other revenue streams.

Chart 15: NII / Loans



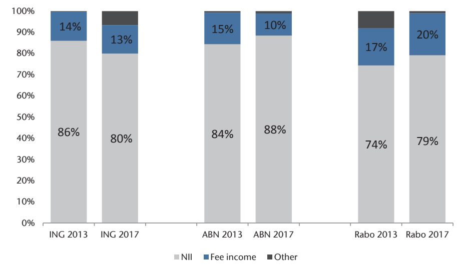
Source: Jefferies, company data

Chart 16: Fee growth



Source: Jefferies, company data

Chart 17: Revenue breakdown



Source: Jefferies, company data

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What we have learned from Q4 calls

We have summarised the key comments and conclusions from Q4 calls, which, in our view, provide a good overview of 2017 and forward guidance for most business lines. The key assumptions are captured in our models for the coming years.

ING Earnings Call; 31 January

Ralph Hammers, CEO

- SREP confirmed at 10.4% for 2018 and a fully loaded requirement remains unchanged at 11.8%.
- Basel IV impact c. 2%, current CET1 is at 14.7% and a regulatory requirement is 11.8% (ex buffers) so it means we are nearly there with Basel. '*We make 10% of RoE, we pay 5%, we also use for growth on our loan portfolio and we pay c. 53% to you; this is something we would like to continue*'.
- To minimise the impact of BIV you can reprice, you can sell, manage your balance sheet differently or stop the business altogether. '*We don't see any of that; but for the moment it will be a combination of repricing and flexibility on balance sheet in terms what asset we originate and which we keep on the balance sheet*'.
- Good progress made in Belgium, c. 5000 employees have successfully gone through a redeployment process.
- Germany
    - Better margin as consequence of higher lending but also composition of the balance sheet
    - In Germany (and also in NL) the online channels and the larger range of products [includes investment products] increase the fee income
    - A strategic partnership with Scalabe Capital; we saw c. 1000 new customers coming in one week, so far we have accumulated $300m AuMs since we launched.
    - Investment products – this is mostly passive, third of products. The growth in AuM is because we have a good reputation of being a good savings bank and we want to show clients alternatives, via online channels.
    - E.g. in Scalable we run an algorithm that matches investments with customers' profile for c. €10k, so very accessible and low entry barriers. Low cost solution compared what other banks are offering.
- Investments: we expect the full impact of transformation programs to come through in 2019 and certainly in 2020. And we want to achieve full savings of €900m by 2021.
- CoR – NPL is dropping is now below 2%. Benelux remains low due to improved macro and strong housing markets. An increase is coming from C&G but this is mainly due to an LTD model update in Turkey and add-on in Spain, despite the release in Germany for the consumer portfolio.
- NIM guidance – total liabilities €540bn, of which €320bn savings that we normally invest in five years. '*The current 5 yr swap is already higher than the average of swaps of the last 5 years. So the leakage on savings is quite low, we still have some leakage of €140bn on retail current accounts because the re-investment yield is lower but better than what we expected last year*'.

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- C&G markets – in savings we don't make fees, on mortgagers in C&G through the extension of a brokerage model, we actually pay fees. So the fees on the retail side are more or less related to how primary customers do more business with us.

ABN Earnings Call; 7 February

Kees Van Dijkhuizen, CEO
Clifford Abrahams, CFO
Tanja Cuppen, CRO

- We target modest business growth leading to low-single-digit growth in our loan book. M&A opportunities to be funded from earnings, no book or earmark for M&A. No M&A buffer on top of the range 17.5%-18.5%. '*We have not something in mind at the moment and in the past we mentioned PB in France and Germany*'.
- Buybacks require regulatory approval, in terms of timings on buyback, "*we don't rule them out and we don't rule them in*". In terms of thinking of additional distributions, we are reflecting a range of factors and post IFRS 9 we are at the bottom of the range, and we want to operate comfortably within the range, so such distributions will come later.
- Had TRIM review on mortgages and market risk so far, results yet to be communicated but expect a limited impact.
- Update on capital position – '*not logical in the H1 and saying something in H2 might be too early but we will see during the year*'.
- Believe that new Basel rules will lead to other regulators lowering their regulatory requirements, no indication from the ECB at the moment. DNB looks at the 3% D-SIB buffer and this is evaluated every year, will be a Q4 event.
- NIM guidance – our margin is resilient. We see some positive developments on NIII from a modest volume growth.
- CoR – in IFRS 9, the through the cycle CoR will be between 25bps to 30bps.
- CIB loan growth – the ECT sector, we have seen considerable improvement in term of credit quality. Modest growth is projected; we are comfortable from a credit risk point of view.

KBC Earnings Call; 22 February

Johan Thijs, CEO

- Ireland – in 2018 more write-backs in the range of €100m-€150m
- Dividend policy – at least 50% and if the reference capital of 16% is exceeded, an actually created surplus capital can be for distribution to shareholders. This can be done via: 1) increasing dividend pay-out, 2) super dividend, or 3) share buy-backs.
- When will next decision for distribution be taken – the final decision is full year 2018. The interim decision will be taken in the course of this year and the interim and the final dividend are obviously linked to each other. So the straightforward answer is full year 2018 but have an intermediate step with interim dividend.

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- M&A position – '*We need to keep our 2% buffer for acquisitions. Nothing will be acquired in non-core countries. No big file (around the €1bn mark) at the moment but there might be if Budapest Bank comes to the market. Otherwise looking for small add-on acquisitions in core markets with no big capital impact*'.

- FX Swaps – to neutralise the FX swaps, reverse the €187m for dealing rooms, then need to add profit made from these strategies, c. €70m.

- NII guidance +2% - taking into account the company we are today, '*so the plus 2% is driven by volumes and margins and commercial activities*'. We assume rate hike will happen in 2019 and not 2018 but should that happen a 100bs shift would generate another 1.5% up to 2% in the first year.

- CCPI – inflows of €4bn and now stand at €16.4bn, we will reset in April/May

- AFS gain – will be lower going forward because the banking side as a result of IFRS 9 we can no longer put AFS gain into P&L, it will go into equity.

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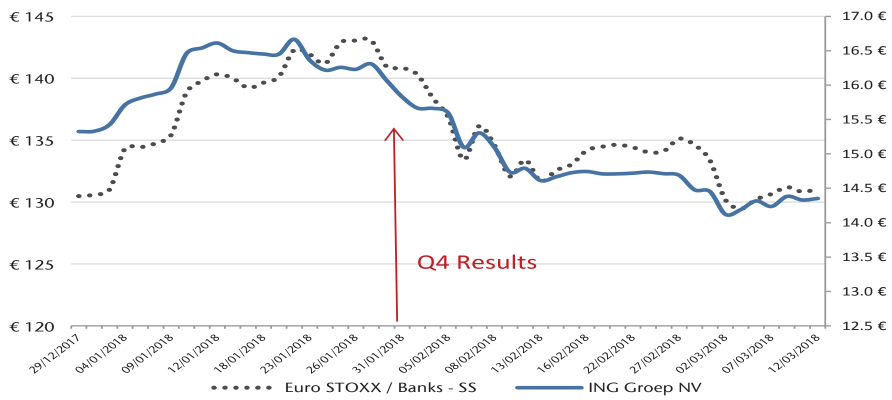
ING (INGA AM, Buy)

Underperformance investigation

Key takeaway

Since its Q4 results day, ING has been one of the worst performers in the banking sector despite no new or significant announcement on the day. Indeed, YTD ING has underperformed the Euro Stoxx by 6.7%, and since the results day the share price has dropped 8.5%; but, the relative underperformance has only been 2% since then. Our investment case is unchanged and we see this underperformance as a good entry point with our PT of €19.9 offering c40% upside potential, which is one of the highest in our French and Benelux coverage. ING's investment case remains a growth story with a 6% adjusted EPS GAGR over the next three years driven by successful implementation of its digital strategy in its various markets. We expect growth to be supported by the Growth and Challenger markets.

Chart 18: YTD ING share performance vs Euro Stoxx Banks



Source: Jefferies, Factset

We believe the underperformance reflects a sum of different parts, which do not challenge our investment case. We see the underperformance driven by the following:

First, the debate around capital redistribution post Basel IV guidance. At the Q4 results, ING announced that Basel IV would inflate its RWA base by 15% to 18%, i.e. a 200bp negative impact on the group capital, meaning a 2017 pro-forma CET 1 ratio ~12.2% post Basel IV and IFRS 9 impact. At this level, the group remains more than comfortable against its SREP requirement of 11.8% and is backed by the group's average gross cash flow of c. 90bps in the next three years. We believe that taking into account the comfortable capital base, many investors had started factoring in further capital distribution as the group guided on a progressive increase since its Investor day in October 2013. In our forecast, we increased the pay-out from 55% to 60%[3], i.e. a 16% CAGR from 2017 to 2020. This implies an average dividend yield of 6.2%.

We have noted a general disappointment post the Benelux banks' results regarding their communication on capital distribution as, in general, managements of all banks have been extremely cautious on guiding for materially increased capital returns. We believe this style of communication is driven by the simple fact that all these banks were rescued by the state, not such a long time ago, and they need to rebuild their image with the authorities and the public. As a result, it is easier for these groups to speak about organic

[3] ING note "Pump Up Dividend"; 5 February 2018

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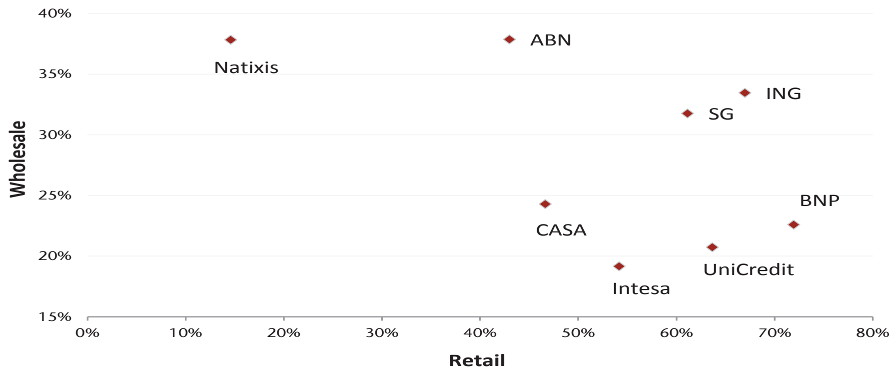
or external growth, rather than super-dividend or buy-back programs. The recent negative news flows on ING's decision to increase the CEO's pay, despite ING being a private company and the salary benchmarked against those of other CEOs of Dutch private companies, shows the sensitivity of this topic when it comes to the financial sector and banks in particular.

Second, ING disclosed a litigation risk connected to a criminal investigation in its 2016 annual report, which is led by the Dutch authorities regarding various requirements to client on-boarding, money laundering and corrupt practices. At the Q4 results, ING stated that it expects more news in the coming months. We believe that by news it meant the monitor, which the authorities suggested rather than an imminent closure of the case; the FD recently reported on this litigation but actually used a sentence from the 2016 accounts which stated that the impact on the firm could be significant. Indeed, management acknowledged that a fine is probable but the size of the fine remains unknown, and in the 2017 annual report the same wording was provided mirroring the 2016 version. The litigation provision remains broadly unchanged YoY at €365m and we have provisioned a further €100m in our 2018 forecast, bringing the total to €465m, which in our view is sufficient for a potential fine.

Third, we recently turned more positive on European wholesale banking activities and upgraded BNP Paribas to a Buy on the back of accelerated corporate loan demand in the South of Europe, which means we now rate all French banks in our coverage as Buy. For **ING, wholesale banking represented 32% of 2017 group revenues, which is one of the highest exposures across European banks as shown in chart 19.**

Chart 19: Split of wholesale and retail revenues as a % of total, 2017



Source: Jefferies estimates, company data

However, ING's exposure is more skewed to global growth than its French peers. For illustration, 65% of SG's wholesale bank revenues are European vs 47% for ING. As illustrated in table 7 from ING's investor day in October 2016, ING's exposure is well diversified around regions and activities. Some investors could be worried about the group's exposure to global growth and energy post the recent announcement from US authorities on additional trade barriers. In our forecasts, we assume a 9% Net Income CAGR and on average an 11% RONE on normalised CE1 of 12%.

Table 7: Wholesale banking Industry lending breakdown per activities and regions

Q2-2016	Eurozone	UK	West. EU	North US	LATAM	CEE	MEA	China	Asia, ex China	Total
Energy	**7.1%**	2.7%	1.9%	7.3%	1.2%	3.2%	1.9%	1.4%	5.0%	**31.8%**
Real Estate Finance	**18.3%**	2.0%	0.1%	0.7%	0.0%	0.8%	0.0%	0.4%	0.3%	**22.7%**
Trade & Export	2.3%	2.0%	4.6%	2.8%	2.1%	2.7%	1.6%	2.4%	**6.6%**	**27.1%**
Specialized Finance	4.0%	1.9%	0.1%	**10.3%**	0.2%	0.8%	0.2%	0.1%	0.8%	**18.4%**
Total	**31.7%**	**8.7%**	**6.7%**	**21.1%**	**3.4%**	**7.6%**	**3.6%**	**4.3%**	**12.9%**	

Source: Jefferies, company data

Fourth, there have been no changes in consensus. The consensus collected by the company pre and post Q4 results has not changed much and remains static for 2018. This might be due to a lack of momentum as we are aware that H1 2018 will be low in terms

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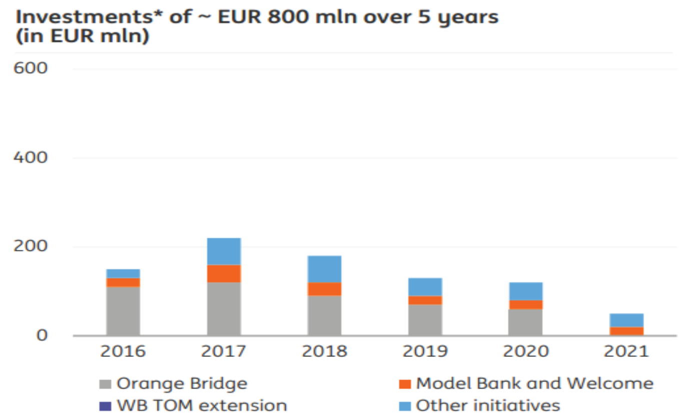
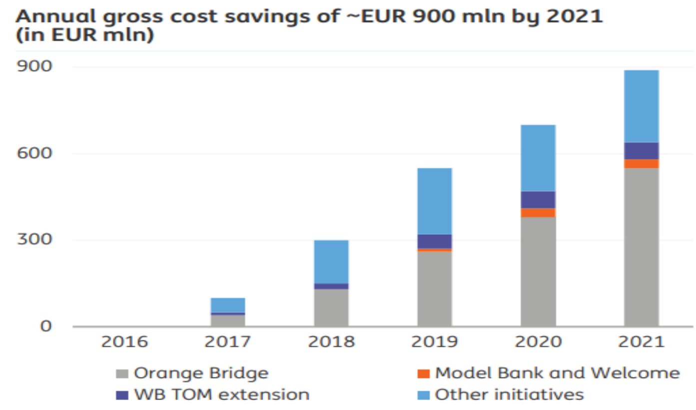
of news flow, except for the potential update on the litigation case. But, we expect crystallisation of synergies by the end of 2018 or beginning of 2019 (chart 21), post the largest investment made in 2017 (chart 20) and growth in most divisions supported by its online strategy.

Chart 20: Investments (2016-2021)



Source: Company Data, Investor day 2016

Chart 21: Gross cost savings (2016-2021)



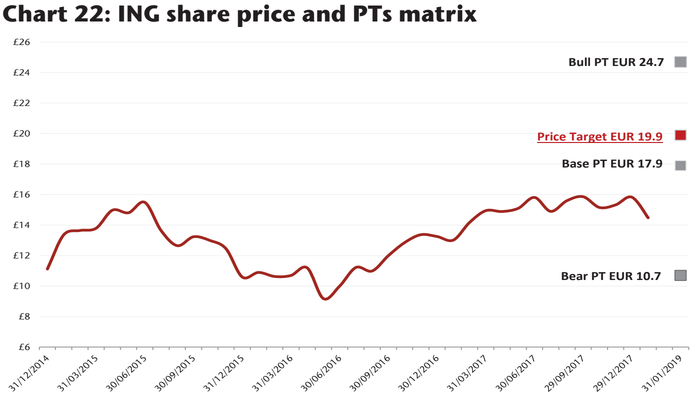
Source: Company Data, Investor day 2016

Overall, 67% of analysts have ING on a BUY with an average PT of €17.12. Our PT of €19.9 offers c40% upside potential.

Risks to our investment case: delays in the implementation of group digital strategy, a cyber-attack and, as is the case with all our banks in the Benelux coverage, a potentially slower pace of dividend increases to appease the public authorities and public. On the upside, we have not yet fully factored in proposed corporate tax changes in the Netherlands as they are yet to be approved by the Parliament.

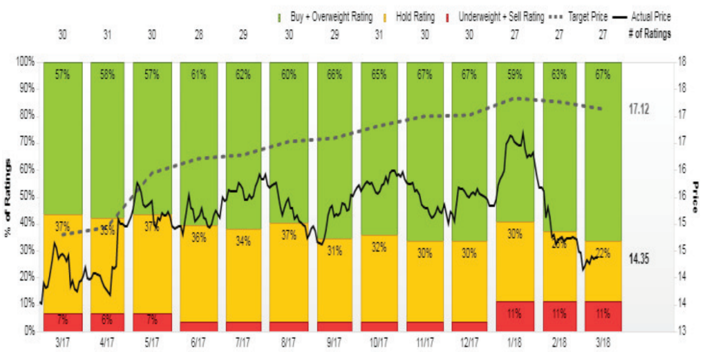
Valuation: ING trades on 1.1x 2018E TNAV with a 2020E adj RoTE of 11.6%; so it trades at a 10% discount to the European banks average. It trades on 10.7x its 2018E earnings and offers a 5.2% dividend yield in 2018E.

Chart 22: ING share price and PTs matrix



Source: Jefferies estimates, Factset

Chart 23: ING analysts rating in the past 12 months



Source: Factset

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KBC (KBC BRU, Hold)

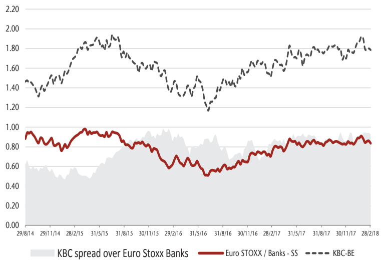
Flight to quality but at a cost

Key takeaway

KBC remains a flight-to-quality name with an average RoTE of 16% estimated over the next three years. Post good Q4 results, we are upgrading our earnings by 8.8% in 2018, 2.7% in 2019 and 0.9% by 2020. Consequently, we upgrade our PT to €77.1, i.e. 2.5% upside potential. The large hike in our 2018 earnings forecast is due to new guidance on a provision write-back of €100-€150m in Ireland; adjusting for this one-off item, the underlying increase is 1.5%. Other underlying earnings changes come from a lower cost of risk in 2018, the full benefit of UBB's acquisition and the good support from activities in the Czech Republic. We keep our Hold rating as we forecast limited earnings growth versus peers: we expect a 1.5% CAGR adj EPS over the coming three years compared to an average 11.9% for French banks and 6% for ING.

Our earnings forecasts are +3% ahead of group consensus for 2018, -1% below in 2019 and +2% higher for 2020. KBC's operating growth comes from its international activities and, as the contribution from CEE activities grows, we forecast gross operating income to increase by 3.2%. However, the normalization of the cost of risk erodes more than half the gross operating growth especially once the write-back of provisions in Ireland comes to an end.

Chart 24: P/Book multiple



Source: Factset

In terms of valuation, KBC trades on 1.9x 2018E P/TNAV with 16.7% 2020E RoTE, i.e. a 9.2% premium to the European average, a premium that we view as rational considering the group's earning quality and corporate governance, both of which have stayed stable over the last 12 months.

Management has slightly adjusted its capital guidance and is now aiming for a 16% CET 1 ratio, which means a 14% minimum plus 200bp of capital for some potential acquisitions. The company also guides for a Basel IV hit of 130bps, or 8% RWA inflation, before any mitigation effects on a static balance sheet. In terms of capital return to shareholders, management maintains its cautious approach of at least a 50% pay-out ratio, which will be reviewed annually.

All Benelux banks have kept a low profile on capital distribution despite a lower-than-expected impact from the Basel IV reforms. In our view, this cautious approach is because all Benelux banks were rescued by the state and are managing their relationships with the public authorities/regulators carefully, while maintaining their image with the public/customers. Consequently, we believe management will keep a clear focus on external growth options in order to boost the group's earnings growth as this will be easier than justifying a large buy-back program or super dividends. Based on this, we have assumed a limited pay-out ratio increase to 60% in 2018 accelerating to 85% by 2020 in the case of limited acquisitions.

Risks to our investment case: an accelerated cost of risk in the CEE region and a lower-than-expected provision write-back in Ireland. There is also a potential risk of a lower dividend pay-out to appease the authorities and public.

Valuation: KBC trades on 11.3x 2018E P/E and offers a 4.8% dividend yield in 2018E.

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Valuation

We applied several valuation methodologies – P/E, P/TBV (Gordons Growth), P/PPP and sum of the parts.

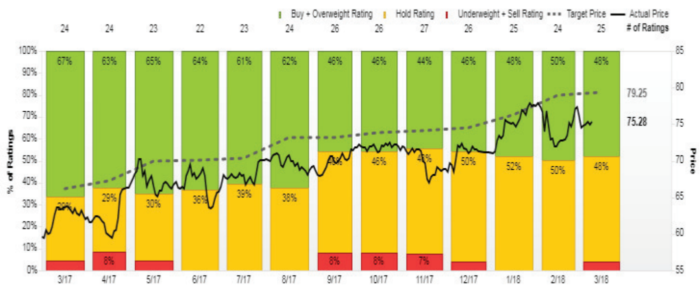
KBC (Hold, PT €77.1)

KBC's PT is revised to €77.1 from €73.8 and offers 2.5% upside. The valuation blend is based on a mix of 50% Base, 20% Bear and 30% Bull cases. We applied a structural premium of 10%. Analysts' PT is €79.25 and it is a Buy rating for 48% of analysts.

Chart 25: KBC share price and PTs matrix

Source: Jefferies estimates, Factset

Chart 26: KBC Analysts rating in the past 12 months



Source: Factset

KBC trades on 1.9x 2018E TNAV with a 2020E adj RoTE of 16.7%. It trades on 11.3x its 2018E earnings and offers a 4.8% dividend yield in 2018E.

Table 8: KBC valuation matrix

	Price	P/E 2017E	P/E 2018E	P/TBV 2017E	EPS 2017	EPS 2018	TBVps 2017
Target price	**77.1**	**12.4x**	**12.9x**	**2.04x**	**6.22**	**6.00**	**37.71**
Bull	**98.7**	**15.9x**	**12.1x**	**2.62x**	**6.22**	**8.18**	**37.71**
Base	**81.4**	**13.1x**	**13.6x**	**2.16x**	**6.22**	**6.00**	**37.71**
Bear	**33.8**	**5.4x**	**29.8x**	**0.90x**	**6.22**	**1.13**	**37.71**

Source: Jefferies estimates, company data

We increase KBC's PT by 4% to €77.1 post Q4 results. Overall, our PBT forecast is up +8.8% in 2018, +2.7% in 2019 and +0.9% in 2020. The pick-up in our 2018 forecast is due to more write-backs in the Irish business and an overall lower cost of risk across all divisions combined with better cost management.

2017–2020 CAGR is up 1% on a net income basis or down 1.4% on a pre-tax basis. On a PBT basis, Belgium is down by 1.2% but benefits from a better tax rate hence on a net income basis it is up by 1.1%. In CZ, PBT CAGR is -0.8% as, despite further hikes, we expect volumes to slow and the cost of risks to normalise. International retail PBT is up by 1.6% with most growth coming from Bulgaria, at 15.8%, post the UBB acquisition.

Post AT1, EPS CAGR is +1% or +1.5% on a clean basis. We forecast a 2020 CET1 of 16.4% post dividend distribution between 60% in 2018 and 85% in 2020, leaving excess capital of €3.7bn against a 14% normalised CET1 requirement.

Table 9: KBC earnings changes

	2018	% change	2019	% change	2020	% change	CAGR 2017-2020
Total income	7,663	*-0.5%*	7,904	*-1.3%*	8,436	*-1.9%*	3%
Operating expenses	-4,165	*-4.5%*	-4,257	*-4.6%*	-4,444	*-4.6%*	3%
Gross operating profit	**3,498**	***4.8%***	**3,647**	***2.9%***	**3,992**	***1.3%***	**3%**
Cost of Risk	-111	*-51.3%*	-365	*4.5%*	-510	*4.6%*	-364%
Operating income	**3,388**	***8.9%***	**3,282**	***2.7%***	**3,482**	***0.9%***	**-2%**
Equity affiliates	26	*0.0%*	26	*0.0%*	26	*0.0%*	45%
Pre-tax income	**3,414**	***8.8%***	**3,308**	***2.6%***	**3,508**	***0.9%***	**-1%**
Taxation	-853	*8.9%*	-827	*2.6%*	-772	*0.9%*	-9%
Net Income	**2,560**	***8.8%***	**2,481**	***2.7%***	**2,737**	***0.9%***	**1%**

Source: Jefferies estimates

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ABN AMRO (ABN AM, Hold)

Lost in communication

Key takeaway

We maintain our Hold rating on ABN as we believe the group equity story remains uncertain after the less than clear messaging on capital redistribution at Q4 results. In our view, management should re-invent the equity story as today ABN AMRO isn't a growth story; we expect a -4.1% adj EPS CAGR. Neither is it a defensive story as capital redistribution remains unclear, nor a restructuring story. We believe that the lack of communication comes from its ties to the Dutch state, which still owns 56% of the group, preventing management making a more challenging arbitrage as it is under close scrutiny by the national press and public. This was the case back in 2015 when the press negatively covered the board's remuneration increase. In our view, the optimal strategy would be a mix of external growth in activities with higher returns, such as specialised financial services.

We believe ABN's stance will change only after the full exit of the Dutch state, a scenario that could take time and, meanwhile, management will be constrained in its ability to make any major pro-shareholder moves, such as high capital redistribution. In our view, management should take advantage of this transition period to continue to reposition the group's strategy and invest in activities that would bring additional growth and better use the group's balance sheet. It could be a case of getting higher exposure to specialised finance that would support the group's NII and improve its exposure to the cycle.

In terms of capital, the group ended 2017 with a 17.7% CET 1 ratio and Basel IV cost, without any optimization, was estimated at between 400-500bp of CET1, plus IFRS 9 will dent the group's capital base by 15pt in Q1-2018. On a pro-forma basis, we estimate a CET 1 of 13%, which is well above the group's minimum requirement of 11.78%. With a management buffer above 150bp, i.e. a 13.5% normalized CET 1 ratio, we estimate an average 150bp of capital generation between 2017 and 2020 with the underlying assumption of 1.9% organic RWA growth and phasing-in of 12%-17% of Basel IV RWA inflation over next three years. Overall, this means that management could invest €5bn of capital after the payment of normal dividend at a pay-out ratio of 50%, and assuming a purchase multiple between 10x–12x this would imply a potential additional earnings of between €200m-€300m of net profit, i.e. 9% of the group's 2017 net profit.

Post Q4 results, we are reducing our earnings estimates by 2.4% in 2018, 1.8% in 2019 and 5.1% in 2020. These small adjustments are driven by lower growth in Retail banking and a bigger stabilisation of the FV adjustment in the corporate centre.

Risks to our investment case: greater dilution than expected from the exit of the Dutch state and a potentially lower dividend pay-out if the negative stance on the financial sector in the Netherlands remains, thus restricting ABN from increasing the capital distribution. On the upside, we have not yet factored in proposed corporate tax changes in the Netherlands as they are yet to be approved by the Parliament. The proposal would move the tax rate from the current 25% to 21% by 2021.

Valuation: ABN trades on 1.2x 2018E TNAV with a 2020E adj RoTE of 11.4%, at a 2.9% discount to the European banks average. It trades on 10.8x 2018E earnings and offers a 4.5% dividend yield in 2018E.

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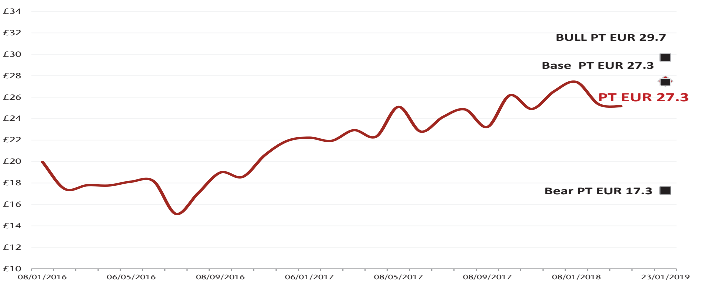
Valuation

We applied several valuation methodologies – P/E, P/TBV (Gordons Growth), P/PPP and sum of the parts.

ABN AMRO (Hold, PT €27.3)

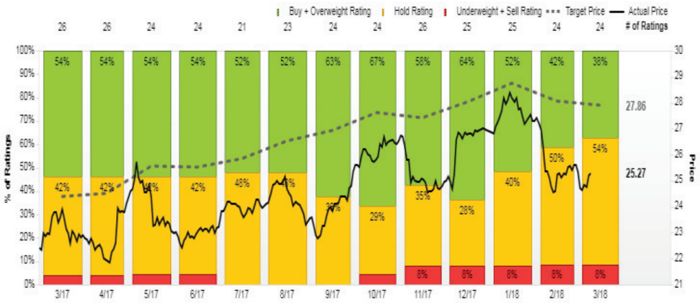
ABN's PT is revised to €27.3 from €26.8 and offers 8.8% upside. The valuation blend is based on a mix of 50% Base, 10% Bear and 40% Bull cases. Analysts' PT is €27.86 and it is a Buy rating for 38% of analysts.

Chart 27: ABN share price and PTs matrix



Source: Jefferies estimates, Factset

Chart 28: ABN Analysts rating in the past 12 months



Source: Factset

ABN trades on 1.2x 2018E TNAV with a 2020E adj RoTE of 11.4%, at a 2.9% discount to the European banks average. It trades on 10.8x 2018E earnings and offers a 4.5% dividend yield in 2018E.

Table 10: ABN Valuation matrix

	Price	P/E 2017E	P/E 2018E	P/TBV 2017E	EPS 2017	EPS 2018	TBVps 2017
Target price	27.3	9.4x	12.1x	1.45x	2.9	2.2	18.8
Bull	29.7	6.0x	6.4x	0.92x	2.9	2.7	18.8
Base	27.3	9.5x	12.2x	1.45x	2.9	2.2	18.8
Bear	17.3	10.3x	23.0x	1.58x	2.9	1.3	18.8

Source: Jefferies estimates, company data

We increased ABN's PT by 1.9% to €27.3 post the Q4 results. Overall, our PBT forecast is down by 2.4% in 2018, 1.8% in 2019 and 5.1% in 2020. Overall, our estimates are down for Retail banking due to continuing revenue pressure, lower volume momentum and the loss in the corporate centre was increased after normalisation of the DVA/CVA charges.

2017-2020 CAGR is down by 5.8% on a net income basis, driven by most divisions: Retail banking -3.7%, Private banking -2% and CIB -5.5%.

Post AT1, EPS CAGR is -6.1% or -4.1% on a clean basis. We forecast a 2020 CET of 17.9% post dividend distribution between 50% in 2018 and 75% in 2020, leaving excess capital of €5bn against a 13.5% normalised CET1 requirement.

Table 11: ABN Earnings changes 2018 -2020

	2018	% change	2019	% change	2020	% change	2017-2020 CAGR
Total Income	**8,673**	**1.0%**	**8,923**	**0.8%**	**9,280**	**2.2%**	**0.0%**
Operating expenses	- 5,345	1.3%	- 5,386	2.2%	- 5,381	3.4%	-1.2%
Gross operating income	**3,328**	**0.4%**	**3,538**	**-1.3%**	**3,898**	**0.5%**	**1.7%**
Cost of risk	- 404	15.0%	- 583	-5.6%	- 788	19.8%	-330.6%
Pre-tax Income	**2,924**	**-1.4%**	**2,955**	**-0.4%**	**3,110**	**-3.4%**	**-6.2%**
Tax	- 731	2.0%	- 739	3.9%	- 778	2.0%	-7.5%
Post-tax income	**2,193**	**-2.4%**	**2,216**	**-1.8%**	**2,333**	**-5.1%**	**-5.8%**

Source: Jefferies estimates

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Appendix – Financial Data

Table 12: ING – P&L, data per share and key financial ratios

	2015	2016	2017	2018E	2019E	2020E
Condensed P&L (€m)						
Total income	**16,552**	**17,458**	**17,706**	**18,573**	**19,922**	**21,610**
ow Domestic retail activities	6,949	7,010	6,942	6,879	7,102	7,635
ow Others retail activities	4,318	4,782	4,919	5,593	6,298	6,912
ow Wholesale activities	5,570	5,608	5,923	5,985	6,374	6,886
ow Corporate Line	- 285	59	- 78	116	147	177
- Clean Revenues	***16,401***	***17,345***	***17,622***	***18,573***	***19,922***	***21,610***
Operating expenses	- 9,246	- 9,456	- 9,829	- 10,110	- 10,003	- 10,397
Gross operating income	**7,306**	**8,002**	**7,877**	**8,462**	**9,918**	**11,213**
Cost of risk	- 1,347	- 974	- 678	- 1,043	- 1,381	- 1,909
Operating income	**5,959**	**7,029**	**7,199**	**7,419**	**8,537**	**9,303**
Others non-operating items	0	0	0	0	0	0
Pre-tax income	**5,959**	**7,029**	**7,199**	**7,419**	**8,537**	**9,303**
- Clean pre-tax income	***6,428***	***7,859***	***8,107***	***8,334***	***8,988***	***9,628***
BANK NET INCOME	**4,529**	**4,177**	**4,957**	**5,284**	**6,126**	**6,778**
Hybrid costs	- 90	- 135	- 133	- 185	- 185	- 185
Non-Bank contribution	- 520	475	- 52	-	-	-
ING GROUP NET INCOME	**3,919**	**4,517**	**4,772**	**5,099**	**5,940**	**6,593**
- ING Group Net income Clean	***4,347***	***5,290***	***5,149***	***5,164***	***5,608***	***6,133***
GROUP Data per share						
Stated EPS (EUR)	1.04	1.20	1.26	1.36	1.58	1.75
Clean EPS (EUR)	1.13	1.37	1.33	1.33	1.45	1.58
Net DPS (EUR)	0.65	0.66	0.67	0.75	0.92	1.05
Pay-out ratio	63%	55%	53%	55%	58%	60%
Dividend Yield	6.4%	4.9%	4.4%	5.1%	6.2%	7.1%
BVPS (EUR)	12.0	12.4	12.6	13.1	13.8	14.4
TBVPS (EUR)	11.6	12.0	12.1	12.7	13.3	14.0
NOSH (avg diluted) (m)	3,862	3,873	3,878	3,878	3,878	3,878
GROUP Equity						
Stated RoE	8.6%	9.6%	9.8%	10.2%	11.4%	12.1%
Clean RoE	9.5%	11.2%	10.6%	10.4%	10.8%	11.2%
Stated RoTE	9.1%	9.9%	10.2%	10.6%	11.8%	12.5%
Clean RoTE	10.1%	11.6%	11.0%	10.7%	11.1%	11.6%
GROUP Capital & Solvency (€ bn)						
CET1 capital FL B3	40.8	44.6	45.6	47.7	50.1	52.7
CET1 ratio FL B3	12.7%	14.2%	14.7%	14.2%	14.1%	13.9%
FL B3 RWAs	321.2	314.3	309.9	335.7	356.6	378.6
Tier 1 FL B3 Capital	47.4	52.3	50.7	52.9	55.3	57.8
Tier 1 FL B3 ratio	14.7%	16.6%	16.4%	15.8%	15.5%	15.3%
Capital Rotation (Rev./CET 1 Cap)	40.6%	39.2%	38.9%	38.9%	39.7%	41.0%
Group Key financial ratios						
Stated Revenues/average assets	1.83%	1.92%	2.05%	2.16%	2.24%	2.34%
Clean Revenues/average Assets	1.81%	1.90%	2.04%	2.16%	2.24%	2.34%
Stated Revenues/average RWA	5.28%	5.52%	5.71%	5.75%	5.76%	5.88%
Clean Revenues/average RWA	5.23%	5.49%	5.68%	5.75%	5.76%	5.88%
Stated Cost/Income	55.9%	54.2%	55.5%	54.4%	50.2%	48.1%
Clean Cost/Income	56.4%	54.0%	55.3%	54.4%	52.6%	51.0%
Stated LLP/avg loans	0.25%	0.18%	0.12%	0.18%	0.23%	0.30%
Stated LLP/avg RWA	0.43%	0.31%	0.22%	0.32%	0.40%	0.52%
Loss absorption ratio vs Avg loans	1.73%	1.72%	1.73%	1.73%	1.65%	1.65%
NII/average assets	1.34%	1.46%	1.54%	1.64%	1.75%	1.85%

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Table 12: ING – P&L, data per share and key financial ratios

	2015	2016	2017	2018E	2019E	2020E
Group Key balance sheet items (€bn)						
Loans and receivables due from customers	537	564	575	594	617	641
Intangibles	1.6	1.5	1.5	1.5	1.5	1.5
TOTAL ASSETS	842	1,042	846	873	905	938
Due to customers	509	523	540	553	570	584
Total minority interests	0.6	0.6	0.7	0.7	0.7	0.7
Ordinary shareholders' equity	47.8	49.8	50.4	52.8	55.6	58.5
Asset Quality						
NPL's / gross total loans (ex repos)	3%	2%	2%	2%	2%	2%
Coverage Ratio	38%	40%	40%	39%	39%	39%
GROUP Free cash flow (€bn)						
Gross free cash flow	1.4	5.4	5.3	2.1	3.5	4.0
Gross free cash flow / RWAs	0.4%	1.7%	1.7%	0.6%	1.0%	1.1%
Net free cash flow	- 1.2	2.8	2.7	- 0.8	- 0.1	- 0.1
Net free cash flow / RWAs	-0.4%	0.9%	0.9%	-0.2%	0.0%	0.0%
Growth YoY (%)						
Revenues	**8%**	**5%**	**1%**	**5%**	**7%**	**8%**
Costs	3%	2%	4%	3%	-1%	4%
Gross Operating profit	**16%**	**10%**	**-2%**	**7%**	**17%**	**13%**
Provisions	-15%	-28%	-30%	54%	32%	38%
Operating profit	**26%**	**18%**	**2%**	**3%**	**15%**	**9%**
Pre-tax profit	26%	18%	2%	3%	15%	9%
Bank Net Income	**74%**	**-8%**	**19%**	**7%**	**16%**	**11%**
Group Net income	**213%**	**15%**	**6%**	**7%**	**17%**	**11%**
Customer loans						
Total Assets	-15.2%	23.7%	-18.8%	3.2%	3.7%	3.6%
Due to customers	4.0%	2.8%	3.2%	2.5%	3.0%	2.5%
CET1 capital FL B3	27.5%	9.3%	2.2%	4.8%	5.0%	5.0%
FL B3 RWAs	6.8%	-2.1%	-1.4%	8.3%	6.2%	6.2%
EPS	218.8%	15.7%	5.3%	7.7%	15.9%	10.6%
DPS	441.7%	1.5%	1.5%	11.9%	22.3%	14.5%
TNAV per share	7.1%	4.1%	0.8%	4.7%	4.8%	4.9%

Source: Jefferies estimates, company data

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Table 13: KBC – P&L, data per share and key financial ratios

KBC Summary	2015	2016	2017	2018	2019	2020
Condensed P&L (€m)						
Total Income	**7,151**	**7,206**	**7,699**	**7,663**	**7,904**	**8,436**
ow Belgium	4,882	4,679	4,952	4,794	4,894	5,208
ow Czech Republic	1,278	1,332	1,490	1,447	1,537	1,625
ow Hungary	541	514	514	549	582	617
ow Slovakia	317	328	320	339	362	386
ow Bulgaria	82	84	173	262	277	303
ow Ireland	138	199	244	168	286	305
- Clean Revenues	***7,151***	***7,206***	***7,815***	***7,663***	***7,904***	***8,436***
Operating Expense	-3,943	-4,072	-4,165	-4,257	-4,444	-4,217
Gross Operating Income	**3,208**	**3,134**	**3,650**	**3,407**	**3,460**	**4,220**
Cost of risk	-752	-201	28	-111	-365	-510
Operating Income	**2,511**	**3,062**	**3,655**	**3,388**	**3,282**	**3,482**
Others non-operating items	18	29	9	26	26	26
Pre-tax income	**2,529**	**3,091**	**3,664**	**3,414**	**3,308**	**3,508**
- Clean pre-tax income	***2,529***	***3,123***	***3,814***	***3,661***	***3,566***	***3,781***
Net Income	**2,634**	**2,429**	**2,655**	**2,560**	**2,481**	**2,737**
AT1 cost	-52	-52	-52	-52	-52	-52
Group Net Income	**2,582**	**2,377**	**2,603**	**2,508**	**2,429**	**2,685**
- Clean Group Net Income	***1,819***	***2,259***	***2,770***	***2,694***	***2,623***	***2,898***
Group Data per share						
Stated EPS (EUR)	6.18	5.69	6.22	6.00	5.81	6.42
Clean EPS (EUR)	4.36	5.41	6.62	6.44	6.27	6.93
NET DPS (EUR)	2.00	2.80	3.00	3.60	4.94	5.45
Pay-out ratio	34%	50%	49%	60%	85%	85%
Dividend yield	4.4%	4.2%	4.2%	4.8%	6.6%	7.3%
BVPS (EUR)	34.51	37.41	40.59	42.98	43.85	44.81
TBVPS (EUR)	32.21	35.02	37.71	40.10	40.97	41.93
Nosh (avr diluted) (m)	418	418	418	418	418	418
EQUITY RATIOS						
Stated RoTE	20.4%	16.9%	17.1%	15.4%	14.3%	15.5%
Stated RoE	18.8%	15.8%	16.0%	14.4%	13.4%	14.5%
Clean RoTE	14.4%	16.1%	18.2%	16.6%	15.5%	16.7%
Clean RoE	13.2%	15.0%	17.0%	15.4%	14.4%	15.6%
Capital & Solvency under Danish compromise						
CET1 capital (EURmn)	13,247	13,887	14,774	15,460	15,876	16,331
CET1 ratio (%)	14.9%	15.8%	16.0%	16.4%	16.3%	16.4%
RWAS	89,066	87,781	92,409	94,541	97,209	99,741
Tier 1 capital	14,647	15,287	16,174	16,860	17,276	17,731
Tier 1 ratio	16.4%	17.4%	17.5%	17.8%	17.8%	17.8%
Capital rotation (Rev./CET1 cap)	0.54	0.52	0.52	0.50	0.50	0.52
Group Key financial ratios						
Stated Revenues/average assets	5.6%	1.7%	2.0%	1.9%	1.8%	1.9%
Clean Revenues/average Assets	5.6%	5.5%	5.7%	5.4%	5.4%	5.6%
Stated Revenues/average RWA	8.9%	9.1%	9.5%	9.1%	9.1%	9.5%
Clean Revenues/average RWA	8.9%	9.1%	9.7%	9.1%	9.1%	9.5%
Stated Cost/Income	54.4%	54.7%	52.9%	54.4%	53.9%	52.7%
Clean Cost/Income	54.4%	54.3%	48.9%	51.1%	50.6%	49.4%
Stated LLP/avg loans	0.59%	0.15%	-0.02%	0.08%	0.25%	0.34%
Stated LLP/avg RWA	0.94%	0.25%	-0.03%	0.13%	0.42%	0.57%
Loss absorption ratio vs Avg loans	2.6%	2.5%	2.6%	2.4%	2.5%	2.6%
NII/average assets	3.37%	3.26%	3.01%	3.25%	3.34%	3.42%
Group Key balance sheet items (€mn)						
Customer loans	127,820	133,120	140,999	145,354	149,474	153,398
TOTAL ASSETS	252,356	275,199	292,342	300,869	309,652	318,698
Due to customers	161,241	177,421	195,023	206,075	218,129	231,259
Total minority interests	0	0	0	0	0	0

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Table 13: KBC – P&L, data per share and key financial ratios

KBC Summary	2015	2016	2017	2018	2019	2020
Ordinary shareholders' equity	14,410	15,627	16,978	17,981	18,345	18,748
GROUP Free cash flow (€bn)						
Gross free cash flow		2,575	2,127	2,317	2,177	2,448
Gross free cash flow / RWAs		2.9%	2.3%	2.5%	2.2%	2.5%
Net free cash flow		1,404	873	812	112	166
Net free cash flow / RWAs		1.6%	0.9%	0.9%	0.1%	0.2%
Growth YoY (%)						
Revenue		0.8%	6.8%	-0.5%	3.1%	6.7%
Costs		3.3%	2.3%	2.2%	4.4%	-5.1%
Gross operating profit		-2.3%	16.4%	-6.7%	1.6%	22.0%
Provisions		-73.3%	-113.8%	-497.6%	230.0%	39.7%
Operating profit		22.0%	19.4%	-7.3%	-3.1%	6.1%
Pre-tax profit		22.2%	18.5%	-6.8%	-3.1%	6.1%
Group Net income		-8.0%	9.5%	-3.6%	-3.2%	10.5%
Total assets		9.1%	6.2%	2.9%	2.9%	2.9%
Customer loans		4.1%	5.9%	3.1%	2.8%	2.6%
CET1 capital		4.8%	6.4%	4.6%	2.7%	2.9%
RWAs		-1.4%	5.3%	2.3%	2.8%	2.6%
EPS		-8.0%	9.4%	-3.7%	-3.2%	10.5%
DPS		40.0%	7.1%	19.9%	37.2%	10.5%
TNAV per share		8.7%	7.7%	6.3%	2.2%	2.3%

Source: Jefferies estimates, company data

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Table 14: ABN – P&L, data per share and key financial ratios

ABN AMRO Summary	2015	2016	2017	2018E	2019E	2020E
Condensed P&L (€m)						
Total income	**8,455**	**8,588**	**9,290**	**8,673**	**8,923**	**9,280**
ow Domestic retail activities	3,853	3,959	3,995	3,868	3,962	4,181
ow Private banking	1,310	1,315	1,539	1,326	1,342	1,379
ow Wholesale activities	3,120	3,207	3,517	3,440	3,580	3,680
ow Corporate Line	172	108	238	40	40	40
- Clean Revenues	***8,503***	***8,471***	***8,758***	***8,673***	***8,923***	***9,280***
Operating expenses	- 5,228	- 5,657	- 5,580	- 5,345	- 5,386	- 5,381
Gross operating income	**3,275**	**2,814**	**3,178**	**3,328**	**3,538**	**3,898**
Cost of risk	- 505	- 114	64	- 404	- 583	- 788
Operating income	**2,770**	**2,700**	**3,242**	**2,924**	**2,955**	**3,110**
Others non-operating items	-	-	-	-	-	-
Pre-tax income	**2,722**	**2,817**	**3,774**	**2,924**	**2,955**	**3,110**
- Clean pre-tax income	***2,682***	***2,832***	***3,531***	***3,024***	***3,055***	***3,210***
BANK NET INCOME	**1,924**	**1,806**	**2,793**	**2,193**	**2,216**	**2,333**
Hybrid costs	-22	-43	-52	-79	-79	-79
ABN GROUP NET INCOME	**1,902**	**1,762**	**2,723**	**2,114**	**2,137**	**2,254**
- ABN Group Net income Clean	1,875	1,700	2,640	2,189	2,212	2,329
GROUP Data per share						
Stated EPS (EUR)	2.02	1.87	2.90	2.25	2.27	2.40
Clean EPS (EUR)	1.99	1.81	2.81	2.33	2.35	2.48
Net DPS (EUR)	0.81	0.84	1.45	1.12	1.48	1.80
Pay-out ratio	40%	45%	50%	50%	65%	75%
Dividend Yield	3.9%	4.0%	5.4%	4.5%	5.9%	7.2%
BVPS (EUR)	17.2	18.6	19.7	20.9	21.7	22.3
TBVPS (EUR)	16.9	18.4	19.5	20.6	21.4	22.0
NOSH (avg diluted) (m)	940	940	940	940	940	940
GROUP Equity						
Stated RoE	12.3%	10.5%	15.1%	11.1%	10.7%	10.9%
Clean RoE	12.1%	10.1%	14.6%	11.5%	11.1%	11.3%
Stated RoTE	12.5%	10.6%	15.3%	11.2%	10.8%	11.0%
Clean RoTE	12.3%	10.3%	14.8%	11.6%	11.2%	11.4%
GROUP Capital & Solvency (€m)						
CET1 capital	16,768	17,775	18,792	19,690	20,438	21,002
CET1 ratio	15.5%	17.1%	17.7%	17.9%	17.9%	17.9%
RWAs	108,001	104,215	106,100	110,164	113,930	117,478
Tier 1 capital	18,226	18,605	19,617	20,515	21,263	21,827
Tier 1 ratio	16.9%	17.9%	18.5%	18.6%	18.7%	18.6%
Leverage exposure	464,657	480,106	486,677	491,544	496,459	501,424
Tier 1 Leverage ratio	3.8%	3.9%	4.0%	4.2%	4.3%	4.4%
Group Key financial ratios						
Stated Revenues/average assets	3.71%	3.53%	3.76%	3.47%	3.52%	3.59%
Clean Revenues/average Assets	3.73%	3.48%	3.54%	3.47%	3.52%	3.59%
Stated Revenues/average RWA	7.79%	8.09%	8.83%	8.02%	7.96%	8.02%
Clean Revenues/average RWA	7.84%	7.98%	8.33%	8.02%	7.96%	8.02%
Stated Cost/Income	61.8%	65.9%	60.0%	61.6%	60.4%	58.0%
Clean Cost/Income	61.5%	62.1%	59.5%	60.5%	59.2%	56.9%
Stated LLP/avg loans	0.22%	0.05%	-0.03%	0.16%	0.23%	0.31%
Stated LLP/avg RWA	0.55%	0.36%	0.01%	0.37%	0.52%	0.68%
Loss absorption ratio vs Avg loans	1.42%	1.21%	1.50%	1.33%	1.39%	1.51%
NII/average assets	1.48%	1.57%	1.64%	1.70%	1.80%	1.85%
Group Key balance sheet items (€m)						
Loans and receivables due from customers	276,375	267,679	274,906	251,604	256,124	260,736
TOTAL ASSETS	407,373	394,482	393,171	372,234	379,167	386,240
Due to customers	247,353	228,758	236,699	241,433	246,262	251,187
Capital securities	1,004	1,004	2,007	2,007	2,007	2,007
Ordinary shareholders' equity	16,564	17,928	19,303	- 2,027	- 2,027	- 2,027

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Table 14: ABN – P&L, data per share and key financial ratios

ABN AMRO Summary	2015	2016	2017	2018E	2019E	2020E
GROUP Free cash flow (€m)						
Gross free cash flow	- 1,985	2,273	2,468	1,566	1,629	1,775
Gross free cash flow / RWAs	-1.8%	2.2%	2.3%	1.4%	1.4%	1.5%
Net free cash flow	- 2,749.2	1,483.1	1,108.5	508.5	239.6	84.5
Net free cash flow / RWAs	-2.5%	1.4%	1.0%	0.5%	0.2%	0.1%
Growth YoY (%)						
Revenues	5.0%	1.6%	8.2%	-6.6%	2.9%	4.0%
ow underlying revenues	5.6%	-0.4%	3.4%	-1.0%	2.9%	4.0%
Opex	7.8%	8.2%	-1.4%	-4.2%	0.8%	-0.1%
Gross income	0.6%	-9.2%	26.6%	-10.3%	6.3%	10.2%
Cost of risk	-56.8%	-77.4%	-156.2%	-729.1%	44.2%	35.2%
Operating income	33.7%	3.5%	34.0%	-22.5%	1.0%	5.3%
Net Income	69.4%	-6.1%	54.7%	-21.5%	1.0%	5.3%
Customer loans						
Total Assets	-1.5%	-3.2%	-0.3%	-5.3%	1.9%	1.9%
Due to customers	-4.3%	-3.1%	2.7%	-8.5%	1.8%	1.8%
CET1 capital	6.8%	6.0%	5.7%	4.8%	3.8%	2.8%
RWAs	-0.9%	-3.5%	1.8%	3.8%	3.4%	3.1%
EPS	67.6%	-7.4%	54.5%	-22.4%	1.1%	5.5%
DPS	90.4%	3.7%	72.2%	-22.3%	31.4%	21.7%
TNAV per share	8.7%	8.7%	6.1%	5.8%	3.9%	2.8%

Source: Jefferies estimates, company data

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ABN AMRO

Hold: €27.3 Price Target in 12 months

Scenarios

Base Case

- 2020E EPS €2.40 with -4.1% underlying CAGR 2017/2020E
- Growth net income breakdown: domestic retail -3.7%, private banking -2%, wholesale bank -5.5% , which is -5.8% for the group
- 2020E C/I ratio 58%
- 2020E Dividend €1.8 assuming a 75% payout ratio
- 2020E group RoTE 11%
- 2020E Retail RoE 27%, PB 28%, Wholesale 9.1%
- 2020E CET1 ratio = 17.9%
- 2020E RWA €117.5bn
- Price target = €27.3 by 2019, 9% upside
- **Weighted PT in 12 months: €27.3, 9% upside** (10% Bear case, 50% Base case, 40% Bull case)

Bull Case

- 2020E EPS €3.32 with 6.6% underlying CAGR
- Growth breakdown: domestic retail 6.5%, private banking 7.4%, wholesale bank 5.2% and 4.6% for the whole group
- 2020E C/I ratio 52.3%
- 2020E Dividend €2.49 assuming a 75% payout ratio
- 2020E group RoTE 14.9%,
- 2020E Retail RoE 38%, PB 36%, Wholesale 11.5%
- 2020E CET1 ratio = 17.8%
- 2020E RWA €121.8bn

Price target = €29.7 by 2019, 18% upside

Bear Case

- 2020E EPS €1.40 with -19.2% underlying CAGR
- 2020E C/I ratio 64.8%
- 2020E Dividend €1.05 assuming a 75% payout ratio
- 2020E group RoTE 6.8%
- 2020E Retail RoE 16%, PB 14%, Wholesale 6.3%
- 2020E CET1 ratio = 17.3%,
- 2020E RWA €115bn
- Price target = €17.3 by 2019, 31% downside;

Investment Thesis / Where We Differ

- Material increase in capital distribution on hold due to management's cautious stance, which we believe is due to its ownership by the Dutch state and the public perception on bail-out banks deterring management from returning capital to shareholders in a way that could be seen as negative
- Earnings: we expect no revenue growth between 2017-2020E but costs down by 1.2% with some gains in retail banking and private banking, revenues up by 1.9% on an underlying basis and a normalization of group cost of risk from -3bp in 2017 to 16bp in 2020E

Catalysts

- 8 May – Q1 2018 results
- Potential strategy update by the end of 2018

Long Term Analysis

Long Term Financial Model Drivers

B3 CET1 Ratio (2020e)	**17.9%**
Adjusted Revenue Growth (2017E-2020e)	**1.9%**
Adjusted Cost Income Ratio (2020e)	**56.9%**
Loan Growth (2017E-2020e)	**1.6%**

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KBC

Hold: €77.1 Price Target in 12 months

Scenarios

Base Case

- 2020E EPS €6.42 with 1.5% underlying CAGR 2017E/2020E
- Growth net income breakdown: 1.1% in Belgium, CZ -0.8%, international markets +1.8%, which makes +1.0% for the group
- 2020E C/I ratio 52.7%
- 2020E Dividend €5.45 assuming 85% payout ratio
- 2020E group RoTE 15.5%
- 2020E Belgium RoE 26.5%, CZ 33.3%, International 19.3%
- 2020E CET1 ratio = 16.4%
- 2020E RWA €99.7bn
- Price target (base) = €81.4 by 2019, 8% upside
- **Weighted PT in 12 months: €77.1, 2.5% downside** (20% Bear case, 50% Base case, 30% Bull case)

Bull Case

- 2020E EPS €9.41 with 14.4% underlying CAGR
- Growth breakdown: 15.6% in Belgium, CZ 4.8%, international markets +18.7%, which makes +14.5% for the group
- 2020E C/I ratio 47.8%
- 2020E Dividend €8 assuming 85% payout ratio
- 2020E group RoTE 21.9%,
- 2020E Belgium RoE 36.5%, CZ 37.5%, International 27.9%
- 2020E CET1 ratio = 16%
- 2020E RWA €106bn
- Price target = €98.7 by 2019, 31% upside

Bear Case

- 2020E EPS €3.38 with -20% underlying CAGR
- 2020E C/I ratio 63.3%
- 2020E Dividend €2.04 assuming 85% payout ratio
- 2020E group RoTE 7.4%
- 2020E Belgium RoE 12.9%, CZ 20.2%, International 12.3%
- 2020E CET1 ratio = 16.6%
- 2020E RWA €90bn
- Price target = €33.8 by 2019, 55% downside

Investment Thesis / Where We Differ

- Material increase in capital distribution on hold due to management's cautious stance, which we believe is due to the public perception on bail-out banks deterring management from returning capital to shareholders in a way that could be seen as negative
- Earnings: we expect 3.1% revenue growth between 2017-2020E but costs also up by 3.0% due to growth in CZ and international retail; revenues up by 2.6% on an underlying basis and a normalization of group cost of risk from -2bp in 2017 to 34bp in 2020E

Catalysts

- 17 May – Q1 2018 results
- Potential M&A in core markets

Long Term Analysis

Long Term Financial Model Drivers

B3 CET1 Ratio (2020e)	**16.4%**
Adjusted Revenue Growth (2017E-2020e)	**2.6%**
Adjusted Cost Income Ratio (2020e)	**49.4%**
Loan Growth (2017E-2020e)	**2.85%**

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Company Description

ABN AMRO Group N.V. provides a full range of commercial banking services for retail, private, and commercial clients. The Bank offers asset management, wealth management, private and retail banking, and investment advisory services.

ING Bank N.V. provides various banking services in the Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia, and Australia. The company operates through Retail Netherlands, Retail Belgium, Retail Germany, Retail Other, and Wholesale Banking segments. It accepts current and savings accounts; and offers business lending, mortgage, and other consumer lending products. The company also provides payments and cash management, corporate finance, real estate, leasing, factoring, and treasury services, as well as equity and debt capital market solutions. It serves individuals, small and medium-sized enterprises, mid-corporates, financial institutions, governments, and supranational bodies. The company was incorporated in 1927 and is headquartered in Amsterdam, the Netherlands. ING Bank N.V. is a subsidiary of ING Groep N.V.

KBC Bank N.V. is a Belgian universal multi-channel bank, focusing on private clients and small and medium-sized enterprises. Besides retail banking, insurance, and asset management activities (in collaboration with sister companies KBC Insurance NV and KBC Asset Management NV), KBC is active in European debt capital markets, domestic cash equity markets and in the field of corporate banking, leasing, factoring, reinsurance, private equity and project and trade finance in Belgium, Central and Eastern Europe and elsewhere (mainly in Europe).

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published , 14:41 ET. March 13, 2018
Recommendation Distributed , 01:00 ET. March 14, 2018

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Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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Other Companies Mentioned in This Report

- BNP Paribas SA (BNP FP: €62.58, BUY)
- Société Générale SA (GLE FP: €45.65, BUY)

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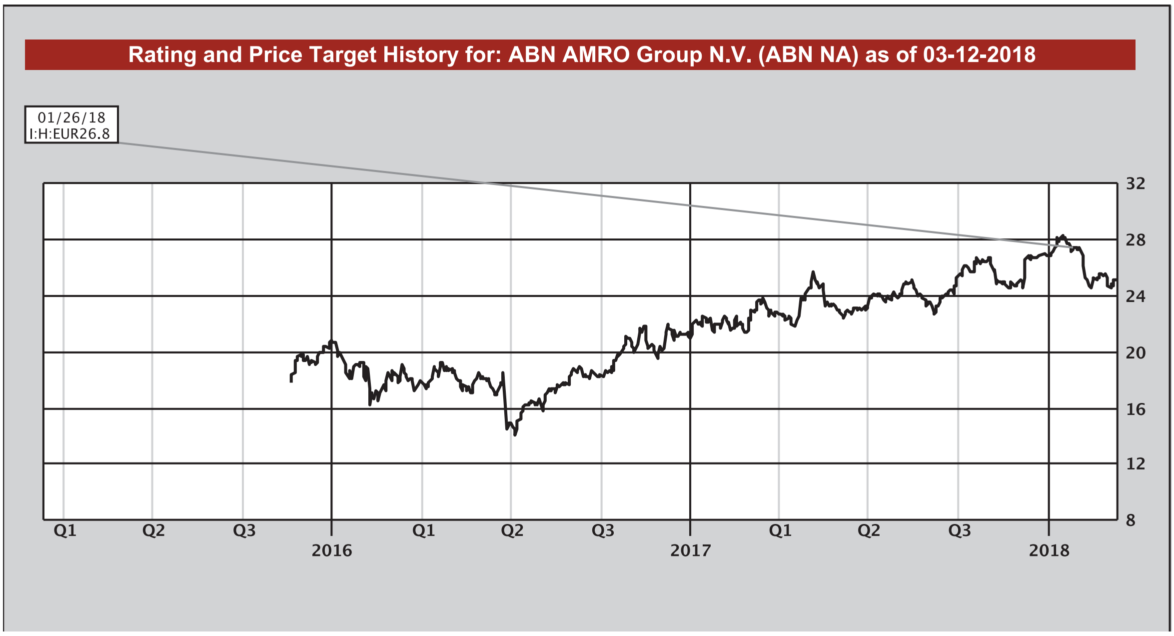

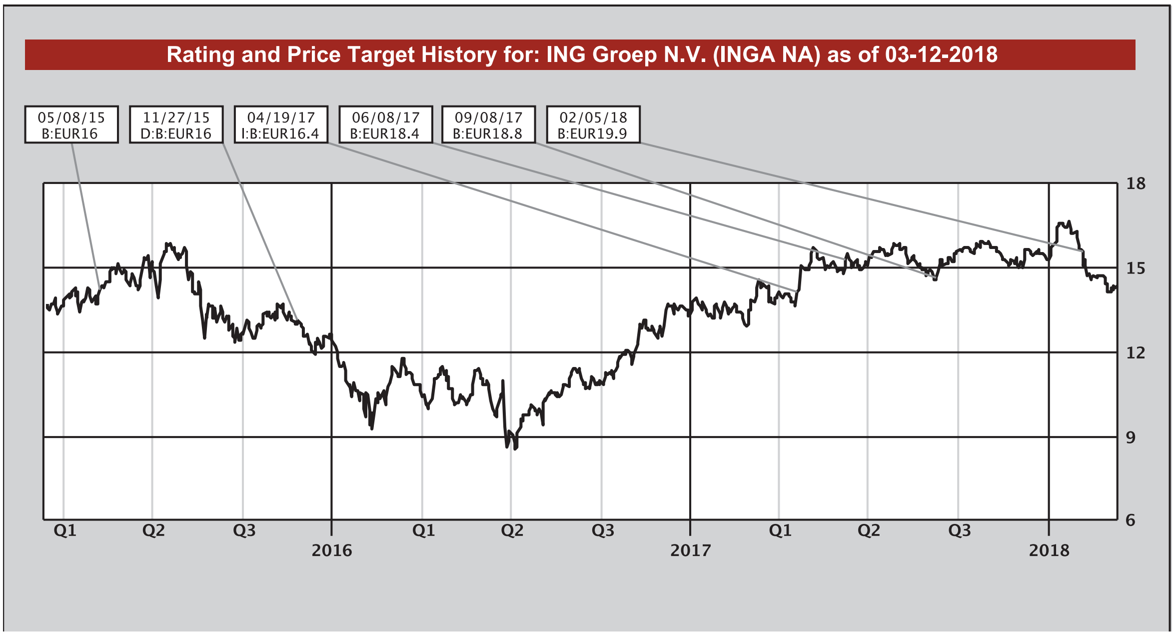

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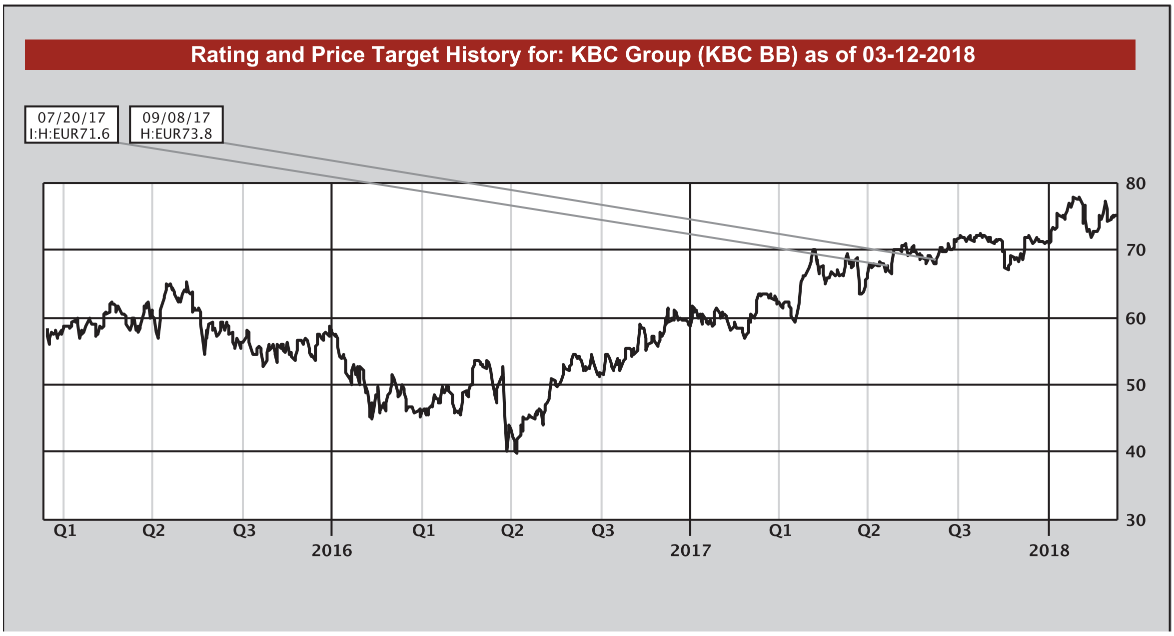

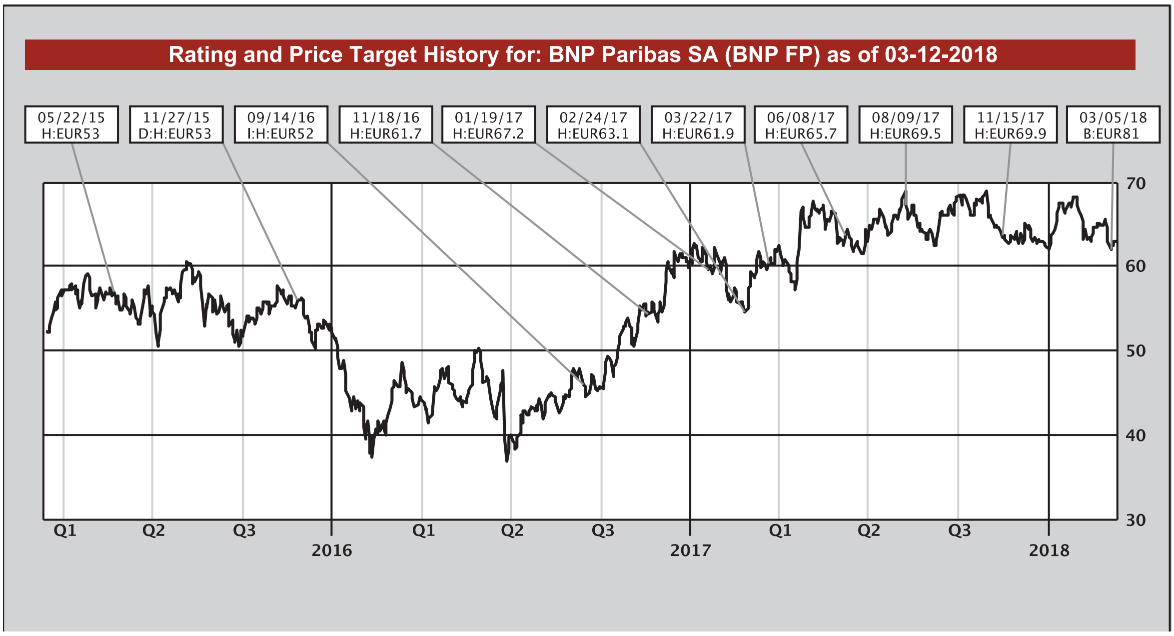

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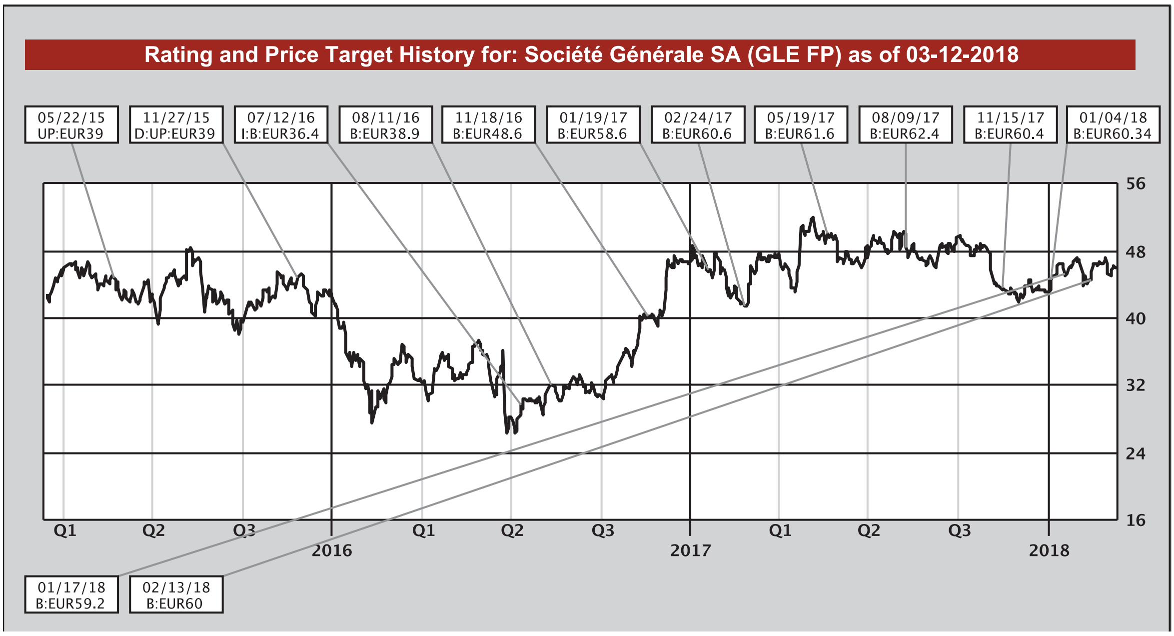

Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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			IB Serv./Past 12 Mos.		JIL Mkt Serv./Past 12 Mos.	
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BUY	1112	53.77%	343	30.85%	70	6.29%
HOLD	814	39.36%	167	20.52%	23	2.83%
UNDERPERFORM	142	6.87%	19	13.38%	2	1.41%

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