KBC GROUP QUARTERLY REPORT 4Q2022

Disclaimer

This document should be read together with the press release of 17 February 2023 "KBC confirms that ČSOB (Czech Republic) was delivered an arbitral award in the arbitration proceedings against ICEC- Holding" , in order for the reader to have a complete view on the 2022 financial results of KBC Group.

KBC GROUP
Report for 4Q2022

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Consolidated financial statements

Additional information

Management certification

'I Luc Popelier, Chief Financial Officer of the KBC Group, certify on behalf of the Executive Committee of KBC Group NV that, to the best of my knowledge, the abbreviated financial statements included in the quarterly report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of KBC Group NV including its consolidated subsidiaries, and that the quarterly report provides a fair view of the main events, the main transactions with related parties in the period under review and their impact on the abbreviated financial statements, and an overview of the main risks and uncertainties for the remainder of the current year.'

Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in this report are, of course, based on assumptions and are contingent on a number of factors that will come into play in the future. Consequently, the actual situation may turn out to be (substantially) different.

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This report contains information that is subject to transparency regulations for listed companies.
Date of release: 9 February 2023

Fourth-quarter result of 818 million euros

KBC Group – overview (consolidated, IFRS)	4Q2022	3Q2022	4Q2021	FY2022	FY2021
Net result (in millions of EUR)	818	776	663	2 864	2 614
Basic earnings per share (in EUR)	1.93	1.83	1.56	6.75	6.15
Breakdown of the net result by business unit (in millions of EUR)*					
Belgium	*525*	*444*	*486*	*1 759*	*1 997*
Czech Republic	*159*	*197*	*198*	*800*	*697*
International Markets	*169*	*147*	*56*	*441*	*127*
Group Centre	*-35*	*-11*	*-77*	*-135*	*-207*
Parent shareholders' equity per share (in EUR, end of period)	46.6	44.5	51.8	46.6	51.8

* At the start of 2022, Ireland was moved from the International Markets Business Unit to the Group Centre in view of the pending sale. Past figures have not been restated.

'Almost a year has now passed since Russia invaded Ukraine and, unfortunately, there is no sign of an end to the war. The tragedy in Ukraine is causing immense human suffering and our heartfelt solidarity goes out to all victims of this conflict. We sincerely hope that a respectful, peaceful and lasting solution can be achieved as soon as possible. The war in Ukraine, alongside other geopolitical uncertainties, is also sending shockwaves throughout the global economy, resulting in high inflation and weighing on economic growth. Given those uncertainties, we have further increased our dedicated reserve for geopolitical and emerging risks, bringing it to 429 million euros at the end of the quarter under review.

Besides these developments, the past few months have also seen us make significant progress in implementing our strategy. Next to finalising the acquisition of Raiffeisenbank Bulgaria in early July, we were able at the end of last week to announce the closing of the sale of substantially all of KBC Bank Ireland's performing loan assets and liabilities to Bank of Ireland Group. In addition, a small portfolio of non-performing mortgages and credit card balances was acquired by Bank of Ireland. The deal marks a major step in KBC's orderly and phased withdrawal from the Irish market.

On the sustainability front, I'm extremely proud that KBC has been awarded the Terra Carta Seal. We are one of only 19 companies worldwide to have received this award in 2022. Whilst this is a clear recognition of our continuous sustainability efforts, we will continue along this path and are now seeking to obtain validation of our climate targets by the Science Based Targets initiative.

As regards our financial results, we generated an excellent net profit of 818 million euros in the last quarter of 2022. Total income benefited from higher levels of net interest income, trading and fair value income and net other income, all of which was partly offset by lower technical insurance income, dividend income and net fee and commission income. Costs were higher (partly seasonal), and we recorded a net impairment charge on our loan book, due in part to an increase in the reserve for geopolitical and emerging risks. Adding the result for this quarter to the one for the first nine months of the year brings our net profit for full-year 2022 to an excellent 2 864 million euros.

Our solvency position remained strong with a fully loaded common equity ratio of 15.4%. For full-year 2022, our Board of Directors has decided to propose a total gross dividend of 4.0 euros per share to the General Meeting of Shareholders for the accounting year 2022 (of which an interim dividend of 1.0 euro per share already paid in November 2022 and the remaining 3.0 euros per share to be paid in May 2023). In line with our announced capital deployment plan for full-year 2022, we envisage to distribute the surplus capital above the fully loaded common equity ratio of 15% (approximately 0.4 billion euros), in the form of share buy-back (subject to ECB approval) and/or an extraordinary interim dividend. The final decision by the Board of Directors will be taken in the first half of 2023. Including the proposed total dividend, AT1 coupon and the surplus capital above the fully loaded common equity ratio of 15%, the pay-out ratio would then amount to approximately 75%.

The closing of the sale of substantially all of KBC Bank Ireland's performing loan assets and liabilities to Bank of Ireland Group will lead to a capital relief of approximately 1 billion euros. We envisage to distribute this 1 billion euros, in the form of share buy-back (subject to ECB approval) and/or an extraordinary interim dividend. The final decision by the Board of Directors will be taken in the first half of 2023.

Lastly we have also updated our three-year financial guidance. Between 2022 and 2025, we are aiming to achieve a compound annual growth rate of approximately 6.0% for total income and approximately 1.8% for operating expenses (excluding bank taxes). Furthermore, we also want to achieve a combined ratio of maximum 92%.

In closing, I would like to thank our customers, our employees, our shareholders and all our other stakeholders for their continuing trust and support.'

Johan Thijs
Chief Executive Officer

The cornerstones of our strategy

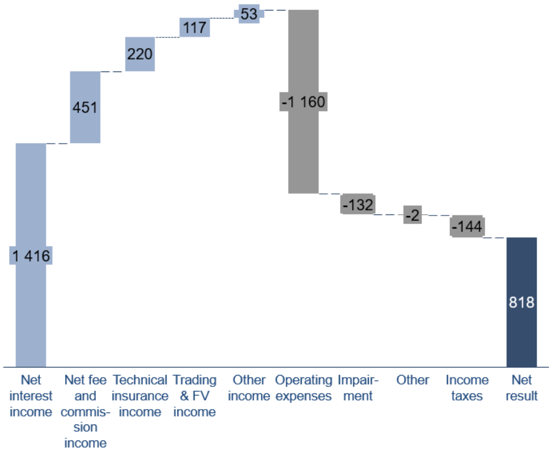
- We place our customers at the centre of everything we do
- We look to offer our customers a unique bank-insurance experience
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth
- We meet our responsibility to society and local economies
- We build upon the PEARL+ values, while focusing on the joint development of solutions, initiatives and ideas within the group

Financial highlights in the fourth quarter of 2022

- **Net interest income** increased by 9% quarter-on-quarter and by 20% year-on-year (17% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The net interest margin for the quarter under review amounted to 2.10%, up 20 basis points quarter-on-quarter and 25 basis points on the year-earlier quarter. Loan volumes went up by 7% year-on-year (stable quarter-on-quarter) and deposits excluding debt certificates increased by 2% quarter-on-quarter and 8% year-on-year. These volume growth figures were calculated on an organic basis (excluding the changes in the scope of consolidation and forex effects).
- Technical income from our **non-life insurance activities** (premiums less charges, plus the ceded reinsurance result) was down 12% on the level recorded in the previous quarter but up 4% on the year-earlier quarter. The year-on-year increase was related to higher premium income and lower technical charges, partially offset by a lower ceded reinsurance result. The combined ratio for 2022 amounted to an excellent 89%. Sales of our **life insurance** products were up 85% and 34% on the level recorded in the previous and year-earlier quarters, respectively.
- **Net fee and commission income** was down 3% on its level in the previous quarter and 6% on the year-earlier quarter (down 9% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The quarter-on-quarter decrease was due mainly to the higher level of distribution fees paid.
- **Trading & fair value result** was more than double its level of the previous quarter and up 156 million euros on the negative 39 million euros recorded in the year-earlier quarter. The quarter-on-quarter increase was attributable primarily to a significantly higher dealing room result and a higher result related to the insurer's equity portfolio.
- **All other income items combined** were up 34 million euros on the figure recorded in the previous quarter, but down 12 million euros on their year-earlier level. The quarter-on-quarter increase was due mainly to an increase in net other income (resulting in part from realised losses on the sale of bonds in the previous quarter).
- **Costs** excluding bank taxes were up 10% on their level in the previous quarter and 11% on their year-earlier level (9% excluding recently consolidated Raiffeisenbank Bulgaria). The cost/income ratio for 2022 amounted to 54%. In that calculation, certain non-operating items have been excluded. Excluding all bank taxes, the cost/income ratio amounted to 48%.
- The quarter under review included an 82-million-euro net **loan loss impairment charge**, compared to a net charge of 79 million euros in the previous quarter, and a net release of 62 million euros in the year-earlier quarter. The net charge in the quarter under review included 40 million euros in respect of the loan book and a 42-million-euro increase in the reserve for geopolitical and emerging risks. As a consequence, the credit cost ratio for 2022 amounted to 0.08%, compared to -0.18% for full-year 2021 (a negative sign implies a positive impact on the results).
- Our **liquidity position** remained strong, with an LCR of 152% and NSFR of 136%. Our **capital base** remained robust, with a fully loaded common equity ratio of 15.4%.

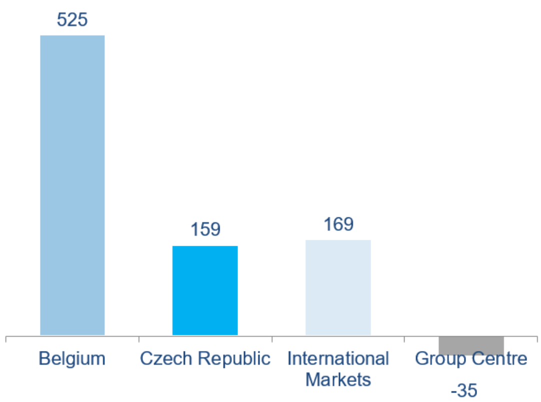
Breakdown of 4Q2022 result

(in millions of EUR)



Contribution of the business units to 4Q2022 group result

(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	4Q2022	3Q2022	2Q2022	1Q2022	4Q2021	FY2022	FY2021
Net interest income	1 416	1 297	1 248	1 200	1 177	5 161	4 451
Non-life insurance (before reinsurance)	224	238	222	197	181	881	782
Earned premiums	*522*	*521*	*503*	*487*	*486*	*2 033*	*1 885*
Technical charges	*-298*	*-284*	*-280*	*-291*	*-305*	*-1 153*	*-1 103*
Life insurance (before reinsurance)	17	50	14	11	10	92	45
Earned premiums	*339*	*268*	*266*	*290*	*375*	*1 163*	*1 196*
Technical charges	*-322*	*-218*	*-252*	*-279*	*-365*	*-1 071*	*-1 150*
Ceded reinsurance result	-21	-7	2	24	15	-2	25
Dividend income	10	22	21	7	9	59	45
Net result from financial instruments at fair value through P&L[1]	117	56	89	143	-39	406	145
Net realised result from debt instruments at fair value through other comprehensive income	-1	-5	-14	-2	1	-22	6
Net fee and commission income	451	463	451	482	479	1 847	1 836
Net other income	44	2	90	54	56	190	223
Total income	2 257	2 115	2 123	2 116	1 887	8 612	7 558
Operating expenses	-1 160	-1 067	-1 071	-1 520	-1 078	-4 818	-4 396
Impairment	-132	-101	-28	-22	16	-284	261
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-82*	*-79*	*-9*	*15*	*62*	*-155*	*334*
Share in results of associated companies & joint ventures	-2	-3	-2	-3	-2	-10	-5
Result before tax	962	945	1 023	571	823	3 500	3 418
Income tax expense	-144	-168	-211	-113	-160	-636	-804
Result after tax	818	776	811	458	663	2 864	2 614
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**818**	**776**	**811**	**458**	**663**	**2 864**	**2 614**
Basic earnings per share (EUR)	1.93	1.83	1.92	1.07	1.56	6.75	6.15
Diluted earnings per share (EUR)	1.93	1.83	1.92	1.07	1.56	6.75	6.15

Key consolidated balance sheet figures, IFRS KBC Group (in millions of EUR)	31-12-2022	30-09-2022	30-06-2022	31-03-2022	31-12-2021
Total assets	355 843	363 528	369 807	369 903	340 346
Loans & advances to customers, excl. reverse repos	178 053	177 100	168 984	164 639	159 728
Securities (equity and debt instruments)	67 582	66 043	66 703	66 789	67 794
Deposits from customers excl. debt certificates & repos	224 407	217 538	217 293	205 896	199 476
Technical provisions, before reinsurance	18 484	18 569	18 817	19 092	18 967
Liabilities under investment contracts, insurance	12 002	11 964	12 153	13 131	13 603
Parent shareholders' equity	19 430	18 540	18 739	21 608	21 577

Selected ratios KBC Group (consolidated)	FY2022	FY2021
Return on equity	14%	13%
Cost/income ratio, group excl. certain non-operating items / excl. full bank taxes	56% 54% / 48%	58% 55% / 51%
Combined ratio, non-life insurance	89%	89%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	15.4% [14.1%]	15.5% [16.8%]
Common equity ratio, FICOD fully loaded [transitional]	14.5% [14.1%]	14.8% [16.1%]
Credit cost ratio[3]	0.08%	-0.18%
Impaired loans ratio	2.1%	2.9%
for loans more than 90 days past due	1.1%	1.5%
Net stable funding ratio (NSFR)	136%	148%
Liquidity coverage ratio (LCR)	152%	167%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 A negative figure indicates a net impairment release (positively affecting results).

Impact of the sales transaction for KBC Bank Ireland's loan and deposit portfolios on the balance sheet: starting in the third quarter of 2021, all assets and liabilities included in disposal groups were moved to 'Non-current assets held for sale and disposal groups' on the assets side of the balance sheet and to 'Liabilities associated with disposal groups' on the liabilities side of the balance sheet (derecognition upon closure of the deals). Impact on the income statement: the results of the disposal groups continue to be included in the relevant P&L lines until derecognition (closure of the deals). Impact on credit cost ratio and impaired loans ratio: Irish loan portfolio included until closure of the deals. KBC Bank Ireland belonged to the International Markets Business Unit up to and including the fourth quarter of 2021 and was moved to the Group Centre at the start of the first quarter of 2022.

Analysis of the quarter (4Q2022)

Total income 2 257 million euros	• Total income was up 7% on the figure recorded in the previous quarter and 20% year-on-year (up 17% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). • Net interest income, trading & fair value income and net other income were all up, while technical insurance income, dividend income and net fee and commission income were down quarter-on-quarter.

Net interest income amounted to 1 416 million euros in the quarter under review, up 9% and 20% on its level in the previous and year-earlier quarters, respectively. When the impact of the consolidation of Raiffeisenbank Bulgaria as of the third quarter of 2022 is eliminated, net interest income was up 17% year-on-year. Both quarter-on-quarter and year-on-year, when excluding the consolidation of Raiffeisenbank Bulgaria, net interest income benefited from the continued improvement in reinvestment yields in all core countries (except quarter-on-quarter in the Czech Republic), organic growth in lending (year-on-year) and deposit volumes (both quarter-on-quarter and year-on-year), increased income related to funding (more term deposits at better margins) and higher income from inflation-linked bonds. This was partly offset by the pressure exerted on lending margins in almost all core countries. The net interest margin for the quarter under review amounted to 2.10%, up 20 basis points quarter-on-quarter and 25 basis points year-on-year.

For an indication of the expected net interest income for full-year 2023, see 'Guidance' on page 11 of this publication.

Customer deposits excluding debt certificates were up 2% quarter-on-quarter and 8% year-on-year on an organic basis (or +1% and +5%, respectively, when excluding volatility in deposits at the foreign branches of KBC Bank). The total volume of customer lending was stable quarter-on-quarter, but increased by 7% year-on-year on an organic basis. In the organic growth figures, the forex-related impact and the effects of changes in the scope of consolidation were eliminated.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 204 million euros to total income, down 12% but up 4% on its performance in the previous and year-earlier quarters, respectively. Compared to the previous quarter, earned premiums were stable, while the ceded reinsurance result was lower and technical charges higher (the previous quarter had benefited from the positive effect of technical provisions being released in the Czech Republic). Compared to the year-earlier quarter, the increase in the technical non-life result was attributable to the combination of a 7% increase in premium income and 2% reduction in technical charges, partly offset by a lower ceded reinsurance result. Overall, the combined ratio for 2022 amounted to an excellent 89%, in line with the ratio for full-year 2021.

Technical income from our **life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 16 million euros, compared to 49 million euros in the previous quarter and 10 million euros in the year-earlier quarter. The previous quarter's figure benefited from the positive effect of a release of technical provisions in the Czech Republic. Sales of life insurance products in the quarter under review (724 million euros) were up 85% on the level recorded in the previous quarter, due mainly to higher sales of unit-linked life insurance products (owing primarily to the successful launch of new structured funds in Belgium) and higher sales of guaranteed-interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in the fourth quarter). Sales were up 34% on the level recorded in the year-earlier quarter, due mainly to higher sales of unit-linked products, partly offset by lower sales of guaranteed-interest products. Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 41% in the quarter under review, with unit-linked products accounting for the remaining 59%.

Net fee and commission income amounted to 451 million euros, down 3% on its level in the previous quarter and 6% on its level in the year-earlier quarter (or 9% excluding the impact of the consolidation of Raiffeisenbank Bulgaria). The quarter-on-quarter decrease was accounted for mainly by the higher level of distribution fees paid in relation to banking products and increased sales of insurance. The 6% year-on-year decrease was due to the combination of a decrease in asset management-related fee income (lower management fees and entry fees) and higher distribution fees paid, partly offset by an increase in fees for banking services. At the end of December 2022, our total assets under management amounted to 206 billion euros, up 1% quarter-on-quarter but down 13% year-on-year. The year-on-year decrease was due entirely to the negative market performance (-15%), partly offset by good net inflows of direct client money.

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 117 million euros, compared to 56 million euros in the previous quarter and -39 million euros in the year-earlier quarter. The quarter-on-quarter increase was caused essentially by a significantly higher dealing room result and the increased result related to the insurer's equity portfolio, which more than offset the negative change in the market value of derivatives used for asset/liability management purposes and lower positive change in market value adjustments (xVA). Year-on-year, trading & fair value income increased thanks to the combination of a less negative change in the market value adjustments of derivatives used for asset/liability management purposes, higher dealing room result, and the increased result related to the insurer's equity portfolio, only partly offset by a lower positive change in xVA.

The **other remaining income items** (totalling 53 million euros) included dividend income of 10 million euros, a net realised result from debt instruments at fair value through other comprehensive income of -1 million euro and net other income of 44 million euros. The latter figure was somewhat below the 50-million-euro normal run rate for this item, due mainly to a negative one-off provision of 7 million euros for legacy legal files in Slovakia (whereas the previous quarter had been impacted mainly by realised losses on the sale of bonds).

Operating expenses
1 160 million euros

- Operating expenses excluding bank taxes were up 10% quarter-on-quarter and 9% year-on-year (the latter excluding Raiffeisenbank Bulgaria).
- Group cost/income ratio for full-year 2022 amounted to 54% when certain non-operating items are excluded.

Operating expenses in the fourth quarter of 2022 amounted to 1 160 million euros. Bank taxes amounted to 15 million euros in the quarter under review, compared to 23 million euros in the previous quarter and 47 million euros in the year-earlier quarter. The figure for the quarter under review included a partial recovery of 14 million euros in respect of the extraordinary contribution of 24 million euros to the deposit guarantee fund (related to winding down Sberbank Hungary) that had been recorded in the first quarter of 2022.

Operating expenses excluding bank taxes were up 10% on their level in the previous quarter and 11% on their year-earlier level (or by 9% when the impact of the consolidation of Raiffeisenbank Bulgaria is eliminated), which in both cases – apart from certain one-off items – was due to a number of factors, including inflationary pressure and wage indexation, higher ICT costs, increased professional fees and higher marketing and facility expenses.

The cost/income ratio for the group came to 56% for full-year 2022. When certain non-operating items are excluded, the ratio amounted to 54%, compared to 55% for full-year 2021. When excluding all bank taxes, the cost-income ratio improved to 48% (compared to 51% for full-year 2021).

For an indication of the operating expenses for full-year 2023, see ‘Guidance’ on page 11 of this publication.

Loan loss impairment
82-million-euro net charge

- Net impairment charges and an increase in the reserve for geopolitical and emerging risks in the quarter under review.
- Credit cost ratio for full-year 2022 at 0.08%.

In the quarter under review, we recorded an 82-million-euro net loan loss impairment charge, compared with a net charge of 79 million euros in the previous quarter and a net release of 62 million euros in the year-earlier quarter. The net impairment charge in the quarter under review included an additional charge of 42 million euros for geopolitical and emerging risks and a net charge of 40 million euros in respect of our loan book. As a consequence, the outstanding reserve for geopolitical and emerging risks amounted to 429 million euros at the end of December 2022. A detailed calculation and background information is provided in Note 1.4 of the ‘Consolidated financial statements’ section of the quarterly report.

Broken down by country, the net loan loss impairment charge breaks down into 38 million euros in Belgium, 23 million euros in the Czech Republic, 8 million euros in Slovakia, 5 million euros in Hungary, 14 million euros in Bulgaria, partly offset by a 6-million-euro net reversal of loan loss impairment in the Group Centre.

For the entire group, the credit cost ratio amounted to 0.08% in 2022 (0.00% excluding the amounts recorded for geopolitical and emerging risks and the release of the remaining reserve for the coronavirus crisis), compared to -0.18% for full-year 2021 (0.09% excluding the partial release of the reserve for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of December 2022, 2.1% of our total loan book was classified as impaired (‘Stage 3’), compared to 2.9% at year-end 2021. Impaired loans that are more than 90 days past due amounted to 1.1% of the loan book, compared to 1.5% at year-end 2021. The improvement in the impaired loans ratios was largely related to the sale of the bulk of the non-performing Irish mortgage loan book in February 2022.

For an indication of the expected impact of loan loss impairment for full-year 2023, see ‘Guidance’ on page 11 of this publication.

Impairment on assets *other than loans* amounted to 51 million euros, compared to 23 million euros in the previous quarter and 46 million euros in the year-earlier quarter. The figure for the quarter under review included a 25-million-euro impairment charge related to modification losses from the extension of the interest cap regulation in Hungary, as well as a 21-million-euro charge on tangible and intangible assets and a 5-million-euro impairment on goodwill in the Czech Republic.

Net result by business unit	Belgium	Czech Republic	International Markets	Group Centre
	525 million euros	159 million euros	169 million euros	-35 million euros

Belgium: the net result (525 million euros) was 18% higher quarter-on-quarter. This was due primarily to the combined effect of higher total income (owing mainly to higher net interest income and trading & fair value income, while technical insurance income and dividend income decreased), higher costs and a higher level of net impairment charges.

Czech Republic: the net result (159 million euros) was down 19% on its level for the previous quarter. This was attributable to a combination of lower total income (technical insurance income, net fee and commission income and trading & fair value income fell, while net other income increased, among other factors) and higher costs, partly offset by slightly lower net impairment charges.

International Markets: the 169-million-euro net result breaks down as follows: 17 million euros in Slovakia, 104 million euros in Hungary and 48 million euros in Bulgaria. For the business unit as a whole, the net result was up 15% on the previous quarter's result, due mainly to higher total income (owing primarily to higher net interest income), partly offset by higher costs and higher net impairment charges.

Group Centre: the net result (-35 million euros) was 24 million euros lower than the figure recorded in the previous quarter. Note that, as of 2022, the Group Centre includes the result for Ireland given the pending sale. The net result for Ireland in the quarter under review amounted to 33 million euros and included a positive 9 million euros in various one-off effects related to the ongoing sale transaction, compared to 21 and 9 million euros respectively in the previous quarter.

	Belgium		Czech Republic		International Markets[1]	
Selected ratios by business unit	**FY2022**	**FY2021**	**FY2022**	**FY2021**	**FY2022**	**FY2021**
Cost/income ratio, group: excl. certain non-operating items / excl. full bank tax	53%/46%	51%/45%	48%/45%	53%/50%	51%/43%	63%/61%
Combined ratio, non-life insurance	90%	90%	83%	87%	85%	86%
Credit cost ratio[2]	0.03%	-0.26%	0.13%	-0.42%	0.31%	0.36%
Impaired loans ratio	1.9%	2.2%	1.7%	1.8%	1.9%	5.7%

1 At the start of 2022, Ireland was moved from the International Markets Business Unit to the Group Centre in view of the pending sale. Figures are therefore not fully comparable.
2 A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.

A full results table is provided in the 'Additional information' section of the quarterly report. A short analysis of the results per business unit is provided in the analyst presentation (available at www.kbc.com).

Equity, solvency and liquidity	Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
	20.9 billion euros	15.4%	152%	136%

At the end of December 2022, total equity came to 20.9 billion euros, comprising 19.4 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was down 2.1 billion euros on its level at the end of 2021. This was accounted for by the combined effect of a number of items, including the profit for 2022 (+2.9 billion euros), payment of the final dividend (7.6 euros per share) for 2021 in May 2022 and the interim dividend (1 euro per share) for 2022 in November 2022 (-3.6 billion euros in total), a decrease in the revaluation reserves (-1.4 billion euros) and a number of minor items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

Our solvency position remained strong with a fully loaded common equity ratio of 15.4%. For full-year 2022, our Board of Directors has decided to propose a total gross dividend of 4.0 euros per share to the General Meeting of Shareholders for the accounting year 2022 (of which an interim dividend of 1.0 euro per share already paid in November 2022 and the remaining 3.0 euros per share to be paid in May 2023). In line with our announced capital deployment plan for full-year 2022, we envisage to distribute the surplus capital above the fully loaded common equity ratio of 15% (approximately 0.4 billion euros), in the form of share buy-back (subject to ECB approval) and/or an extraordinary interim dividend. The final decision by the Board of Directors will be taken in the first half of 2023. Including the proposed total dividend, AT1 coupon and the surplus capital above the fully loaded common equity ratio of 15%, the pay-out ratio would then amount to approximately 75%.

The closing of the sale of substantially all of KBC Bank Ireland's performing loan assets and liabilities to Bank of Ireland Group will lead to a capital relief of approximately 1 billion euros. We envisage to distribute this 1 billion euros, either in the form of share buy-back (subject to ECB approval) and/or an extraordinary interim dividend. The final decision by the Board of Directors will be taken in the first half of 2023.

The solvency ratio for KBC Insurance under the Solvency II framework was 203% at the end of December 2022, compared to 201% at the end of 2021. We have provided more details and additional information on solvency under 'Solvency' in the 'Additional information' section of the quarterly report.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 152% and an NSFR ratio of 136%, compared to 167% and 148%, respectively, at the end of 2021.

Analysis of the year-to-date period (FY2022)

Net profit 2 864 million euros	• Net profit up 10% on the figure for the year-earlier period. • Total income up by 14% due mainly to net interest income, trading & fair value income and technical insurance income. • Operating expenses excluding bank taxes up 8% year-on-year. Bank taxes up by as much as 23% year-on-year. • 154-million-euro net loan loss impairment charge, compared to a large net release of 334 million euros in the year-earlier period.

Highlights (compared to full-year 2021, unless otherwise stated):

- **Net interest income** up 16% to 5 161 million euros. This was attributable in part to the improvement in reinvestment yields in all core countries, lending and deposit volume growth (see below), increased income related to funding, the consolidation of Raiffeisenbank Bulgaria since the third quarter of 2022, higher net interest income on the insurer's bond portfolio and a positive forex effect (appreciation of the Czech koruna partly offset by depreciation of the Hungarian forint against the euro). That was partly offset by the negative effect of a number of factors, including pressure on lending margins in almost all core countries, the abolishment during the third quarter of negative interest rates charges on current accounts held by corporate entities and SMEs, and no positive effect of ECB tiering since the end of July 2022. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of customer lending rose by 7% and deposits excluding debt certificates rose by 8% year-on-year. The net interest margin in 2022 came to 1.96%, up 15 basis points year-on-year.
- **Technical insurance result** up 14% to 971 million euros. The non-life insurance technical result was up 9% on the figure for the year-earlier period, thanks to higher premium income (+8%), which more than offset the increase in technical charges (+4%) and a lower ceded reinsurance result. The non-life combined ratio for 2022 amounted to an excellent 89%, the same as the year-earlier figure. Life insurance sales were up 6% to 2 085 million euros due to higher sales of unit-linked insurance products, only partly offset by lower sales of guaranteed-interest products.
- **Net fee and commission income** up slightly by 1% to 1 847 million euros. Excluding the impact of the consolidation of Raiffeisenbank Bulgaria in the third quarter of 2022, net fee and commission income fell by 1%. The organic decrease was attributable to higher distribution fees paid in relation to banking products and increased sales of non-life insurance and lower entry fees for asset management services, partly offset by higher fees for banking services, while management fees for asset management services roughly stabilised. At the end of December 2022, total assets under management had fallen by 13% to 206 billion euros, due entirely to a negative market performance (-15%), partly offset by good net inflows of direct client money.
- **Trading & fair value income** more than doubled to 406 million euros. This was attributable primarily to a less negative change in the market value of derivatives used for asset/liability management purposes and a higher dealing room result.
- **All other income items combined** down 17% to 227 million euros. This came about mainly because of lower net other income (driven by losses on the sale of low yielding bonds) and the lower net realised result from debt instruments at fair value through OCI, partially offset by higher dividend income.
- **Operating expenses** up 10% to 4 818 million euros. They included bank taxes of 646 million euros, up by 23% compared to the reference period, partly due to an extraordinary payment to the deposit guarantee fund related to Sberbank Hungary and a new bank and insurance tax in Hungary in the period under review. Excluding bank taxes, the effect of the consolidation of Raiffeisenbank Bulgaria, forex effects and various one-off items (see further), operating expenses increased by 7%. This was mainly attributable to inflation-linked wage drift, higher ICT expenses, higher professional fees and increased marketing and facility costs. The main one-off items in the period under review were an extraordinary profit bonus for staff (compared to a smaller Covid-related bonus in the reference period), some one-off costs relating to the sale of the Irish portfolios (compared to a higher impact in the reference period) and some one-off integration costs related to Raiffeisenbank Bulgaria and euro adoption costs. The cost/income ratio came to 56%, or an adjusted 54% when certain non-operating items are excluded (compared to 55% for full-year 2021). When bank taxes are fully excluded, the cost-income ratio for the period under review improved to 48% (compared to 51% for full-year 2021).
- **Loan loss impairment:** a net charge of 154 million euros, compared to a net release of 334 million in the reference period. 2022 included the full release of the remainder of the previously recorded provision for the coronavirus crisis, a small net release for individual loans, a new provision for geopolitical and emerging risks (which now amounts to 429 million euros) and one-off impairment charges related to the sale agreements in Ireland. The large net release in the reference period was mainly attributable to a large partial write-back of the reserve set aside for the coronavirus crisis, partly offset by one-off impairment charges related to the sale agreements in Ireland. As a result, the credit cost ratio for the whole group amounted to 0.08%, compared to -0.18% for full-year 2021 (a negative figure implies a positive impact on the result). Impairment on assets other than loans amounted to 130 million euros (partially as a result of 63 million euros of modification losses in Hungary), up from 73 million euros in the reference period, due to various one-off items.
- The 2 864-million-euro **net result** for 2022 breaks down as follows: 1 759 million euros for the Belgium Business Unit (down 238 million euros on its year-earlier level), 800 million euros for the Czech Republic Business Unit (up 103 million euros), 441 million euros for the International Markets Business Unit (down 31 million euros on a comparable basis, i.e. excluding Ireland and Raiffeisenbank Bulgaria) and -135 million euros for the Group Centre (up 370 million euros on a comparable basis, i.e. including Ireland).

Recent ESG developments

KBC seeks to obtain validation of its climate targets by reputed external party SBTi

Following a PWC assurance of our baseline emission intensities, KBC is now seeking validation of its climate targets by the Science Based Targets initiative (SBTi). A partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), SBTi drives ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets. KBC Bank (and its consolidated entities) will subject its existing climate targets to a robust set of criteria and requirements, independently assessed by the SBTi. KBC is striving to obtain validation by the SBTi within 24 months.

KBC receives the Terra Carta Seal in recognition of its commitment to creating a sustainable future

KBC is one of 19 companies worldwide to have been awarded the 2022 Terra Carta Seal. The Terra Carta Seal, launched at COP26 by His Majesty King Charles III when he was Prince of Wales, recognises global companies which are driving innovation and demonstrating their commitment to, and momentum towards, the creation of genuinely sustainable markets. It is awarded to companies whose ambitions are aligned with those of the Terra Carta, a recovery plan for Nature, People and Planet, launched in January 2021.

The Terra Carta Seal acknowledges that each industry faces unique challenges in its transition to a sustainable future and they are all at different stages of their journey. And all industries and companies must be supported as they take steps in a more positive direction. At the same time, an accelerated pace is required if we are to achieve a 1.5-degree target, protect and restore biodiversity and benefit the lives and livelihoods of current and future generations.

Risk statement, economic views and guidance

Risk statement

As we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, market risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. KBC closely monitors and manages each of these risks within a strict risk framework, but they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.

At present, a number of factors are considered to constitute the main challenges for the financial sector. These stem primarily from the impact of the war in Ukraine, not just directly, but even more so indirectly due to the resulting increase in energy and commodity prices and supply-side shortages, which were already stressed following the coronavirus pandemic. This has led to a surge in inflation, resulting in upward pressure on interest rates, reduced liquidity and volatility on financial markets, lower growth prospects (or even a recession) and some concerns about the creditworthiness of counterparties in the economic sectors most exposed. These risks affect global, but especially, European economies, including KBC's home markets. Regulatory and compliance risks (including capital requirements, anti-money laundering regulations and GDPR) also remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate-related risks are becoming increasingly prevalent. Cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole. The war in Ukraine has again increased vigilance in this area. Finally, we have seen governments across Europe taking additional measures to support their budgets via increased tax contributions from the financial sector and their citizens and corporate sector (by, for instance, implementing interest rate caps or loan repayment moratoria).

We provide risk management data in our annual reports, quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.

Our view on economic growth

After quarter-on-quarter growth of 0.8% (non-annualised) in the third quarter, the US economy also expanded in the fourth quarter, growing by 0.7% quarter-on-quarter (non-annualised) mainly on account of inventory build-up and private consumption. While we expect further, albeit more moderate, growth in the first quarter of 2023 (+0.2%), a mild contraction of the economy is still likely in the second and third quarters, with growth falling by -0.1% in both quarters (i.e. a technical recession). This will be largely driven by ongoing high inflation and a further tightening of financial conditions as a result of the Fed's monetary policy.

Meanwhile, fourth quarter growth in the euro area was slightly positive at 0.1% quarter-on quarter (compared to +0.3% in the third quarter), thereby avoiding a contraction and the possible start of a technical recession. The euro area economy is expected to stagnate in the first quarter of 2023, due mainly to the impact of the lagged effects of the energy crisis and the tightening of monetary policy.

In the fourth quarter of 2022, economic growth in Belgium remained slightly positive (+0.1%), but is expected to stagnate in the first and second quarters of 2023, thus narrowly avoiding a technical recession. On the other hand, the Czech economy is going through a technical recession. Negative growth of -0.2% quarter-on-quarter in the third quarter of 2022 was followed by -0.3% in the fourth quarter. Moreover, the economy is expected to contract by 1% in the first quarter of 2023.

The main risk to our short-term outlook for European growth relates to a renewed escalation of the energy crisis that gives rise to additional inflationary pressure, and uncertainty regarding the timing and impact of monetary policy tightening by the ECB and, more broadly, by the Fed. Other risks include vulnerability caused by elevated real estate valuations and high levels of debt in the context of tightening financing conditions worldwide.

Our view on interest rates and foreign exchange rates

To fight increasing inflationary pressure, the Fed continued to raise its policy rate in the fourth quarter, hiking it by 75 basis points in November and 50 basis points in December. The Fed continued its hiking path in early February 2023 by 25 basis points to the current target range of 4.50%-4.75%. We expect the Fed to continue raising its policy rate in the remainder of the first and second quarters of 2023. Moreover, the ongoing run-down of the Fed's balance sheet ('Quantitative Tightening') is contributing to a tightening monetary policy stance. Meanwhile, the ECB also raised all of its policy rates, increasing them by 75 basis points in November and 50 basis points in December. The ECB depo rate currently stands at 2.50% after the latest rate hike of early February 2023. We expect the ECB to continue hiking its policy rates. In line with its guidance following its December 2022 policy meeting, the ECB will start gradually running down its APP portfolio from March 2023 on.

On balance, 10-year US government bond yields ended a volatile fourth quarter broadly unchanged. In the same period, German 10-year yields rose on balance by about 50 basis points, causing the US-German yield spread to narrow. The direction in which the yield moved was largely synchronous during the quarter, but the upward movement was stronger for the German yield as a result of the market expecting the ECB to adopt a more hawkish stance.

During the fourth quarter, the euro (EUR) recovered sharply against the US dollar (USD), moving from below parity to 1.07 USD per EUR at the end of 2022. This was mainly the result of the expected increase in interest rate support from ECB policy and the start of a general decrease in global risk aversion. The decreasing risks for the economic outlook for the euro area stemming from the sharp decline in energy prices and lower recession risks also played an important role. For the first and second quarters of 2023, we expect the optimistic market sentiment to pause, causing the exchange rate of the EUR to correct to about 1.03 USD per EUR, before gradually appreciating again in the second half of 2023.

During the fourth quarter, the Czech koruna (CZK) appreciated against the EUR, moving from about 24.55 to about 24.12 CZK per EUR. Improved global risk sentiment and targeted forex interventions by the Czech National Bank (CNB) supported the CZK's exchange rate. The CNB left its policy rate unchanged at 7%, which we expect to be the peak level in the current tightening cycle. The absence of further expected rate hikes and the phasing out of targeted forex interventions in preparation for the first rate cut expected in the fourth quarter is likely to cause the CZK to weaken against the EUR in the second half of 2023.

In the context of high inflation, the National Bank of Hungary (NBH) kept its base rate at 13%. This is expected to be the end of its tightening cycle with respect to the base rate. On balance, the exchange rate of the Hungarian forint (HUF) against the EUR appreciated sharply from about 422 to about 401 HUF per EUR during the fourth quarter of 2022. Like the exchange rate of the CZK, a major driver was the improvement in global risk sentiment, also supported by higher interest rates on specific short-term liquidity instruments. Nevertheless, the exchange rate of the HUF was still significantly weaker against the EUR than at the beginning of 2022.

Guidance

- **Full-year 2023 guidance*:**
  - Total income: in the region of 9.4 billion euros (including a positive one-off effect of 0.4 billion euros upon closure of the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book), approximately 5.7 billion euros of which in net interest income
  - Operating expenses excluding bank taxes: approximately 4.4 billion euros
  - Credit cost ratio: 20-25 basis points (below the through-the-cycle credit cost ratio guidance of 25-30 basis points), excluding any movement in the ECL buffer
- **Basel IV impact** on RWA will be phased-in and, therefore, the impact of first-time application on RWA in 2025 will only be approximately 3 billion euros
- **Three-year and long-term financial guidance*:**
  - CAGR total income (2022-2025): approx. 6.0% by 2025
  - CAGR OPEX excl. bank taxes (2022-2025): approx. 1.8% by 2025
  - Combined ratio: ≤ 92%, as of now
  - Surplus capital (Fully loaded, Danish Compromise): >15%, as of now
  - Credit cost ratio: 25-30 basis points, through-the-cycle

* Our 2023 and long-term financial group guidance is based on the market forward rates of 3 February 2023 (for short-term and long-term interest rates). We took into account a pass-through rate of 40% on savings accounts and 80% on term deposits at KBC Group level. Volume growth in 2023 is estimated at roughly 3-4% year-on-year. Note that the impact of IFRS 17 has not yet been taken into account (explanatory slides will be provided on 18 April 2023). KBC estimates that the forward rates are on the conservative side.

Statement of the auditor

The statutory auditor, PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises SRL, represented by Damien Walgrave and Jeroen Bockaert, has confirmed that its audit work, which is substantially complete, has not to date revealed any significant matters requiring adjustments to the 2022 consolidated income statement, the condensed consolidated statement of comprehensive income for the year, the consolidated balance sheet and the consolidated statement of changes in equity and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes included in this press release.

Upcoming events	• Annual Report 2022: 3 April 2023 • AGM: 4 May 2023 • Dividend: ex-date 9 May 2023, record date 10 May 2023, payment date 11 May 2023 (subject to AGM approval) • 1Q2023 results: 16 May 2023 • Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 4Q2022	• Quarterly report: www.kbc.com / Investor Relations / Reports • Company presentation: www.kbc.com / Investor Relations / Presentations
Information on IFRS17 implementation	• Quarterly report, Note 6.10 'First time application of IFRS 17'
Detailed information on Ukraine crisis	• Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' • Company presentation
Definitions of ratios	• 'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

4Q 2022 and FY 2022

Glossary

AC: Amortised Cost
AFS: Available For Sale (IAS 39)
ALM: Asset Liability Management
ECL: Expected Credit Loss
FA: Financial Assets
FV: Fair Value
FVO: Fair Value Option (designated upon initial recognition at Fair Value through Profit or Loss)
FVOCI: Fair Value through Other Comprehensive Income
FVPL: Fair Value through Profit or Loss
FVPL – overlay: Fair Value through Profit or Loss - overlay
GCA: Gross Carrying Amount
HFT: Held For Trading
MFVPL: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)
OCI: Other Comprehensive Income
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	2022	2021	4Q 2022	3Q 2022	4Q 2021
Net interest income	3.1	5 161	4 451	1 416	1 297	1 177
Interest income	*3.1*	*11 226*	*6 320*	*3 473*	*2 897*	*1 754*
Interest expense	*3.1*	*-6 064*	*-1 869*	*-2 056*	*-1 600*	*- 578*
Non-life insurance (before reinsurance)	3.7	881	782	224	238	181
Earned premiums	*3.7*	*2 033*	*1 885*	*522*	*521*	*486*
Technical charges	*3.7*	*-1 153*	*-1 103*	*- 298*	*- 284*	*- 305*
Life insurance (before reinsurance)	3.7	92	45	17	50	10
Earned premiums	*3.7*	*1 163*	*1 196*	*339*	*268*	*375*
Technical charges	*3.7*	*-1 071*	*-1 150*	*- 322*	*- 218*	*- 365*
Ceded reinsurance result	3.7	- 2	25	- 21	- 7	15
Dividend income		59	45	10	22	9
Net result from financial instruments at fair value through profit or loss	3.3	406	145	117	56	- 39
of which result on equity instruments (overlay approach)		*86*	*104*	*43*	*15*	*27*
Net realised result from debt instruments at fair value through OCI	3.4	- 22	6	- 1	- 5	1
Net fee and commission income	3.5	1 847	1 836	451	463	479
Fee and commission income	*3.5*	*2 804*	*2 692*	*716*	*693*	*716*
Fee and commission expense	*3.5*	*- 957*	*- 856*	*- 265*	*- 231*	*- 238*
Net other income	3.6	190	223	44	2	56
TOTAL INCOME		8 612	7 558	2 257	2 115	1 887
Operating expenses	3.8	-4 818	-4 396	-1 160	-1 067	-1 078
Staff expenses	*3.8*	*-2 561*	*-2 457*	*- 662*	*- 644*	*- 615*
General administrative expenses	*3.8*	*-1 883*	*-1 583*	*- 396*	*- 333*	*- 359*
Depreciation and amortisation of fixed assets	*3.8*	*- 374*	*- 356*	*- 102*	*- 90*	*- 104*
Impairment	3.10	- 284	261	- 132	- 101	16
on financial assets at AC and at FVOCI	*3.10*	*- 154*	*334*	*- 82*	*- 79*	*62*
on goodwill	*3.10*	*- 5*	*- 7*	*- 5*	*0*	*- 7*
other	*3.10*	*- 125*	*- 65*	*- 46*	*- 23*	*- 39*
Share in results of associated companies and joint ventures		- 10	- 5	- 2	- 3	- 2
RESULT BEFORE TAX		3 500	3 418	962	945	823
Income tax expense		- 636	- 804	- 144	- 168	- 160
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		2 864	2 614	818	776	663
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**2 864**	**2 614**	**818**	**776**	**663**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		6.75	6.15	1.93	1.83	1.56
Diluted		6.75	6.15	1.93	1.83	1.56

We describe the impact of the most significant acquisitions and disposals in 2021 and 2022 (the acquisition of NN's Bulgarian pension and life insurance business, the sale of the Irish credit and deposit portfolios and the acquisition of Bulgarian operations of Raiffeisen Bank International) in Note 6.6 further in this report.

The interest income and interest expense have been affected by a presentation change (no impact on net interest income). For more information, see note 3.1 further in this report.

Overview impact of the overlay approach on the consolidated income statement

The equity instruments of the insurance companies within the group are designated under the overlay approach. These equity instruments, mainly classified as AFS under IAS 39, would have been measured at fair value through P&L under IFRS 9. The overlay approach reclassifies from the income statement to OCI the extra volatility related to the adoption of IFRS 9 as long as IFRS 17 is not in place, until 31 December 2022.

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to -350 million euros in 2022. It can be summarized as the difference between:

- IFRS 9 result (without applying the overlay): -265 million euros of which -270 million euros realised and unrealised fair value adjustments included in ‘net result from financial instruments at fair value through profit or loss’ and +5 million euros income taxes;
- IAS 39 result: +86 million euros including net realised result amounting to +176 million euros and impairment loss of -90 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	2022	2021	4Q 2022	3Q 2022	4Q 2021
RESULT AFTER TAX	**2 864**	**2 614**	**818**	**776**	**663**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	2 864	2 614	818	776	663
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**- 1 616**	**56**	**62**	**- 518**	**- 3**
Net change in revaluation reserve (FVOCI debt instruments)	- 1 421	- 487	- 93	- 336	- 134
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 350	172	- 5	- 72	75
Net change in hedging reserve (cashflow hedges)	171	186	50	- 63	- 6
Net change in translation differences	- 11	272	103	- 13	98
Hedge of net investments in foreign operations	- 4	- 84	8	- 34	- 35
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	0	- 2	- 1	0	- 1
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**224**	**345**	**11**	**- 32**	**73**
Net change in revaluation reserve (FVOCI equity instruments)	2	56	1	1	6
Net change in defined benefit plans	222	291	10	- 33	67
Net change in own credit risk	1	- 2	0	- 1	0
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**1 473**	**3 015**	**891**	**226**	**733**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	1 473	3 015	891	226	733

The largest movements in other comprehensive income (2022 and 2021):

- Net change in revaluation reserve (FVOCI debt instruments): the -1 421 million euros in 2022 and the -487 million euros in 2021 are both mainly explained by higher interest rates, for the largest part related to government bonds of European countries.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -350 million euros in 2022 can be explained by negative fair value movements and by transfers to net result (gains on disposal partly offset by impairments). The +172 million euros in 2021 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments).
- Net change in hedging reserve (cash flow hedge): the +171 million euros in 2022 and the +186 million euros in 2021 can mainly be explained by the higher interest rates.
- The net change in translation differences: the -11 million euros in 2022 was mainly caused by the depreciation of the HUF versus the EUR and the realization of positive translation differences in CZK through dividend distribution within the group, largely compensated by the appreciation of the USD and CZK. The hedge of net investments in foreign operations (-4 million euros) was negatively impacted due to the appreciation of the USD and CZK (only limited hedged volumes in HUF), largely offset by the reduced hedge in CZK due to dividend distribution within the group. The +272 million euros in 2021 was mainly caused by the appreciation of the CZK versus the EUR, partially offset by the hedge of net investments in foreign operations (-84 million euros). The hedging policy of FX participations aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in revaluation reserve (FVOCI equity instruments): no material change in 2022. The +56 million euros in 2021 is mainly explained by positive fair value movements related to an amendment to the articles of association of an unquoted equity participation, as a result of which KBC is entitled to a larger compensation in the event of an exit.
- Net change in defined benefit plans: the +222 million euros in 2022 is mainly explained by the effect of the higher discount rate applied on the obligations, partly offset by the negative return of the plan assets and the impact of the higher inflation rate. The +291 million euros in 2021 is explained by the combined effect of the higher discount rate applied on the obligations and the positive return of the plan assets, partly offset by the impact of the (as of 3Q 2021 quarterly updated) market based inflation-curve (versus a yearly one-point estimator in previous reporting periods) .

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2022	31-12-2021
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		51 427	40 653
Financial assets	4.0	291 262	281 658
Amortised cost	*4.0*	*255 444*	*240 128*
Fair value through OCI	*4.0*	*12 128*	*15 824*
Fair value through profit or loss	*4.0*	*23 147*	*25 422*
of which held for trading	*4.0*	*8 471*	*8 850*
Hedging derivatives	*4.0*	*542*	*283*
Reinsurers' share in technical provisions, insurance		192	191
Profit/loss on positions in portfolios hedged for interest rate risk		-4 335	- 436
Tax assets		1 283	1 296
Current tax assets		*174*	*179*
Deferred tax assets		*1 109*	*1 117*
Non-current assets held for sale and disposal groups	*5.11*	8 054	10 001
Investments in associated companies and joint ventures		32	37
Property, equipment and investment property		3 560	3 568
Goodwill and other intangible assets		2 331	1 749
Other assets		2 036	1 630
TOTAL ASSETS		355 843	340 346
LIABILITIES AND EQUITY			
Financial liabilities	4.0	312 735	291 667
Amortised cost	*4.0*	*289 854*	*268 387*
Fair value through profit or loss	*4.0*	*22 303*	*22 187*
of which held for trading	*4.0*	*9 096*	*7 271*
Hedging derivatives	*4.0*	*577*	*1 094*
Technical provisions, before reinsurance		18 484	18 967
Profit/loss on positions in portfolios hedged for interest rate risk		-1 443	- 863
Tax liabilities		283	435
Current tax liabilities		*150*	*87*
Deferred tax liabilities		*133*	*348*
Liabilities associated with disposal groups	*5.11*	2 020	4 262
Provisions for risks and charges		266	282
Other liabilities		2 568	2 520
TOTAL LIABILITIES		334 913	317 269
Total equity	5.10	20 930	23 077
Parent shareholders' equity	5.10	19 430	21 577
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		355 843	340 346

The impact of the most important acquisitions and divestments in 2021 and 2022 is described in Note 6.6.

Besides the impact of the most important acquisitions in 2022, the increase of the balance sheet total in 2022 can for the largest part be explained by higher repos and demand and time deposits, leading to higher cash balances with central banks and higher loans and advances to customers. This is partly offset by higher loss on positions in portfolios hedged for interest rate risk (both on assets and liabilities), explained by the substantial increase of interest rates and lower positions towards credit institutions and investment firms (at the liability side mainly triggered by the partial repayment of TLTRO III for 9.1 billion euros).

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
2022									
Balance at the end of the previous period	1 460	5 528	0	14 272	318	21 577	1 500	0	23 077
Net result for the period	0	0	0	2 864	0	2 864	0	0	2 864
Other comprehensive income for the period	0	0	0	0	- 1 391	- 1 391	0	0	- 1 391
Subtotal	0	0	0	2 864	- 1 391	1 473	0	0	1 473
Dividends	0	0	0	- 3 585	0	- 3 585	0	0	- 3 585
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	14	0	0	0	15	0	0	15
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	18	- 18	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	1	14	0	- 752	- 1 410	- 2 147	0	0	- 2 147
Balance at the end of the period	1 461	5 542	0	13 520	- 1 092	19 430	1 500	0	20 930
2021									
Balance at the end of the previous period	1 459	5 514	- 1	13 146	- 88	20 030	1 500	0	21 530
Net result for the period	0	0	0	2 614	0	2 614	0	0	2 614
Other comprehensive income for the period	0	0	0	- 2	403	401	0	0	401
Subtotal	0	0	0	2 612	403	3 015	0	0	3 015
Dividends	0	0	0	- 1 433	0	- 1 433	0	0	- 1 433
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	13	0	0	0	14	0	0	14
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 3	3	0	0	0	0
Purchase/sale of treasury shares	0	0	1	0	0	1	0	0	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	1	13	1	1 126	406	1 547	0	0	1 547
Balance at the end of the period	1 460	5 528	0	14 272	318	21 577	1 500	0	23 077

2022

The General Meeting of Shareholders approved on 5 May 2022 a gross final dividend of 7.60 euros per share, of which:

- an ordinary dividend of 3.00 euros per share related to the accounting year 2021 and paid in May 2022 (in addition to an interim dividend of 1.00 euro per share already paid in November 2021 together with the payment of an interim dividend of 2.00 euros per share for financial year 2020 also in November 2021)
- an extraordinary dividend of 4.60 euros per share (paid in May 2022)

The total amount of 3 168 million euros (or 7.60 euros per share) was deducted from retained earnings in 2Q 2022 (paid in May 2022).

Furthermore, the Board of Directors will propose to the Annual General Meeting of shareholders on 4 May 2023 a final gross dividend of 4.00 euros per share related to the accounting year 2022, of which:

- an interim dividend of 1.00 euro per share (417 million euros in total), as decided by KBC Group's Board of Directors of 10 August 2022 and paid on 16 November 2022 (was deducted from retained earnings in 3Q 2022)
- an ordinary dividend of 3.00 euros per share and to be paid in May 2023 (1 252 million euros in total), will be deducted from retained earnings in 2Q 2023.

2021

The total amount of dividend deducted from retained earnings in 2021 amounts to 1 433 million euros, of which:

- a closing dividend of 0.44 euros for the financial year 2020 was paid out per share on 19 May 2021 (183 million euros in total) based on the approval of the general meeting of shareholders on 6 May 2021
- an interim dividend of 3.00 euros per share (1 250 million euros in total), as decided by KBC Group's Board of Directors of 10 November 2021 and paid on 17 November 2021, consisting of:
  - 2.00 euros per share for financial year 2020
  - 1.00 euro per share, as an advance on the final dividend for 2021

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	31-12-2022	31-12-2021
Total	-1 092	318
Revaluation reserve (FVOCI debt instruments)	- 779	642
Revaluation reserve (FVPL equity instruments) - overlay	146	496
Revaluation reserve (FVOCI equity instruments)	57	74
Hedging reserve (cashflow hedges)	- 937	-1 108
Translation differences	- 122	- 110
Hedge of net investments in foreign operations	75	79
Remeasurement of defined benefit plans	467	246
Own credit risk through OCI	0	- 1

Consolidated cash flow statement

More details will be available in the annual report of 2022.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2021)

The condensed interim financial statements of the KBC Group for the period ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The following IFRS standards were issued but not yet effective in 2022. KBC will apply these standards when they become mandatory.

- IFRS 17: see note 6.10 further in this report
- Other:

  The IASB published several limited amendments to existing IFRSs and IFRICs. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

Summary of significant accounting policies (note 1.2 in the annual accounts 2021)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2021.

Main exchange rates used:

	Exchange rate at 31-12-2022		Average exchange rate in FY 2022	
	Changes relative to 31-12-2021		Changes relative to the average FY 2021	
	1 EUR = … … currency	Positive: appreciation relative to EUR Negative: depreciation relative to EUR	1 EUR = … … currency	Positive: appreciation relative to EUR Negative: depreciation relative to EUR
CZK	24.116	3%	24.569	5%
HUF	400.87	-8%	391.79	-9%

Geopolitical and emerging risks (Note 1.4)

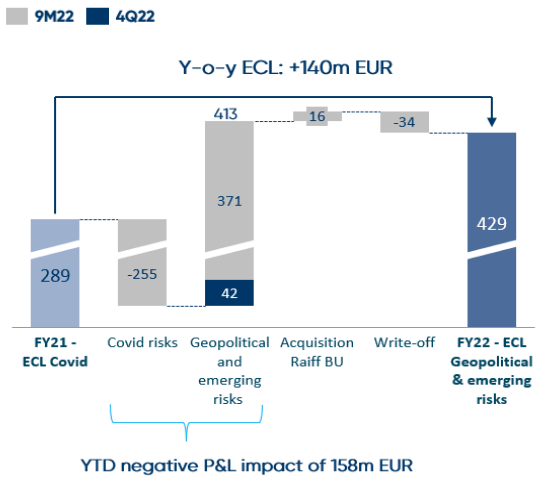
General

We have updated the impact assessment for the risks that could adversely affect our loan portfolio. At the end of 2022, the ECL for geopolitical and emerging risks amounted to 429 million euros (up from 387 million euros at the end of 9M 2022). The figures for 4Q 2022 include an impairment charge of 42 million euros entirely related to the updated impact assessment for geopolitical and emerging risks. The impact assessment methodology and the macroeconomic assumptions considered are described below in more detail.

Q-o-q change in the outstanding ECL for Covid, geopolitical & emerging risks per country

(in millions of EUR)	2022	P&L changes 4Q 2022
KBC Group	429	42
Belgium	145	4
Czech Republic	135	16
Hungary	50	3
Slovakia	42	12
Bulgaria	39	7
Ireland	18	0

Y-o-y change in the outstanding ECL for Covid, geopolitical & emerging risks



The ECL release of 289 million euros for Covid risks in the first half of 2022 includes an impairment release of 255 million euros and the derecognition of 34 million euros through a write-off mainly related to the sale of KBC Bank Ireland's NPL portfolio to CarVal.

The ECL of 429 million euros for geopolitical and emerging risks (223 million euros of which in 1Q 2022, 45 million euros in 2Q 2022, 119 million euros in 3Q 2022 and 42 million euros in 4Q 2022) includes an impairment charge of 413 million euros and an increase of 16 million euros following the acquisition of Raiffeisenbank Bulgaria – see Note 6.6 for more information on this acquisition.

Geopolitical & emerging risk impact assessment

In light of recent developments, we assessed the impact of the main macroeconomic and geopolitical risks on our loan portfolio. In 4Q 2022, this resulted in an impairment charge of 42 million euros. The ECL for geopolitical and emerging risks amounts to 429 million euros, comprising:

<table>
<tr><td>Direct exposure to Russia, Ukraine & Belarus</td><td>The ECL for transfer risk exposure to Russia, Ukraine and Belarus amounted to 29 million euros in 2022 (mainly concentrated in commercial exposures to Russian banks), down from 34 million euros in 3Q 2022 (including 6 million euros from Raiffeisenbank Bulgaria) due to recoveries from these counterparties.</td></tr>
<tr><td>Indirect impact of the military conflict on the loan portfolio</td><td>The conflict is expected to impact Corporate and SME clients through different channels:
• Exposure to Corporate and SME clients with material activities in Russia, Ukraine and Belarus or a material dependency on these markets for imports or exports (either directly or indirectly through a client/supplier);
• Exposure to Corporate and SME clients with operations that are especially vulnerable to a disruption of oil and/or gas supplies.
The analysis indicates that 2.8 billion euros worth of ‘Stage 1’ exposures have suffered a significant increase in credit risk not captured by the regular staging assessment* (down from 3.1 billion euros in 3Q 2022). The ECL for the indirect impact amounted to 39 million euros in 2022 (down from 49 million euros in 3Q 2022). The decrease was due mainly to an update of the list of clients expected to be indirectly impacted by the military conflict.</td></tr>
</table>

Emerging risks	KBC identified the following subsegments at risk in its portfolio: • Corporate and SME clients active in economic sectors that have been hit by supply chain issues and increasing commodity and energy prices, and that already have a higher credit risk (e.g., Automotive, Chemicals and Metals); • Retail clients with limited reserve repayment capacity for absorbing the higher cost of living and/or higher repayments due to increasing interest rates. The analysis indicates that 11.3 billion euros worth of 'Stage 1' exposures have suffered a significant increase in credit risk not captured by the regular staging assessment* (up from 9 billion euros in 3Q 2022). The ECL for emerging risks amounted to 304 million euros in 2022 (up from 255 million euros in 3Q 2022, including 10 million euros from Raiffeisenbank Bulgaria). The increase was due mainly to a refinement of the sectors vulnerable to the energy crisis. Our credit risk department performed a detailed update of the vulnerable sectors based on the latest information available and by focusing on the different activities within certain sectors.
Macroeconomic scenarios	The model-driven ECL for geopolitical and emerging risks amounted to 57 million euros in 2022 (up from 49 million euros in 3Q 2022). The increase was driven mainly by the updated macroeconomic forecasts used in calculating the ECL, while the probabilities applied to the base-case, optimistic and pessimistic macroeconomic scenarios were adjusted to 60%, 5% and 35%, respectively, from 55%, 1% and 44% in 3Q 2022.

(*) For more information on the impact on staging, see Note 4.2.1

Other factors

Soaring energy prices and surging inflation have triggered initiatives to support the purchasing power of households and the viability of companies. Governments in our home countries are looking to the banking and insurance sector to support the economy. In 2022, the main impacts on our home countries were as follows:

- In Hungary, the exceptional geopolitical and macroeconomic circumstances indirectly led to a modification loss of 25 million euros in 4Q 2022, due mainly to the decision of the Hungarian government in October 2022 to extend the scope of loans protected by the interest cap to include all mortgage loans with a fixed interest rate for periods of up to five years and all loans to SMEs (except overdrafts and loans with a state incentive). Besides that, the partial recovery of an extraordinary contribution to the Hungarian Deposit Guarantee Scheme (DGS) led to a decrease in operating expenses of 14 million euros in 4Q 2022. The figures for full-year 2022 include a modification loss of 63 million euros (14 million euros of which in 2Q 2022, 24 million euros in 3Q 2022 and 25 million euros in 4Q 2022) and an additional bank and insurance taxes (DGS and windfall tax) of 88 million euros (24 million euros of which in 1Q 2022, 78 million euros in 2Q22 and -14 million euros in 4Q 2022).

- In Belgium, private individuals who meet specific conditions have been able since 1 October 2022 to request a temporary principal repayment holiday for their mortgage loan in light of the energy crisis. This has not led to a modification loss, as interest payments have not been suspended, nor has it had any significant additional impact on ECL, as the impact of the allocation to 'Stage 2' of clients applying for a repayment holiday had already been captured by the collective assessments described above. In addition, the deductibility of bank taxes will be partially abolished from 2023 on in order to increase the solidarity contribution from the banking sector.

- In the Czech Republic, the government approved a windfall tax. The effective tax rate for excess profits will be 79% (19% standard corporate tax + 60% windfall tax) and apply to large banks in the period 2023 to 2025.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2021)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2021.
As a result of the sale transaction of Ireland Group of substantially all of KBC Bank Ireland's loan assets and its deposit book, the P&L-lines of KBC Bank Ireland have been transferred from Business Unit International Markets to Group Centre as of 1 January 2022 (without retroactive restatement). Regarding the impact of the acquisition of Raiffeisenbank Bulgaria, see further in note 6.6.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Group Centre*	*Of which: Ireland*	Total
2022									
Net interest income	2 826	1 313	888	*424*	*235*	*229*	*134*	240	5 161
Non-life insurance (before reinsurance)	488	208	174	*57*	*37*	*80*	*11*	0	881
Earned premiums	*1 261*	*403*	*352*	*140*	*70*	*142*	*17*	*0*	*2 033*
Technical charges	*- 774*	*- 195*	*- 178*	*- 83*	*- 33*	*- 62*	*- 7*	*0*	*- 1 153*
Life insurance (before reinsurance)	- 42	90	44	*11*	*13*	*20*	*- 1*	0	92
Earned premiums	*878*	*171*	*114*	*39*	*30*	*45*	*- 1*	*0*	*1 163*
Technical charges	*- 920*	*- 82*	*- 70*	*- 28*	*- 17*	*- 25*	*0*	*0*	*- 1 071*
Ceded reinsurance result	33	- 9	- 13	*- 2*	*- 3*	*- 8*	*- 14*	0	- 2
Dividend income	54	1	1	*0*	*0*	*1*	*4*	0	59
Net result from financial instruments at fair value through profit or loss	142	152	118	*77*	*41*	*1*	*- 7*	- 3	406
Net realised result from debt instruments at fair value through OCI	- 2	- 12	- 6	*- 5*	*0*	*0*	*- 3*	0	- 22
Net fee and commission income	1 265	213	376	*219*	*72*	*86*	*- 6*	- 2	1 847
Net other income	226	- 25	- 1	*- 3*	*- 3*	*5*	*- 10*	- 8	190
TOTAL INCOME	4 989	1 933	1 582	*777*	*392*	*413*	*108*	228	8 612
Operating expenses	- 2 647	- 927	- 906	*- 446*	*- 253*	*- 207*	*- 339*	- 208	- 4 818
Impairment	- 46	- 61	- 152	*- 97*	*- 21*	*- 34*	*- 24*	- 18	- 284
of which on FA at amortised cost and at fair value through OCI	*- 35*	*- 46*	*- 78*	*- 29*	*- 19*	*- 30*	*5*	*7*	*- 154*
Share in results of associated companies and joint ventures	- 9	- 1	0	*0*	*0*	*0*	*0*	0	- 10
RESULT BEFORE TAX	2 287	943	524	*234*	*118*	*172*	*- 254*	3	3 500
Income tax expense	- 529	- 143	- 83	*- 38*	*- 28*	*- 17*	*119*	34	- 636
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 759	800	441	*195*	*90*	*155*	*- 135*	37	2 864
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 759	800	441	*195*	*90*	*155*	*- 135*	37	2 864

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
2021									
Net interest income	2 533	972	962	*311*	*229*	*141*	*282*	- 16	4 451
Non-life insurance (before reinsurance)	460	142	160	*52*	*35*	*73*	*0*	19	782
Earned premiums	*1 197*	*337*	*336*	*143*	*62*	*132*	*0*	*15*	*1 885*
Technical charges	*- 737*	*- 194*	*- 176*	*- 91*	*- 26*	*- 59*	*0*	*4*	*- 1 103*
Life insurance (before reinsurance)	- 55	61	39	*9*	*13*	*17*	*0*	- 1	45
Earned premiums	*903*	*182*	*111*	*40*	*31*	*39*	*0*	*- 1*	*1 196*
Technical charges	*- 958*	*- 121*	*- 71*	*- 31*	*- 18*	*- 23*	*0*	*0*	*- 1 150*
Ceded reinsurance result	36	17	- 16	*- 2*	*- 7*	*- 7*	*0*	- 12	25
Dividend income	38	1	1	*0*	*0*	*0*	*0*	5	45
Net result from financial instruments at fair value through profit or loss	224	95	23	*21*	*8*	*0*	*- 5*	- 198	145
Net realised result from debt instruments at fair value through OCI	2	- 4	2	*2*	*0*	*0*	*0*	6	6
Net fee and commission income	1 320	214	305	*198*	*71*	*39*	*- 3*	- 3	1 836
Net other income	195	8	- 7	*3*	*6*	*5*	*- 21*	28	223
TOTAL INCOME	4 754	1 506	1 469	*592*	*356*	*268*	*253*	- 171	7 558
Operating expenses	- 2 436	- 803	- 1 048	*- 335*	*- 260*	*- 140*	*- 313*	- 109	- 4 396
Impairment	303	126	- 160	*9*	*15*	*- 1*	*- 183*	- 7	261
of which on FA at amortised cost and at fair value through OCI	*309*	*142*	*- 110*	*22*	*16*	*2*	*- 149*	*- 7*	*334*
Share in results of associated companies and joint ventures	- 3	- 3	0	*0*	*0*	*0*	*0*	0	- 5
RESULT BEFORE TAX	2 618	827	262	*267*	*111*	*127*	*- 243*	- 288	3 418
Income tax expense	- 621	- 129	- 135	*- 40*	*- 26*	*- 13*	*- 55*	81	- 804
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 997	697	127	*226*	*85*	*114*	*- 298*	- 207	2 614
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 997	697	127	*226*	*85*	*114*	*- 298*	- 207	2 614

Other notes

Net interest income (note 3.1 in the annual accounts 2021)

(in millions of EUR)	2022	2021	4Q 2022	3Q 2022	4Q 2021
Total	5 161	4 451	1 416	1 297	1 177
Interest income	11 226	6 320	3 473	2 897	1 754
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	7 973	4 797	2 483	2 079	1 349
Financial assets at FVOCI	251	286	61	63	67
Hedging derivatives	1 838	355	658	467	128
Financial liabilities (negative interest)	289	425	45	53	130
Other	130	25	59	25	10
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	35	24	10	9	7
Financial assets held for trading	710	407	157	201	62
Of which economic hedges	*582*	*367*	*121*	*161*	*49*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-6 064	-1 869	-2 056	-1 600	- 578
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	-2 320	- 534	-1 053	- 650	- 199
Financial assets (negative interest)	- 94	- 253	- 1	- 16	- 67
Hedging derivatives	-1 972	- 604	- 694	- 501	- 165
Other	- 5	- 7	- 2	- 1	- 1
Interest expense on other financial instruments					
Financial liabilities held for trading	-1 639	- 459	- 293	- 421	- 143
Of which economic hedges	*-1 595*	*- 414*	*- 285*	*- 412*	*- 131*
Other financial liabilities at FVPL	- 33	- 11	- 13	- 10	- 2
Net interest expense relating to defined benefit plans	- 1	- 1	0	0	0

The vast majority of negative interest on financial liabilities and financial assets relates to transactions with central banks, interbank and professional counterparties as well as the TLTRO (for more information on the TLTRO III, see note 'Financial assets and liabilities: breakdown by portfolio and product' (note 4.1) further in this report).

The increase in interest income and expense from hedging derivatives and financial assets and liabilities held for trading (of which economic hedges) relates to a presentation change of negative interest on derivatives (at KBC Bank, in conformity with Schema A reporting under BGAAP; this results in an increase in interest income as well as interest expense with 450 million euros in 2022, of which respectively 174, 165, 100 and 11 million euros in 1Q, 2Q, 3Q and 4Q 2022) as well as to overall increase of interest rates in 2022.

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2021)

(in millions of EUR)	2022	2021	4Q 2022	3Q 2022	4Q 2021
Total	406	145	117	56	- 39
Breakdown by driver					
Market value adjustments (xVA)	80	67	0	28	19
MTM ALM derivatives	- 14	- 197	- 25	7	- 105
Financial instruments to which the overlay is applied and other income	96	113	52	25	26
Dealing room	245	162	90	- 5	21

The result from financial instruments at fair value through profit or loss in 4Q 2022 is 60 million euro higher compared to 3Q 2022.

The quarter-on-quarter increase is attributable to:

- High positive dealing room income in 4Q 2022, mainly in Belgium and Hungary, compared to slightly negative dealing room income in 3Q 2022
- Higher net result on equity instruments (insurance) and other income, driven by higher realised gains on shares and lower impairments on equity instruments following increasing stock markets

Partly offset by

- Negative MTM ALM derivatives result in 4Q 2022 compared to slightly positive MTM ALM derivatives in 3Q 2022
- Zero impact from market value adjustments (xVA) in 4Q 2022 (compared to positive impact in 3Q 2022), related to increased yield curves, an overall increase in equity markets and decreased counterparty credit spreads being fully compensated by decreased KBC credit and funding spreads.

The result from financial instruments at fair value through profit or loss in 2022 is 261 million euros higher compared to 2021, for a large part explained by:

- Higher dealing room result in the Czech Republic and Hungary, partly offset by lower dealing room in Belgium
- Significantly less negative MTM ALM derivatives result in 2022 compared to highly negative MTM ALM derivatives in 2021
- More positive impact from market value adjustments (xVA) in 2022 compared to 2021

Partly offset by

- Lower positive net result on equity instruments (insurance) and other income in 2022, fully driven by higher impairments on equity instruments.

Net realised result from debt instruments at fair value through OCI (note 3.4 in the annual accounts 2021)

The realised result from debt instruments at fair value through OCI in 2022 was impacted by -22 million euros realised loss on the sale of low yielding bonds.

Net fee and commission income (note 3.5 in the annual accounts 2021)

(in millions of EUR)	2022	2021	4Q 2022	3Q 2022	4Q 2021
Total	1 847	1 836	451	463	479
Fee and commission income	2 804	2 692	716	693	716
Fee and commission expense	- 957	- 856	- 265	- 231	- 238
Breakdown by type					
Asset Management Services	1 175	1 196	285	288	318
Fee and commission income	*1 230*	*1 274*	*298*	*293*	*338*
Fee and commission expense	*- 54*	*- 78*	*- 13*	*- 5*	*- 20*
Banking Services	1 021	950	266	264	250
Fee and commission income	*1 489*	*1 330*	*397*	*382*	*356*
Fee and commission expense	*- 468*	*- 380*	*- 132*	*- 118*	*- 106*
Distribution	- 349	- 311	- 100	- 89	- 89
Fee and commission income	*85*	*87*	*21*	*19*	*22*
Fee and commission expense	*- 434*	*- 398*	*- 120*	*- 108*	*- 111*

The impact of the acquisition of Raiffeisenbank Bulgaria (see note 6.6) on Net fee and commission income is mainly included in the Banking Services.

Net other income (note 3.6 in the annual accounts 2021)

(in millions of EUR)	2022	2021	4Q 2022	3Q 2022	4Q 2021
Total	190	223	44	2	56
of which gains or losses on					
Sale of financial assets measured at amortised cost	- 79	6	- 1	- 45	- 16
Repurchase of financial liabilities measured at amortised cost	0	0	0	1	0
of which other, including:	268	218	45	47	71
Income from operational leasing activities	106	98	19	31	25
Income from VAB Group	50	50	11	12	11
Badwill on OTP SK	0	28	0	0	28
Settlement of legal cases	0	6	- 7	0	6
Gain on sale real estate subsidiary at KBC Insurance	68	0	0	0	0
Gain on sale KBC Tower in Antwerp	0	13	0	0	0
Provisioning for tracker mortgage review	0	- 18	0	0	- 4

In 2022:

- Gain on sale of a real estate subsidiary at KBC Insurance (KBC Vastgoed Nederland) (+68 million euros in 2Q 2022)
- Realised loss on exceptional sale of low yielding bonds at amortised cost mainly in Czech Republic, Belgium and Hungary (-79 million euros spread over different quarters)
- Legacy legal case in Czech Republic (+7 million euro in 1Q 2022)
- Legacy legal cases in Slovakia (-7 million euros in 4Q 2022)

In 2021 (all in 2H 2021):

- Badwill on OTP SK (+28 million euros in 4Q 2021)
- Sale of bonds at amortised cost (+22 million euros in 3Q 2021), mainly optimization of low yield bond portfolio in Belgium and sale of government bonds in the Czech Republic (-10 million euros in 4Q 2021)
- Legacy legal case in Group Centre (+6 million euros in 4Q 2021)
- Gain on sale of KBC Tower in Antwerp (+13 million euros in 3Q 2021)
- Provision for tracker mortgage review in KBC Bank Ireland (-18 million euros, of which -4 million euros in 4Q 2021 and -13 million euros in 3Q 2021)

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2021)

(in millions of EUR)	Life	Non-life	Non-technical account	Total
2022				
Earned premiums, insurance (before reinsurance)	1 163	2 054	-	3 217
of which change in provision unearned premiums	*- 1*	*- 71*	*-*	*- 72*
Technical charges, insurance (before reinsurance)	- 1 071	- 1 154	-	- 2 225
Claims paid	*- 1 399*	*- 1 029*	*-*	*- 2 428*
Changes in technical provisions	*419*	*- 115*	*-*	*304*
Other technical result	*- 91*	*- 9*	*-*	*- 100*
Net fee and commission income	- 4	- 403	-	- 407
Ceded reinsurance result	- 3	1	-	- 2
General administrative expenses	- 152	- 285	- 3	- 440
Internal claims settlement expenses	*- 9*	*- 65*	*-*	*- 74*
Indirect acquisition costs	*- 32*	*- 68*	*-*	*- 100*
Administrative expenses	*- 110*	*- 152*	*-*	*- 263*
Investment management fees	*0*	*0*	*- 3*	*- 3*
Technical result	- 67	213	- 3	143
Investment Income *	383	112	38	534
Technical-financial result	316	325	36	677
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	316	325	36	677
Income tax expense	-	-	-	- 117
RESULT AFTER TAX	-	-	-	560
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***560***
2021				
Earned premiums, insurance (before reinsurance)	1 196	1 905	-	3 101
of which change in provision unearned premiums	*- 1*	*- 48*	*-*	*- 49*
Technical charges, insurance (before reinsurance)	- 1 150	- 1 106	-	- 2 256
Claims paid	*- 1 163*	*- 872*	*-*	*- 2 036*
Changes in technical provisions	*- 1*	*- 223*	*-*	*- 224*
Other technical result	*14*	*- 10*	*-*	*4*
Net fee and commission income	- 5	- 367	-	- 372
Ceded reinsurance result	- 2	27	-	25
General administrative expenses	- 149	- 255	- 2	- 407
Internal claims settlement expenses	*- 9*	*- 59*	*-*	*- 68*
Indirect acquisition costs	*- 31*	*- 68*	*-*	*- 98*
Administrative expenses	*- 109*	*- 128*	*-*	*- 238*
Investment management fees	*0*	*0*	*- 2*	*- 2*
Technical result	- 110	204	- 2	91
Investment Income *	382	92	69	543
Technical-financial result	271	296	66	634
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	271	296	66	634
Income tax expense	-	-	-	- 125
RESULT AFTER TAX	-	-	-	508
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***508***

** 2022 Investment income consists of (in millions of EUR): Net interest income (428), Net Dividend income (39), Net result from financial instruments at fair value through profit and loss (91), Net result from financial instruments at fair value through OCI (-16), Net other income (-9) and Impairment (1),*
** 2021 Investment income consists of (in millions of EUR): Net interest income (398), Net Dividend income (31), Net result from financial instruments at fair value through profit and loss (117), Net result from financial instruments at fair value through OCI (-2), Net other income (1) and Impairment (-3).*

The non-technical account includes also results of non-insurance companies such as VAB group and ADD.

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2021 annual accounts).

In 2022, the technical result non-life was negatively impacted by storms mainly in 1Q 2022 in Belgium (-107 million euros before tax, before reinsurance; -53 million euros before tax, after reinsurance). In 2021, the technical result non-life was severely negatively impacted by storms: several floods in Belgium starting mid of July (impact -110 million euros pre-tax - before reinsurance; -87 million euros pre-tax - after reinsurance, of which 45 million euros above the legal limit but still within the conventional limit as agreed between the Belgian insurance sector and the Walloon regional government).

The technical charges Life and Non-Life (after reinsurance) in 2022 include a release of technical provisions of respectively 31 and 10 million euros, booked in 3Q 2022 in the Czech Republic Business Unit, as a result of reassessing the confidence level of the technical provisions.

Note: acquisition of certain life and pension insurance policies from NN in Bulgaria (see Note 6.6 further in this report).

Operating expenses – income statement (note 3.8 in the annual accounts 2021)

The operating expenses for 4Q 2022 include 15 million euros related to bank (and insurance) levies (23 million euros in 3Q 2022; 47 million euros in 4Q 2021).
Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

At the beginning of April 2022 the National Deposit Insurance Fund of Hungary (OBA) required an extraordinary contribution fee of all its member banks, due to the revoking of the license of Sberbank Hungary by the Hungarian National Bank at the beginning of March 2022, which triggered the compensation for the deposits of clients up to 100 000 euro from the Deposit Guarantee Fund. For K&H Bank the extraordinary contribution fee amounted to 24 million euros and was included in the result of 1Q 2022. In 4Q 2022 14 million euros of this extraordinary contribution fee was recuperated.

On 4 June 2022 the Hungarian government has adopted a decree, levying extra profit surtaxes, affecting several sectors, of which also the banking and insurance sector. For K&H the extraordinary sectoral tax amounts to 78 million euros and is included in the result of 2Q 2022.

In 1Q 2022 an extraordinary staff bonus was decided for in total 41 million euros (10 million euros in Business Unit Belgium, 12 million euros in Business Unit Czech Republic, 4 million euros in Hungary, 4.5 million euros in Slovakia, 4 million euros in Bulgaria and 6.5 million euros in Group Centre, of which 1 million euros in Ireland).

Note: One-off impact from the sale transaction in Ireland (see note 6.6 further in this report).

Impairment – income statement (note 3.10 in the annual accounts 2021)

(in millions of EUR)	2022	2021	4Q 2022	3Q 2022	4Q 2021
Total	**- 284**	**261**	**- 132**	**- 101**	**16**
Impairment on financial assets at AC and at FVOCI	- 154	334	- 82	- 79	62
Of which impairment on financial assets at AC	- 155	330	- 82	- 79	60
By product					
Loans and advances	*- 177*	*315*	*- 82*	*- 106*	*65*
Debt securities	*- 3*	*- 1*	*- 1*	*- 3*	*0*
Off-balance-sheet commitments and financial guarantees	*25*	*15*	*1*	*30*	*- 5*
By type					
Stage 1 (12-month ECL)	*5*	*70*	*23*	*- 9*	*12*
Stage 2 (lifetime ECL)	*- 107*	*449*	*- 56*	*- 95*	*45*
Stage 3 (non-performing; lifetime ECL)	*- 60*	*- 191*	*- 54*	*26*	*5*
Purchased or originated credit impaired assets	*8*	*2*	*6*	*- 1*	*- 2*
Of which impairment on financial assets at FVOCI	1	4	0	0	1
Impairment on goodwill	- 5	- 7	- 5	0	- 7
Impairment on other	- 125	- 65	- 46	- 23	- 39
Intangible fixed assets (other than goodwill)	- 34	- 35	- 12	1	- 28
Property, plant and equipment (including investment property)	- 18	- 17	- 9	0	- 6
Associated companies and joint ventures	0	0	0	0	0
Other	- 73	- 13	- 25	- 24	- 5

The impairment on financial assets at AC and at FVOCI includes:

- In 2022, a net impairment charge of 158 million euros for the Covid, geopolitical and emerging risks (of which 18 million euros charge in 1Q 2022, 5 million euros release in 2Q 2022, 103 million euros charge in 3Q 2022 and 42 million euros charge in 4Q 2022), compared to a release in 2021 of 494 million euros collective Covid-19 ECL impact (of which 26 million euros release in 1Q 2021, 129 million euros release in 2Q 2021, 260 million euros release in 3Q 2021 and 79 million euros release in 4Q 2021) (the reference periods only related to Covid risks). For more information, see note 1.4 of this report.

- Both years, 2022 and 2021, were negatively impacted by one-off impairments related to the two sales transactions at KBC Bank Ireland for an amount of respectively 17 and 178 million euros charges (for more information see note 6.6 further in this report).
- Additionally, in 2022, net releases largely in stage 3 mainly related to a number of corporate and retail files in Czech Republic and Belgium of 21 million euros compared to 18 million euros net releases in 2021, related to a number of corporate files mainly in Czech Republic and Bulgaria.

The impairment on goodwill includes 5 million euros in 2022 and 7 million euros in 2021 on small subsidiaries of the Czech Republic due to the annual goodwill impairment test.

The impairment on other (Other) in 2022 includes 63 million euros modification losses, largely related to the extension of the interest cap regulation in Hungary compared to 8 million euros in 2021 related to modification losses in Hungary.

The impairment on property and equipment and intangible assets in 2022 includes 52 million euros (of which 24 million euros in Ireland), compared to 52 million euros in 2021 (of which 32 million euros in Ireland). For more information see note 6.6 further in this report.

Income-tax expense (note 3.12 in the annual accounts 2021)

2022 income tax is positively impacted by the one-off recognition of 51 million euros deferred tax assets, amongst others following the increase of the UK Corporate tax rate from 19% to 25% and the recognition of deferred tax assets Ireland (see note 6.6 for more information).

2021 income tax is negatively impacted by the derecognition of deferred tax assets related to tax losses carried forward in Ireland in 3Q 2021. (for more information see note 6.6 further in this report).

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2021)

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Mandatorily measured at FV through P&L (MFVPL) excl. HFT &overlay	Measured at fair value - overlay approach (overlay)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	Pro Forma excl. Raiffeisenbank Bulgaria
FINANCIAL ASSETS, 31-12-2022									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	4 240	0	13	0	1	0	0	4 254	*4 203*
of which repayable on demand and term loans at not more than three months								*1 237*	*1 237*
Loans and advances to customers (excl. reverse repos)	177 427	0	625	0	0	0	0	178 053	*174 083*
Trade receivables	*2 818*	*0*	*0*	*0*	*0*	*0*	*0*	*2 818*	*2 729*
Consumer credit	*6 222*	*0*	*430*	*0*	*0*	*0*	*0*	*6 652*	*5 977*
Mortgage loans	*73 465*	*0*	*196*	*0*	*0*	*0*	*0*	*73 660*	*72 891*
Term loans	*82 894*	*0*	*0*	*0*	*0*	*0*	*0*	*82 894*	*80 744*
Finance lease	*6 368*	*0*	*0*	*0*	*0*	*0*	*0*	*6 368*	*6 117*
Current account advances	*4 886*	*0*	*0*	*0*	*0*	*0*	*0*	*4 886*	*4 885*
Other	*774*	*0*	*0*	*0*	*0*	*0*	*0*	*774*	*740*
Reverse repos	20 186	0	0	0	33	0	0	20 219	*20 219*
with credit institutions and investment firms	*20 018*	*0*	*0*	*0*	*33*	*0*	*0*	*20 050*	*20 050*
with customers	*168*	*0*	*0*	*0*	*0*	*0*	*0*	*168*	*168*
Equity instruments	0	315	13	1 237	430	0	0	1 994	*1 989*
Investment contracts (insurance)	0	0	12 771	0	0	0	0	12 771	*12 771*
Debt securities issued by	52 030	11 813	17	0	1 728	0	0	65 588	*64 871*
Public bodies	*44 219*	*8 135*	*0*	*0*	*1 667*	*0*	*0*	*54 021*	*53 390*
Credit institutions and investment firms	*5 160*	*1 621*	*0*	*0*	*9*	*0*	*0*	*6 790*	*6 747*
Corporates	*2 651*	*2 057*	*17*	*0*	*53*	*0*	*0*	*4 777*	*4 733*
Derivatives	0	0	0	0	6 279	0	542	6 821	*6 813*
Other	1 561	0	0	0	0	0	0	1 561	*1 561*
Total	255 444	12 128	13 439	1 237	8 471	0	542	291 262	*286 511*
FINANCIAL ASSETS, 31-12-2021									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	7 920	0	0	0	1	0	0	7 920	
of which repayable on demand and term loans at not more than three months								*3 146*	
Loans and advances to customers (excl. reverse repos)	159 167	0	560	0	0	0	0	159 728	
Trade receivables	*2 090*	*0*	*0*	*0*	*0*	*0*	*0*	*2 090*	
Consumer credit	*5 470*	*0*	*381*	*0*	*0*	*0*	*0*	*5 851*	
Mortgage loans	*67 486*	*0*	*179*	*0*	*0*	*0*	*0*	*67 665*	
Term loans	*72 998*	*0*	*0*	*0*	*0*	*0*	*0*	*72 998*	
Finance lease	*5 815*	*0*	*0*	*0*	*0*	*0*	*0*	*5 815*	
Current account advances	*4 819*	*0*	*0*	*0*	*0*	*0*	*0*	*4 819*	
Other	*490*	*0*	*0*	*0*	*0*	*0*	*0*	*490*	
Reverse repos	24 978	0	0	0	0	0	0	24 978	
with credit institutions and investment firms	*24 861*	*0*	*0*	*0*	*0*	*0*	*0*	*24 861*	
with customers	*117*	*0*	*0*	*0*	*0*	*0*	*0*	*117*	
Equity instruments	0	321	8	1 366	448	0	0	2 144	
Investment contracts (insurance)	0	0	14 620	0	0	0	0	14 620	
Debt securities issued by	47 172	15 503	17	0	2 958	0	0	65 650	
Public bodies	*41 475*	*10 514*	*0*	*0*	*2 517*	*0*	*0*	*54 507*	
Credit institutions and investment firms	*3 310*	*2 245*	*0*	*0*	*357*	*0*	*0*	*5 912*	
Corporates	*2 387*	*2 744*	*17*	*0*	*84*	*0*	*0*	*5 232*	
Derivatives	0	0	0	0	5 443	0	283	5 727	
Other	892	0	0	0	0	0	0	892	
Total	240 128	15 824	15 205	1 366	8 850	0	283	281 658	

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	Pro Forma excl. Raiffeisen-bank Bulgaria
FINANCIAL LIABILITIES, 31-12-2022						
Deposits from credit institutions and investment firms (excl. repos)	24 819	0	0	0	24 819	*24 737*
of which repayable on demand					*5 085*	*5 085*
Deposits from customers and debt securities (excl. repos)	251 496	44	1 205	0	252 746	*247 585*
Demand deposits	*122 053*	*0*	*0*	*0*	*122 053*	*117 401*
Time deposits	*22 280*	*44*	*73*	*0*	*22 397*	*21 960*
Savings accounts	*76 979*	*0*	*0*	*0*	*76 979*	*76 954*
Special deposits	*2 710*	*0*	*0*	*0*	*2 710*	*2 663*
Other deposits	*268*	*0*	*0*	*0*	*268*	*268*
Subtotal deposits of clients, excl. repos	*224 290*	*44*	*73*	*0*	*224 407*	*219 246*
Certificates of deposit	*9 321*	*0*	*1*	*0*	*9 322*	*9 322*
Savings certificates	*104*	*0*	*0*	*0*	*104*	*104*
Non-convertible bonds	*15 621*	*0*	*1 006*	*0*	*16 627*	*16 627*
Non-convertible subordinated liabilities	*2 160*	*0*	*126*	*0*	*2 285*	*2 285*
Repos	11 091	7	0	0	11 097	*11 097*
with credit institutions and investment firms	*10 852*	*7*	*0*	*0*	*10 859*	*10 859*
with customers	*239*	*0*	*0*	*0*	*239*	*239*
Liabilities under investment contracts	0	0	12 002	0	12 002	*12 002*
Derivatives	0	8 038	0	577	8 615	*8 605*
Short positions	0	1 007	0	0	1 007	*1 007*
In equity instruments	*0*	*5*	*0*	*0*	*5*	*5*
In debt securities	*0*	*1 002*	*0*	*0*	*1 002*	*1 002*
Other	2 448	0	0	0	2 448	*2 370*
Total	289 854	9 096	13 207	577	312 735	*307 403*
FINANCIAL LIABILITIES, 31-12-2021						
Deposits from credit institutions and investment firms (excl. repos)	38 047	0	0	0	38 047	
of which repayable on demand					*4 695*	
Deposits from customers and debt securities (excl. repos)	224 759	21	1 312	0	226 093	
Demand deposits	*112 097*	*0*	*0*	*0*	*112 097*	
Time deposits	*9 106*	*21*	*60*	*0*	*9 187*	
Savings accounts	*74 801*	*0*	*0*	*0*	*74 801*	
Special deposits	*2 962*	*0*	*0*	*0*	*2 962*	
Other deposits	*428*	*0*	*0*	*0*	*428*	
Subtotal deposits of clients, excl. repos	*199 395*	*21*	*60*	*0*	*199 476*	
Certificates of deposit	*6 273*	*0*	*0*	*0*	*6 273*	
Savings certificates	*253*	*0*	*0*	*0*	*253*	
Non-convertible bonds	*15 892*	*0*	*1 118*	*0*	*17 011*	
Non-convertible subordinated liabilities	*2 946*	*0*	*134*	*0*	*3 080*	
Repos	3 293	2	0	0	3 295	
with credit institutions and investment firms	*2 888*	*2*	*0*	*0*	*2 890*	
with customers	*405*	*0*	*0*	*0*	*405*	
Liabilities under investment contracts	0	0	13 603	0	13 603	
Derivatives	0	5 619	0	1 094	6 713	
Short positions	0	1 628	0	0	1 628	
In equity instruments	*0*	*18*	*0*	*0*	*18*	
In debt securities	*0*	*1 611*	*0*	*0*	*1 611*	
Other	2 288	0	0	0	2 288	
Total	268 387	7 271	14 916	1 094	291 667	

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme. In 4Q 2022 an amount of 9.1 billion euros was repaid early, leaving 15.4 billion euros outstanding.

Impaired financial assets (note 4.2.1 in the annual accounts 2021)

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
31-12-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	204 473	- 2 619	201 853
Stage 1 (12-month ECL)	163 846	- 110	163 736
Stage 2 (lifetime ECL)	36 577	- 635	35 941
Stage 3 (lifetime ECL)	3 593	- 1 796	1 797
Purchased or originated credit impaired assets (POCI)	456	- 77	379
Debt Securities	52 048	- 18	52 030
Stage 1 (12-month ECL)	51 909	- 7	51 903
Stage 2 (lifetime ECL)	130	- 4	126
Stage 3 (lifetime ECL)	8	- 7	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	11 818	- 4	11 813
Stage 1 (12-month ECL)	11 753	- 3	11 750
Stage 2 (lifetime ECL)	65	- 2	63
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
31-12-2021			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	194 638	- 2 573	192 065
Stage 1 (12-month ECL)	167 426	- 104	167 322
Stage 2 (lifetime ECL)	23 131	- 507	22 624
Stage 3 (lifetime ECL)	3 493	- 1 848	1 645
Purchased or originated credit impaired assets (POCI)	588	- 114	474
Debt Securities	47 181	- 9	47 172
Stage 1 (12-month ECL)	47 155	- 5	47 150
Stage 2 (lifetime ECL)	24	- 3	21
Stage 3 (lifetime ECL)	1	- 1	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	15 509	- 6	15 503
Stage 1 (12-month ECL)	15 418	- 3	15 415
Stage 2 (lifetime ECL)	91	- 3	88
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0

(*) The carrying value after impairment in this note is equal to the sum of the lines Loans and advances to credit institutions and investment firms (excl. reverse repos), Loans and advances to customers (excl. reverse repos) and Reverse repos in note 4.1 (in the column Measured at amortised cost)

In 2022, a collective shift to stage 2 has been applied for the stage 1 portfolios that are either:

- indirectly exposed to Russia, Ukraine and Belarus (i.e. related to military conflict) (2.8 billion euros), or
- vulnerable to the emerging risks (11.3 billion euros).

An exposure of 14.2 billion euros has been transferred to stage 2 based on these collective assessments in 2022 (for more information, see note 1.4 in this report).

The figures of note 4.2.1 of 31 December 2022 are impacted by the acquisition of Raiffeisenbank Bulgaria (for more information see Note 6.6 further in this report), mainly in the loans and advances at amortised cost which include a total carrying amount after impairment of 4.0 billion euros from Raiffeisenbank Bulgaria EAD, of which respectively 3.2, 0.8 and 0.0 billion euros in stage 1, 2 and 3 (including additional impairments of 0.1 billion euros mainly in stage 3).

Note that for the figures of 31 December 2021, the stage transfer predicted in the then applicable management overlay is not reflected in the table for the comparative figures, because it was determined based on a collective statistical approach and, therefore, could not be individually linked to specific loans. Taking into account the impact of the management overlay on staging at 31 December 2021, this would have resulted in a gross carrying value before impairment of loans and advances of an estimated 165.4, 24.3 and 4.3 billion euros in Stages 1, 2 and 3, respectively (or net migration of 1% of the total portfolio from ‘Stage 1’ to ‘Stage 2’ and 0.4% from ‘Stage 1’ and ‘Stage 2’ to ‘Stage 3’).

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2021)

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 4.4 up to and including 4.7 of the annual accounts 2021.

(in millions of EUR)				31-12-2022				31-12-2021
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	13 781	147	748	14 676	15 702	254	615	16 572
Held for trading	1 912	5 825	733	8 471	1 970	5 915	965	8 850
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	9 525	2 071	532	12 128	12 284	2 964	577	15 824
Hedging derivatives	0	542	0	542	0	283	0	283
Total	25 219	8 585	2 014	35 818	29 956	9 416	2 157	41 529
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	885	7 086	1 125	9 096	1 582	4 480	1 209	7 271
Designated at fair value	12 002	74	1 131	13 207	13 603	61	1 251	14 916
Hedging derivatives	0	479	98	577	0	696	398	1 094
Total	12 887	7 638	2 355	22 881	15 185	5 238	2 857	23 280

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2021)

During 2022, KBC transferred about 77 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 434 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2021)

In 2022 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets measured at fair value through profit and loss: the fair value of loans and advances increased by 65 million euros, primarily due to new transactions, only partially offset by changes in market parameters and instruments that reached maturity. The fair value of unquoted equities increased by 66 million euros, mostly due to new transactions.
- Financial assets held for trading: the fair value of derivatives decreased by 232 million euros, primarily due to sales of existing positions and changes in market parameters, not fully offset by new acquisitions and transfers into level 3.
- Financial assets measured at fair value through other comprehensive income: the fair value of debt securities has decreased by 36 million euros, mostly due to instruments that reached maturity and changes in market parameters.
- Financial liabilities held for trading: the fair value of derivatives decreased by 83 million euros, mostly due to sales of existing positions and changes in market parameters, only partially offset by new acquisitions and transfers into level 3.
- Financial liabilities designated at fair value: the fair value of debt securities issued decreased by 120 million euros, primarily due to deals that reached maturity and sales of existing positions, only partially offset by new transactions.
- Financial liabilities in hedge accounting: the fair value of derivatives decreased by 300 million euros due to changes in market parameters.

Details of provisions for other risks and charges (note 5.7.3 in the annual accounts 2021)

Possible outflow: On 6 October 2011, Irving H. Picard, trustee for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) before the bankruptcy court in New York to recover (claw-back) approximately 110 million US dollars which had been transferred from Madoff (via a feeder fund called Harley) to KBC entities. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors ("joint defense group").

For events before 2022 we refer to the annual report.

Recent developments: after consideration, the claim was amended to 86 million US dollars (plus pre judgement interest, costs and expenses) and the Trustee filed this amended complaint on 5 August 2022. KBC Investments Ltd will have the right to seek to dismiss the complaint, including for lack of specific personal jurisdiction of the US court, in particular due to the insufficient nexus between KBC Investments Ltd's actions and the United States. Although certain defenses are now unavailable and the burden of proof has been shifted for others, KBC still believes it has good and credible defenses, both procedurally as on the merits including demonstrating its good faith. The procedure may still take several years.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2021)

Quantities	31-12-2022	31-12-2021
Ordinary shares	417 169 414	416 883 592
of which ordinary shares that entitle the holder to a dividend payment	*417 169 414*	*416 883 592*
of which treasury shares	*2*	*2*
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels).

In December 2022 the number of KBC Group NV shares went up by 285 822 to 417 169 414 (in December 2021 by 189 034 to 416 883 592), due to new shares being issued following the yearly capital increases reserved for staff.

Non-current assets held for sale and discontinued operations (note 5.11 in the annual accounts 2021)

The sale of loans and deposits at KBC Bank Ireland resulted in a shift in 2021 to the items 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' because we consider all IFRS 5 conditions are met.

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2021)

NN's Bulgarian pension and life insurance business

On 30 July 2021, we completed the acquisition of NN's Bulgarian pension and life insurance business for 77.7 million euros, without any contingent consideration. It concerns an acquisition by DZI (Bulgarian subsidiary of KBC) of all shares of NN Pension Insurance Company EAD (Bulgaria) and all assets and liabilities of NN Insurance Co. Ltd. - Sofia Branch. For more information, see note 6.6 in the annual accounts of 2021.

KBC Bank Ireland:

Transaction with CarVal Investors

On 30 August 2021, KBC Bank Ireland sold substantially all of its remaining non-performing mortgage loan portfolio of roughly 1.1 billion euros in a transaction financed by funds managed by CarVal Investors ("CarVal"). Post completion, Pepper Finance Corporation (Ireland) DAC will be managing the loans as Legal Title Holder. Pepper is regulated by the Central Bank of Ireland. The impact on KBC Group's P&L in 2021 is -120 million euros (see table with details further in this note) and +3 million euros in 1Q 2022. The transaction is marginally capital accretive with a combined impact (P&L and RWA) on the CET1 ratio of KBC Group of approximately 2bps, fully in 2021. The risk-weighted assets decreased by 0.8 billion euros (in 3Q 2021). On 7 February 2022, the deal was finalized, leading to a decline of the balance sheet item 'Non-current assets held for sale and disposal groups' with 0.6 billion euros in 1Q 2022.

Transaction with Bank of Ireland Group

Following the announcement made on the 16th April 2021 that KBC Bank Ireland had entered into a Memorandum of Understanding (MoU) with Bank of Ireland Group, on 22 October 2021 KBC Bank Ireland entered into a legally binding agreement with Bank of Ireland relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to

Bank of Ireland Group. In addition, a small portfolio of non-performing mortgages (NPEs) will also be acquired as part of the transaction.

As a result of this announcement, the P&L-lines of KBC Bank Ireland have been transferred from Business Unit International Markets to Group Centre as of 1 January 2022 (without retroactive restatement) (see note 2.2 in this report for more information).

On 23 May 2022, the transaction received approval from the Irish Competition and Consumer Protection Commission (CCPC) and the deal received final approval from the Irish Minister for Finance on 2 December 2022.

Impact of transactions relating to Ireland non-recurring items (in millions of EUR)	Sale of non-performing loans to CarVal	Sale of loans and deposits to BOI and planned wind-down	Total
FY 2022			
Total income	6	1	6
Operating expenses	0	- 32	- 33
Impairment	- 2	- 38	- 41
on financial assets at AC and at FVOCI	*- 2*	*- 15*	*- 17*
other	*0*	*- 24*	*- 24*
Income tax expense	0	36	36
RESULT AFTER TAX	3	- 35	- 31
FY 2021			
Total income	0	- 3	- 3
Operating expenses	- 7	- 91	- 97
Impairment	- 129	- 81	- 210
on financial assets at AC and at FVOCI	*- 129*	*- 49*	- 178
other	*0*	*- 32*	- 32
Income tax expense	16	- 67	- 51
RESULT AFTER TAX	- 120	- 241	- 361

Finally, on 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group. The acquisition for an initial total consideration of 6.4 billion euros, involves approximately 7.6 billion euros of performing mortgages, 0.1 billion euros of mainly performing commercial and consumer loans, 0.2 billion euros of non-performing mortgages, and 1.8 billion euros of deposits.

The transaction will have an impact on KBC Group's P&L (1Q 2023) of approximately +0.4 billion euros. Combined with the reduction of risk-weighted assets by c.4 billion euros, this will further improve KBC's solid capital position in 1Q 2023, with a positive impact of 0.9% pt. on the CET1 ratio (fully loaded).

Bulgarian operations of Raiffeisen Bank International:

On 15 November 2021, KBC Bank and Austria-based Raiffeisen Bank International ('RBI') reached an agreement for KBC Bank to acquire 100% of the shares of Raiffeisenbank (Bulgaria) EAD, comprising RBI's Bulgarian banking operations.

The transaction also includes Raiffeisenbank Bulgaria's fully-owned subsidiaries Raiffeisen Leasing Bulgaria, Raiffeisen Asset Management (Bulgaria), Raiffeisen Insurance Broker (serving Raiffeisenbank Bulgaria's leasing and corporate clients) and Raiffeisen Service.

The transaction was completed on 7 July 2022 and the results have been fully consolidated as of 3Q 2022. The impact in 2H 2022 amounts to +108 million euros in total income (of which +70 million euros in net interest income and +36 million euros in net fee and commission income), -51 million euros in operating expenses, -5 million euros in impairment, and +47 million euros in result after tax. For more information on the impact of the consolidation of Raiffeisenbank Bulgaria on the financial assets and liabilities of KBC, we refer to note 4.1 and regarding the staging to note 4.2.1. See also the table below for the fair value of the assets and liabilities involved in the acquisition of Raiffeisenbank Bulgaria.

The deal involves a total consideration of 1 009 million euros paid in cash (without any contingent consideration arrangements). KBC recognised a goodwill of 433 million euros in its consolidated financial statements for Raiffeisenbank Bulgaria, taking into account limited fair value adjustments. This is accounted for by the quality of Raiffeisenbank Bulgaria reflected by the qualitative credit portfolio and its profitability (based on the results achieved in previous years and the business plan for the years ahead). This allows KBC to serve more clients and consequently to benefit from economies of scale (via significant cost synergies on the branch network and headquarter overlap in Bulgaria and revenue synergies related to increased sales of insurance products of DZI) and increased visibility. The acquisition provides KBC an opportunity to deploy its excess capital in a value accretive transaction in a market the group knows intimately.

It should be noted that, in principle, IFRS 3 (Business Combinations) allows the amount of goodwill to be adjusted during the 12-month measurement period starting from the acquisition date (IFRS 3.45). The amount of goodwill is therefore temporary and subject to change (there are currently no indications that the goodwill calculation will be subject to any major adjustments). Goodwill is not deductible for tax purposes.

The transaction had a capital impact of -0,9pp on KBC Group's CET1 in 3Q 2022.
In 2023, Raiffeisenbank Bulgaria will be legally merged with United Bulgarian Bank (UBB).

The table below shows the fair value of the assets and liabilities involved in the acquisition of Raiffeisenbank Bulgaria.

in millions of EUR	2022
Purchase or sale	Purchase
	Raiffeisen-bank Bulgaria EAD
Total share percentage at the end of the relevant year	100.00%
For business unit/segment	International Markets
Deal date (month and year)	July 2022
Incorporation of the result of the company in the result of the group as of:	07-07-2022
Purchase price (*)	1 009
Cashflow for acquiring or selling companies less cash and cash equivalents acquired	- 42
Recognised amounts of identifiable assets acquired and liabilities assumed - (provisional) fair value:	
Cash and cash balances with central banks	1 053
Financial assets	4 686
At amortised cost	4 521
Fair value through OCI	132
Fair value through profit or loss	30
Hedging derivatives	4
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0
Tax assets	2
Investments in associated companies and joint ventures	2
Property and equipment	35
Goodwill and other intangible assets	15
Other assets	20
of which: cash and cash equivalents (included in the assets above)	*1 053*
Financial liabilities	5 150
Held for trading	19
At amortised cost	5 130
Provisions for risks and charges	9
Other liabilities	21
of which: cash and cash equivalents (included in the liabilities above)	*28*

(*) Additionally, 58 million euros (plus accrued coupon) was paid for an Additional tier-1 instrument included in equity at nominal value issued by Raiffeisenbank Bulgaria from RBI

Post-balance sheet events (note 6.8 in the annual accounts 2021)

Significant non-adjusting event between the balance sheet date (31 December 2022) and the publication of this report (9 February 2023):

- On 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group. For more information, see note 6.6 in this report.

First time application of IFRS 17 (note 6.10)

Background information

- In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. On 1 January 2023, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model (the 'Building Block Approach' or 'BBA'), supplemented by a specific adaptation for contracts with direct participation features (the 'Variable Fee Approach' or 'VFA') and a simplified approach (the 'Premium Allocation Approach' or 'PAA') mainly for short-duration contracts.
- Where necessary, the interpretation of IFRS 17 was gradually adjusted when new information became available from external or in-house sources. Amendments to the original standard, which were published by the IASB in June 2020, are also taken into account. On 23 November 2021, the EU published a Regulation endorsing IFRS 17 (Insurance Contracts), including the amendments to the original IFRS 17 and a solution for the annual cohort requirement for certain types of insurance contracts, for use in the European Union. KBC will not apply the European optional exemption from the annual cohort requirement.

Main differences between IFRS 4 and IFRS 17

- For Non-life insurance, income continues to be recognised primarily in earned premiums, and discounting under IFRS 17 represents the main difference in claims provisions. The undiscounted claims provisions under IFRS 4 are replaced by a discounted best estimate of future cashflows under IFRS 17, plus a risk adjustment for uncertainty (i.e. a safety margin).
- Under IFRS 4, the premiums received for Life insurance are recognised as earned premiums. Under IFRS 17, the premiums received are broken down into its various components. The savings component (as part of the premium received) is no longer recognised in the income statement. Income is spread over the term of the contract based on the services provided and claims and expenses expected during the period. While earnings per product are the same as earnings per product under IFRS 4, the earnings are recognised differently over time.
- The IFRS 4 actuarial reserves for Life insurance are replaced by a discounted best estimate of future cashflows under IFRS 17, plus a risk adjustment for uncertainty (i.e. a safety margin) and a contractual service margin (CSM, similar to unearned profit).
- Technical charges under IFRS 4 are presented in a more transparent way under IFRS 17, by presenting the insurance service result – comprising insurance revenue and insurance service expenses – separately from insurance finance income and expense (IFIE). The latter is a new concept under IFRS 17 resulting from the discounting of insurance liabilities.
- When facts and circumstances suggest onerous contracts, under IFRS 17 the expected losses concerned are recognised immediately in the income statement.
- While IFRS 17 generally does not affect insurance business profitability, the timing of recognition of the result may vary, especially for long-term life insurance. Since changes in estimates (for instance, based on updated mortality tables) are absorbed in the CSM and therefore recognised in the result over time, we expect to see less volatility in the result.
- Following the introduction of IFRS 17, 'Financial assets at fair value – overlay approach' has been abolished. KBC Insurance has chosen to reclassify its shares held in portfolio based on this overlay approach to FVOCI equity instruments (without recycling). As a result, only the dividend income will now be recognised in the income statement.
- IFRS 17 does not affect:
  - KBC Insurance's Solvency II ratio;
  - KBC Group's common equity ratio (Danish compromise method): at consolidated group level, KBC Insurance is treated as a participation and measured at historical carrying value;
  - the dividend policy of KBC Group.

Uniform measurement principles

- IFRS 17 introduces uniform measurement principles for insurance liabilities, which factor in insurance contract features. At KBC, the Building Block Approach (BBA) and Variable Fee Approach (VFA) measurement models are used for long-term life insurance contracts; the Premium Allocation Approach (PAA) measurement model is used for short-term non-life insurance contracts and for reinsurance (including ceded), provided they meet the PAA eligibility criteria. Certain investment contracts (primarily in Belgium) are included under IFRS 9 instead of IFRS 17 as they do not contain an insurance component.
- As required under IFRS 17, the curves used for discounting the cash flows that do vary with the underlying items (mainly life insurance) are based on the top-down approach (using a risk-free rate, adjusted with a spread based on a reference portfolio of assets and excluding the part not related to the insurance liabilities). The bottom-up approach (i.e. risk-free rate +illiquidity premium) is used for discounting the cash flows that do not vary with the underlying items (mainly non-life).
- Under IFRS 17, insurance liabilities are measured at the current rate, which means that the impact of the time value of money is revalued at the current rate each closing period. An accounting policy choice needs to be made whether to recognise the

impact of the changes in the current rate in the income statement or in other comprehensive income (OCI). In its accounting policies, KBC has chosen to disaggregate insurance finance income or expenses (IFIE) between the income statement and OCI. This means that the interest expense on the insurance liability over the reporting period is recorded in the income statement – this interest expense is determined based on the locked-in rate (i.e. the interest rate curve applicable at inception of the IFRS 17 contract) – and that the impact of changes in the market rate over the reporting period is recorded in OCI.

- The IFRS17 (re)insurance liabilities and (re)insurance assets represent all rights and obligations related to a portfolio of contracts as one single insurance contract asset or liability. A split between insurance contract issued (=direct business and accepted reinsurance) and reinsurance contract held (= ceded reinsurance) is made as required by the standard. To correctly present the insurance liabilities and ceded reinsurance receivables, an adjustment is applied by offsetting the outstanding (re)insurance payables and receivables (for instance, premiums receivable and fees payable) against the Liability for Remaining Coverage (LRC)/Asset for Remaining Coverage (ARC).
- The risk adjustment for non-financial risks is the compensation the entity needs to bear the uncertainty of the amount and the timing of cashflows arising from non-financial risks. It is a buffer on top of the best estimate of future cashflows that represents a 50% probability that future liabilities can be met. Life insurance liabilities are characterised by long-term cashflows based on biometric parameters. The risk adjustment is defined as the difference between the Value at Risk (VaR) and the best estimate of future cashflows in the context of meeting the liabilities. Non-financial risks included in the VaR model are mortality risk, longevity risk, illness/disability risk, lapse risk, expense risk and revision risk. The correlations between the different types of risk have been drawn from the Solvency II correlation matrix. Since the risk adjustment for non-life insurance liabilities is only calculated for damages suffered, only the reserve risk is taken into account. A Value at Risk method is used, as is the case for life insurance liabilities.
- Within KBC Group the risk adjustment for non-life is calculated at a confidence level of 90% and the risk adjustment for life is set at a confidence level of 75%.
- When transitioning from IFRS 4 to IFRS 17, KBC applies the Full Retrospective Approach (FRA) for recent years for which the required historical data is available that allows KBC to make these FRA transition calculations. Applying the FRA for non-recent years is impracticable due to either a lack of historical data (data and hypotheses) or high costs associated with making information from the past available for FRA transition calculations, where these costs outweigh the benefits. Where the FRA is impracticable, the Fair Value Approach (FVA) is predominantly used to determine the CSM on the transition date. The Modified Retrospective Approach (MRA) is rarely applied as this transition approach is overly complex and the costs do not outweigh the benefits. KBC calculates an IFRS 13 fair value based on the IFRS 17 cashflows and subsequently adjusts a few assumptions or parameters. The adjustments relate to the inclusion in the IFRS 13 fair value of total expenses, i.e. including non-directly attributable expenses, and to the inclusion of a risk premium that covers not only non-financial risk but also operational risk, lapse risk, system and integration expenses and capital funding costs. All past years are combined into a single cohort for the FVA transition calculations. The FVA CSM ensues from cost and risk margin differences under IFRS 17 and IFRS 13 measurement approaches. The OCI amount on the transition date under the FVA is determined in accordance with the transition exemptions provided in IFRS 17.

Level of aggregation

- IFRS 17 calculations are performed at an aggregated level and take into account:
  - IFRS 17 portfolios (an aggregation of contracts with similar risks that are managed together)
  - Annual cohorts (the year in which the policy was taken out)
  - Group of contracts (having the same profitability expectation at inception)
- The IFRS 17 Life portfolios allow KBC to report at the level of guaranteed-interest (class 21), unit-linked (class 23) and hybrid products. For Non-life, reports are prepared at the level of property, liability and personal insurance. New production is aggregated in annual cohorts. Contracts are allocated to a group of contracts that have the same profitability characteristics upon initial recognition (i.e. at inception of the policy).

Impact of the first-time adoption of IFRS 17

The table below shows which IFRS 4 or IFRS 9 insurance-related assets and liabilities are or are not measured under IFRS 17 at year-end 2021:

- Assets and liabilities that will not be measured under IFRS 17 are included under IFRS 9 (Financial Instruments).
- Assets and liabilities that are covered by IFRS 17 are subject to differences in presentation (movements between assets and liabilities, which do not affect equity) and valuation differences (which may affect equity through retained earnings or the revaluation reserves – Insurance finance income or expense through OCI, after reinsurance).

Impact of the transition to IFRS 17 (in millions of EUR)		Situation as at 31-12-2021 (IFRS 4)	Not measured under IFRS 17	Measured under IFRS 17	Presentation change	Measurement change (impact on equity)	Situation as at 01-01-2022 (IFRS 17)
Reported under IFRS 4	Reported under IFRS 17						
Reported as assets	Reported as assets	1 824	1 097	726	-684	-29	1 111
Reinsurers' share in technical provisions, insurance	*Ceded reinsurance assets*	*191*	*0*	*191*	*-149*	*-29*	*13*
Other assets	*Other assets*	*1 633 (*)*	*1 097*	*535*	*-535*	*0*	*1 097*
Reported as liabilities	Reported as liabilities	35 090	15 943	19 147	-691	1 456	35 855
Technical provisions, before reinsurance	*Insurance contract obligations*	*18 967*	*197*	*18 770*	*-511*	*1 456*	*19 912*
Non-life	*Non-life*	*3 967*	*0*	*3 967*	*-501*	*-401*	*3 065*
Life	*Life*	*15 000*	*197*	*14 803*	*-10*	*1 857*	*16 847*
Liabilities under investment contracts (measured under IFRS 9)	*Liabilities under investment contracts (measured under IFRS 9)*	*13 603*	*13 464*	*139*	*57*	*0*	*13 661*
Other liabilities	*Other liabilities*	*2 520*	*2 283*	*237*	*-237*	*0*	*2 283*
Impact of transition to IFRS 17 (excluding reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17)							
Impact on equity before tax		-	-	-	-	-1 485	-
on retained earnings		-	-	-	-	*-1 419*	-
on revaluation reserves		-	-	-	-	*-65*	-
Impact on equity after tax		-	-	-	-	-1 102	-
on retained earnings		-	-	-	-	*-1 054*	-
on revaluation reserves		-	-	-	-	*-48*	-
Impact of reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17							
Impact on equity before tax		-	-	-	-	574	-
on retained earnings		-	-	-	-	*71*	-
on revaluation reserves		-	-	-	-	*503*	-
Impact on equity after tax		-	-	-	-	428	-
on retained earnings		-	-	-	-	*71*	-
on revaluation reserves		-	-	-	-	*357*	-
Total impact of transition to IFRS 17 (including reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17)							
Total impact on equity after tax		-	-	-	-	-673	-
on retained earnings		-	-	-	-	*-983*	-
on revaluation reserves		-	-	-	-	*309*	-

(*) the difference with 1 630 million euro as presented on the balance sheet of 31/12/2021 can be explained by insurance related items included in other balance sheet lines, which have been added.

- **Conclusions:**
  - The total net impact (after tax) of the transition to IFRS 17 including the reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17 amounts to -673 million euros. This is the result of:
    - Valuation differences of IFRS 17: the negative impact on equity (-1 485 million before tax, -1 102 million euros after tax) caused by the transition to IFRS 17 is attributable to the life business, partly offset by non-life.
      - Life (impact -1 857 million euros before tax): is measured mainly on the basis of the Building Block Approach, which results in an increase in insurance liabilities. Higher insurance liabilities are largely accounted for by the application of a different discount rate (under IFRS 4 liabilities are discounted using the higher guaranteed rate, whereas under IFRS 17 they are discounted using the lower current rate at transition).
      - Non-life (+372 million euros before tax): the decrease in insurance liabilities is mainly attributable to the use of the Premium Allocation Approach. The lower insurance liabilities are accounted for by a combination of the application of a best estimate under IFRS 17 and the impact of discounting (not applied under IFRS 4).
    - The first-time adoption of IFRS 17 also permits a reclassification of financial assets available to the insurance companies in order to avoid an accounting mismatch between assets and liabilities. As a result, bonds in the amount of 5 234 million euros were transferred from 'Financial assets at amortised cost' to 'Financial assets at fair value through OCI', whereas bonds transferred in the opposite direction amounted to 2 235 million euros. This translated into a positive net impact after tax of 428 million euros on equity. As a general principle, KBC has decided to classify bonds covering life insurance liabilities as FVOCI, while the approach for bonds covering non-life insurance liabilities is to allocate 90% to amortised cost and 10% to FVOCI.
    - The first-time adoption of IFRS 17 also resulted in the abolition of 'Financial assets at fair value – overlay approach' (see above), leading to a transfer of shares in the amount of 1 366 million euros to 'Financial assets at fair value through OCI' (FVOCI).

The transfer does not have a net impact on equity, but it does result in a shift from ‘Retained earnings’ (-71 million euros, pertaining to impairment recognised in the past) and the ‘Revaluation reserve (FVPL equity instruments) – overlay approach’ (496 million euros) to the ‘Revaluation reserve (FVOCI equity instruments)’.

- Liabilities that will not be measured under IFRS 17 are mainly investment contracts in Belgium, which will be included under IFRS 9 (Financial Instruments) (no changes compared with IFRS 4).
- Differences in presentation: these pertain to the adjustment applied by offsetting the outstanding insurance payables and receivables (for instance, premiums receivable and fees payable) against the Liability for Remaining Coverage (LRC) or the Asset for Remaining Coverage (ARC).
- The CSM release model is based on coverage units in the group of contracts (GoC). The number of coverage units is the volume of services the insurer provides under the contracts in that GoC, which is determined by taking into account, for each contract, the total payments a policyholder receives under a contract and the expected period of cover. The CSM amount included in the income statement is the number of coverage units allocated to the current period for the insurance cover provided in the current period.
- The number of coverage units is reassessed at the end of every reporting period in order to reflect the most up-to-date contract assumptions. KBC has chosen to present the time value of money on coverage units. Discounting the coverage units helps to achieve a more stable allocation of the CSM to the income statement. KBC applies ‘multivariate coverage units’ for contracts under which multiple services are provided, i.e. insurance cover, investment return services and investment management services, and charges the following items:
  - Coverage units are determined based on individual payment components
  - Each component is assigned a weight to reflect an appropriate service level

  These weights appropriately reflect the CSM release based on the volume of work carried out for each service.
- Contracts under which the insurer provides cover, i.e. where the insurer runs risks, fall within the IFRS 17 contract boundaries. Tacit renewals of non-life insurance policies and contracts with a future period of cover fall outside the IFRS 17 contract boundaries.
- On the transition date, ceded reinsurance assets and insurance contract obligations amounted to 13 million euros and 19 912 million euros, respectively. More information can be found in the table below. On the transition date, total insurance contract obligations excluding PAA consisted of contracts subject to the Fair Value Approach (FVA) (16 388 million euros), the Full Retroactive Approach (FRA) (586 million euros) and the Modified Retrospective Approach (MRA) (199 million euros).

Overview of ceded reinsurance assets and insurance contract obligations, In millions of EUR, 01-01-2022	Total	PAA	BBA	VFA
Ceded reinsurance assets				
By portfolio	13	13	-	-
- Life	*-18*	*-18*	-	-
- Non-life	*32*	*32*	-	-
Insurance contract obligations				
By portfolio, profitability label, product and business unit	**19 912**	**2 739**	**16 157**	**1 016**
Total Life	16 847	60	15 771	1 016
By profitability label				
- Profitable contracts	*16 466*	-	-	-
- Doubtful contracts	*0*	-	-	-
- Onerous contracts	*381*	-	-	-
By product				
- Unit-linked contracts	*899*	*0*	*0*	*899*
- Non-unit-linked contracts	*15 700*	*60*	*15 640*	*0*
- Hybrid contracts	*248*	*0*	*131*	*117*
By business unit				
- Belgium	*14 906*	*59*	*14 847*	*0*
- Czech Republic	*1 157*	*0*	*630*	*527*
- International Markets	*784*	*1*	*294*	*489*
- Group Centre	*0*	*0*	*0*	*0*
Total Non-life	3 065	2 679	386	0
By profitability label				
- Profitable contracts	*2 802*	-	-	-
- Doubtful contracts	*183*	-	-	-
- Onerous contracts	*80*	-	-	-
By product				
- Personal insurance	*1 096*	*710*	*386*	-
- Liabilities	*1 385*	*1385*	*0*	-
- Property, incl. other	*583*	*583*	*0*	-
By business unit				
- Belgium	*2 470*	*2 084*	*386*	*0*
- Czech Republic	*305*	*305*	*0*	*0*
- International Markets	*276*	*276*	*0*	*0*
- Group Centre	*14*	*14*	*0*	*0*

By component	**19 912**	**2 739**	**16 157**	**1 016**
LRC	17 447	428	16 023	996
- Best estimate	*15 383*	*-*	*14 540*	*844*
- Risk adjustment	*178*	*-*	*170*	*9*
- CSM	*1 383*	*-*	*1 240*	*142*
- Loss component	*76*	*-*	*74*	*2*
- LRC PAA	*428*	*428*	*-*	*-*
LIC	2 465	2 312	134	19
- Best estimate	*2 193*	*2 044*	*130*	*19*
- Risk adjustment	*272*	*268*	*4*	*0*

KBC Group

Additional Information 4Q 2022 and FY 2022

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities in the investment portfolio are included if they are issued by companies or banks. Government bonds are not included. The loan portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section of the annual accounts 2021. For more information, please refer to 'Details of ratios and terms on KBC Group level'.

A snapshot of the banking portfolio is shown in the table below. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit.

Credit risk: loan portfolio overview	31-12-2022	Pro forma excl. Ireland 31-12-2022	31-12-2021	Pro forma excl. Ireland 31-12-2021
Total loan portfolio (in billions of EUR) [1]				
Amount outstanding and undrawn	259	251	237	226
Amount outstanding	206	198	188	178
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)				
Belgium	62.7%	65.3%	63.4%	67.1%
Czech Republic	18.6%	19.4%	18.8%	19.9%
International Markets	13.9%	14.5%	16.8%	11.9%
Group Centre [2]	4.7%	0.8%	1.0%	1.1%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)				
Private individuals	43.2%	40.9%	44.4%	41.2%
Finance and insurance	5.9%	6.1%	6.0%	6.3%
Governments	3.1%	3.2%	2.8%	2.9%
Corporates	47.9%	49.9%	46.8%	49.5%
Services	9.9%	10.2%	10.3%	10.9%
Distribution	8.2%	8.5%	7.5%	8.0%
Real estate	6.3%	6.6%	6.1%	6.4%
Building & construction	4.2%	4.4%	4.2%	4.4%
Agriculture, farming, fishing	2.8%	2.9%	2.7%	2.9%
Automotive	2.5%	2.6%	2.4%	2.6%
Food Producers	1.7%	1.8%	1.8%	1.9%
Electricity	1.7%	1.7%	1.6%	1.6%
Metals	1.6%	1.6%	1.4%	1.5%
Chemicals	1.4%	1.5%	1.3%	1.4%
Machinery & Heavy equipment	0.9%	0.9%	0.9%	0.9%
Oil, gas & other fuels	0.9%	0.9%	0.6%	0.7%
Shipping	0.7%	0.8%	0.7%	0.7%
Hotels, bars & restaurants	0.7%	0.7%	0.7%	0.8%
Electrotechnics	0.5%	0.6%	0.5%	0.5%
Other [3]	4.1%	4.2%	4.0%	4.3%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)				
Belgium	52.7%	54.8%	53.9%	57.1%
Czech Republic	18.2%	18.9%	17.6%	18.7%
Slovakia	5.8%	6.1%	5.6%	6.0%
Hungary	3.6%	3.8%	3.6%	3.8%
Bulgaria	4.5%	4.7%	2.3%	2.4%
Ireland	4.0%	0.1%	5.7%	0.1%
Rest of Western Europe	7.0%	7.3%	6.9%	7.3%
Rest of Central and Eastern Europe	0.4%	0.4%	0.2%	0.2%
of which: Russia and Ukraine	0.01%	0.01%		
North America	1.4%	1.4%	1.3%	1.3%
Asia	1.2%	1.3%	1.5%	1.6%
Other	1.2%	1.3%	1.4%	1.5%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)				
Retail	43.2%	40.9%	44.4%	41.2%
of which: mortgages	39.6%	37.2%	41.2%	37.8%
of which: consumer finance	3.5%	3.6%	3.2%	3.4%
SME	20.9%	21.8%	21.5%	22.8%
Corporate	35.9%	37.4%	34.0%	36.0%

	31-12-2022	Pro forma excl. Ireland 31-12-2022	31-12-2021	Pro forma excl. Ireland 31-12-2021
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)				
Stage 1 (credit risk has not increased significantly since initial recognition)	78.0%	77.4%	83.5%	83.5%
of which: PD 1 - 4	61.4%	63.6%	62.3%	65.4%
of which: PD 5 - 9 including unrated	16.6%	13.8%	21.2%	18.1%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [4]	19.9%	20.5%	13.6%	14.1%
of which: PD 1 - 4	6.1%	6.4%	5.1%	5.4%
of which: PD 5 - 9 including unrated	13.8%	14.1%	8.5%	8.7%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [4]	2.1%	2.1%	2.9%	2.4%
of which: PD 10 impaired loans	1.0%	1.0%	1.4%	1.1%
of which: more than 90 days past due (PD 11+12)	1.1%	1.1%	1.5%	1.2%
Impaired loan portfolio (in millions of EUR)				
Impaired loans (PD10 + 11 + 12)	4 350	4 119	5 454	4 198
of which: more than 90 days past due	2 289	2 157	2 884	2 157
Impaired loans ratio (%)				
Belgium	1.9%	1.9%	2.2%	2.2%
Czech Republic	1.7%	1.7%	1.8%	1.8%
International Markets	1.9%	1.9%	5.7%	2.5%
Group Centre [2]	6.6%	26.4%	21.5%	21.5%
Total	2.1%	2.1%	2.9%	2.4%
of which: more than 90 days past due	1.1%	1.1%	1.5%	1.2%
Loan loss impairment (in millions of EUR)				
Loan loss Impairment for Stage 1 portfolio	134	128	127	123
Loan loss Impairment for Stage 2 portfolio	694	674	559	528
Loan loss Impairment for Stage 3 portfolio	2 048	1 921	2 569	2 025
of which: more than 90 days past due	1 547	1 466	1 905	1 513
Cover ratio of impaired loans (%)				
Loan loss impairments for stage 3 portfolio / impaired loans	47.1%	46.6%	47.1%	48.2%
of which: more than 90 days past due	67.6%	68.0%	66.1%	70.2%
Cover ratio of impaired loans, mortgage loans excluded (%)				
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	49.7%	49.6%	50.9%	50.8%
of which: more than 90 days past due	70.6%	70.5%	72.8%	72.7%
Credit cost ratio (%)				
Belgium	0.03%	0.03%	-0.26%	-0.26%
Czech Republic	0.13%	0.13%	-0.42%	-0.42%
International Markets	0.31%	0.31%	0.36%	-0.19%
Slovakia	0.17%	0.17%	-0.16%	-0.16%
Hungary	0.42%	0.42%	-0.34%	-0.34%
Bulgaria	0.43%	0.43%	-0.06%	-0.06%
Ireland [2]			1.43%	
Group Centre	-0.04%	0.10%	0.28%	0.28%
o.w. Ireland	-0.07%			
Total	0.08%	0.09%	-0.18%	-0.27%

[1]Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; the amounts are measured in Gross Carrying Amounts
[2] As a result of the sale to Bank of Ireland Group of substantially all of KBC Bank Ireland's performing loan assets, its deposit book, and a small portfolio of non-performing mortgages (NPEs), the loan portfolio of KBC Bank Ireland has been transferred from Business Unit International Markets to Group Centre as of 1 January 2022 (without retroactive restatement)
[3] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors
[4] Purchased or originated credit impaired assets

As of 2H 2022, the total outstanding loan portfolio includes 4.5 billion euros following the acquisition of Raiffeisenbank Bulgaria (see note 6.6 for more information on this acquisition).

In 2022, a collective shift to stage 2 has been applied for the stage 1 portfolios that are indirectly exposed to Russia, Ukraine and Belarus or vulnerable to the emerging risks (for more information see note 4.2.1). The direct exposure to these countries is 29 million euros or 0.01% of the outstanding loan portfolio.

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2021 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Loan portfolio per Business Unit (banking activities)

Legend:

- **ind. LTV - Indexed Loan To Value:** current outstanding loan / current value of property
- **Impaired loans:** loans for which full (re)payment is deemed unlikely (coincides with KBC's PD-classes 10, 11 or 12)
- **Impaired loans that are more than 90 days past due:** loans that are more than 90 days overdue and/or loans which have been terminated/cancelled or bankrupt obligors (coincides with KBC's PD-classes 11 and 12)
- Stage 1+2 impairments: impairments for non-impaired exposure (i.e. exposure with PD < PD 10)
- Stage 3 impairments: loan loss impairments for impaired exposure (i.e. exposure with PD 10, 11 or 12)
- **Cover ratio impaired loans:** stage 3 impairments / impaired loans

Loan portfolio per Business Unit 31-12-2022, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**129 071**			**38 295**			**28 655**			**9 699**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	45 131	35%		22 577	59%		13 007	45%		8 079	83%	
o/w mortgages	43 503	34%		20 149	53%		9 866	34%		7 990	82%	
o/w consumer finance	1 627	1%		2 428	6%		3 141	11%		88	1%	
SME	34 331	27%		5 530	14%		3 142	11%		41	0%	
corporate	49 609	38%		10 189	27%		12 506	44%		1 579	16%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	43 453	34%	55%	20 149	53%	55%	9 866	34%	60%	7 990	82%	50%
o/w FX mortgages	0	0%	-	0	0%	-	133	0%	50%	0	0%	-
o/w ind. LTV > 100%	394	0%	-	24	0%	-	112	0%	-	56	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	98 321	76%		22 659	59%		16 211	57%		1 712	18%	
medium risk (PD 5-7; 0.80%-6.40%)	25 125	19%		13 636	36%		10 090	35%		6 787	70%	
high risk (PD 8-9; 6.40%-100.00%)	2 790	2%		1 248	3%		1 231	4%		556	6%	
impaired loans (PD 10 - 12)	2 497	2%		653	2%		555	2%		644	7%	
unrated	337	0%		99	0%		568	2%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 497	990	40%	653	292	45%	555	274	49%	644	491	76%
o/w PD 10 impaired loans	1 306	226	17%	351	120	34%	272	87	32%	132	68	52%
o/w more than 90 days past due (PD 11+12)	1 191	764	64%	302	172	57%	283	188	66%	513	423	83%
all impairments (stage 1+2+3)	1 321			521			511			522		
o/w stage 1+2 impairments (incl. POCI)	331			229			237			31		
o/w stage 3 impairments (incl. POCI)	990			292			274			491		
2021 Credit cost ratio (CCR)[3]	-0.26%			-0.42%			0.36%			0.28%		
2022 Credit cost ratio (CCR)[3]	0.03%			0.13%			0.31%			-0.04%		

[1] Business Unit Belgium = KBC Bank (all retail and corporate credit lending activities including the foreign branches, part of non-legacy portfolio assigned to BU Belgium), CBC, KBC Lease Belgium, KBC Immolease, KBC Commercial Finance

[2] Business Unit Group Centre = part of non-legacy portfolio assigned to BU Group and activities in wind-down (e.g. ex-Antwerp Diamond Bank)
As a result of the sale to Bank of Ireland Group of substantially all of KBC Bank Ireland's performing loan assets, its deposit book, and a small portfolio of non-performing mortgages (NPEs), the loan portfolio of KBC Bank Ireland has been transferred from Business Unit International Markets to Group Centre as of 1 January 2022 (without retroactive restatement). More detail can be found in the following table.

[3] CCR at country level in local currency

Loan portfolio Business Unit International Markets and Group Centre

Legend:

- **ind. LTV - Indexed Loan To Value:** current outstanding loan / current value of property
- **Impaired loans:** loans for which full (re)payment is deemed unlikely (coincides with KBC's PD-classes 10, 11 or 12)
- **Impaired loans that are more than 90 days past due:** loans that are more than 90 days overdue and/or loans which have been terminated/cancelled or bankrupt obligors (coincides with KBC's PD-classes 11 and 12)
- Stage 1+2 impairments: impairments for non-impaired exposure (i.e. exposure with PD < PD 10)
- Stage 3 impairments: loan loss impairments for impaired exposure (i.e. exposure with PD 10, 11 or 12)

  Cover ratio impaired loans: stage 3 impairments / impaired loans

Loan portfolio Business Unit International Markets and Group Centre					Business Unit International Markets, o.w.:								Group Centre, o.w:		
31-12-2022, in millions of EUR	Slovakia			Hungary			Bulgaria			Bulgaria, o.w.: KBC Bank Bulgaria			Ireland[1]		
Total portfolio outstanding	**11 549**			**7 509**			**9 597**			**4 526**			**8 132**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
retail	6 693	58%		2 569	34%		3 745	39%		1 767	39%		8 079	99%	
o/w mortgages	6 170	53%		1 738	23%		1 958	20%		879	19%		7 990	98%	
o/w consumer finance	523	5%		831	11%		1 787	19%		889	20%		88	1%	
SME	1 141	10%		79	1%		1 921	20%		710	16%		41	1%	
corporate	3 715	32%		4 861	65%		3 930	41%		2 049	45%		12	0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	6 170	53%	64%	1 738	23%	47%	1 958	20%	59%	879	19%	58%	7 990	98%	50%
o/w FX mortgages	0	0%	-	1	0%	62%	131	1%	50%	75	2%	44%	0	0%	-
o/w ind. LTV > 100%	65	1%	-	33	0%		15	0%	-	4	0%	-	56	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	7 631	66%		4 314	57%		4 267	44%		2 699	60%		671	8%	
medium risk (PD 5-7; 0.80%-6.40%)	2 652	23%		2 848	38%		4 589	48%		1 411	31%		6 675	82%	
high risk (PD 8-9; 6.40%-100.00%)	692	6%		178	2%		360	4%		189	4%		556	7%	
impaired loans (PD 10 - 12)	135	1%		148	2%		271	3%		118	3%		230	3%	
unrated	438	4%		21	0%		109	1%		109	2%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	135	79	58%	148	55	37%	271	141	52%	118	76	64%	230	127	55%
o/w PD 10 impaired loans	32	8	26%	117	34	29%	123	45	37%	68	39	57%	99	45	46%
o/w more than 90 days past due (PD 11+12)	103	70	68%	31	21	68%	149	96	65%	50	37	73%	132	81	62%
all impairments (stage 1+2+3)	170			124			217			120			153		
o/w stage 1+2 impairments (incl. POCI)	91			70			76			44			26		
o/w stage 3 impairments (incl. POCI)	79			55			141			76			127		
2021 Credit cost ratio (CCR)[2]	-0.16%			-0.34%			-0.06%						1.43%		
2022 Credit cost ratio (CCR)[2]	0.17%			0.42%			0.43%			-0.03%			-0.07%		

[1] Following IFRS 5 included in the balance sheet line 'Non-current assets held for sale and disposal groups'

[2] CCR at country level in local currency

Solvency

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the competent regulator.

Solvency KBC Group

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD. This regulation entered gradually into force as of 1 January 2014.

KBC makes use of the IFRS 9 transitional measures (applied from the second quarter of 2020). These transitional measures make it possible to add back a portion of the increased impairment charges to common equity capital (CET1), during a transitional period until 31 December 2024.

Based on CRR/CRD, profit can be included in CET1 capital only after the profit appropriation decision by the final decision body, for KBC Group it is the General Meeting. ECB can allow to include interim or annual profit in CET1 capital before the decision by the General Meeting. In that case, the foreseeable dividend should be deducted from the profit that is included in CET1. Considering that our Dividend Policy of “at least 50%” does not include a maximum, KBC Group no longer requests ECB approval to include interim or annual profit in CET1 capital before the decision by the General Meeting. As such, the annual profit of 2022 and the final dividend re. 2022 is recognised in the official (transitional) CET1 of the 1st quarter 2023, which is reported after the General Meeting. The (informal) fully loaded 31-12-2022 figures already fully reflected the 2022 profit and proposed dividend.

As regard 2022, the interim profit is included in the fully loaded CET1 (taking into account 50% pay-out in line with our Dividend Policy), while no interim profit is recognised in the official (transitional) CET1.

The general rule under CRR/CRD for insurance participations is that an insurance participation is deducted from common equity at group level, unless the competent authority grants permission to apply a risk weighting instead (Danish compromise). As of the fourth quarter of 2020, the revised CRR/CRD requires the use of the equity method, unless the competent authority allows institutions to apply a different method. KBC Group has received ECB approval to continue to use the historical carrying value for risk weighting (370%), after having deconsolidated KBC Insurance from the group figures.

In addition to the solvency ratios under CRR /CRD, KBC is considered a financial conglomerate since it covers both significant banking and insurance activities. Therefore KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC). This implies that available capital is calculated on the basis of the consolidated position of the group and the eligible items recognised as such under the prevailing sectorial rules, which are CRR/CRD for the banking business and Solvency II for the insurance business. The capital requirement for the insurance business based on Solvency II is multiplied by 12.5 to obtain a risk weighted asset equivalent.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC’s risk weighted assets. This is, based on a full application of all the CRR/CDR rules, used for approximately 88% of the weighted credit risks, of which approx. 85% according to Advanced and approx. 3% according to Foundation approach. The remaining weighted credit risks (ca. 12%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 11.31% (fully loaded, Danish Compromise which includes the CRR/CRD minimum requirement (4.50%), the Pillar 2 Requirement (1.86%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% buffer for other systemically important banks, 0.20% Systemic Risk Buffer and 0.75% Countercyclical Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

Distributions (being dividend payments, payments related to additional tier 1 instruments or variable remuneration) are limited in case the combined buffer requirements described above are breached. This limitation is also referred to as “Maximum Distributable Amount” or “MDA” thresholds.
The table below provides an overview of the buffers KBC Group has compared to these thresholds, both on an actuals basis (i.e. versus the regulatory targets that apply at the reporting date) and a fully loaded basis (i.e. versus the regulatory targets that will apply going forward).

In line with CRD Art. 104a(4), ECB allows banks to satisfy the P2R with additional tier-1 instruments (up to [1.5]/8) and tier-2 instruments (up to 2/8) based on the same relative weights as allowed for meeting the 8% Pillar 1 Requirement.

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	31-12-2022 Fully loaded	31-12-2022 Actuals	31-12-2021 Fully loaded	31-12-2021 Actuals
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement to be satisfied with CET1	1.05%	1.05%	1.05%	0.98%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Systemic Risk Buffer (SRyB)	0.20%	0.20%	0.00%	0.00%
Entity-specific countercyclical buffer	0.75%	0.39%	0.45%	0.17%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. 104a(4)	10.50%	10.13%	10.00%	9.66%
Pillar 2 requirement that can be satisfied with AT1 & AT2	0.81%	0.81%	0.81%	0.77%
Overall Capital Requirement (OCR) (A)[1] no P2R split	11.31%	10.94%	10.81%	10.42%
CET1 used to satisfy shortfall in AT1 bucket (B)	0.14%	0.14%	0.07%	0.06%
CET1 used to satisfy shortfall in T2 bucket (C) [2]	0.38%	0.39%	0.36%	0.34%
CET1 requirement for MDA (A+B+C)	11.83%	11.47%	11.23%	10.82%
CET1 capital	16 941	15 477	16 224	17 498
CET1 buffer (= buffer compared to MDA)	3 933	2 858	4 470	6 204

(1) A negative figure in AT1 or T2 bucket relates to a surplus above the pillar 1 bucket for these instruments, which is available to partly satisfy the pillar 2 requirement.
(2) The fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2; these T2 instruments are included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework (introduced as from 2Q 2021 reporting).

Following table groups the solvency on the level of KBC Group according to different methodologies and calculation methods, including the deduction method.

Overview of KBC Group's capital ratios (in millions of EUR) 31-12-2022		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	16 941	109 994	15.40%
Deduction Method	Fully loaded	16 191	105 158	15.40%
Financial Conglomerates Directive	Fully loaded	17 996	123 768	14.54%
Danish Compromise	Transitional	15 477	109 979	14.07%
Deduction Method	Transitional	14 534	104 661	13.89%
Financial Conglomerates Directive	Transitional	17 407	123 753	14.07%

KBC's fully loaded CET1 ratio of 15.40% at the end of December 2022 represents a solid capital buffer of 3.58% compared with the Maximum Distributable Amount (MDA) of 11.83%.

The Board of Directors will propose to the Annual General Meeting of shareholders on 4 May 2023 a final gross dividend of 4.00 euros per share related to the accounting year 2022, of which:

- an interim dividend of 1.00 euro per share (417 million euros in total), as decided by KBC Group's Board of Directors of 10 August 2022 and paid on 16 November 2022 (was deducted from retained earnings in 3Q 2022)
- an ordinary dividend of 3.00 euros per share and to be paid in May 2023 (1 252 million euros in total), will be deducted from retained earnings in 2Q 2023.

The 2022 profit and the proposed 3.0 euros per share final dividend is included in the 31-12-2022 fully loaded figures, but not in the 31-12-2022 transitional figures pending the formal approval by the General Meeting.

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	31-12-2022 Fully loaded	31-12-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital (after profit appropriation)	20 223	18 744	19 445	20 733
Tier-1 capital	18 441	16 977	17 724	18 998
Common equity	16 941	15 477	16 224	17 498
Parent shareholders' equity (after deconsolidating KBC Insurance)	19 746	16 984	20 049	17 708
Intangible fixed assets, incl deferred tax impact (-)	- 609	- 609	- 539	- 539
Goodwill on consolidation, incl deferred tax impact (-)	- 1 178	- 1 178	- 746	- 746
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	936	936	1 108	1 108
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 40	- 40	- 16	- 16
Value adjustment due to the requirements for prudent valuation (-)	- 31	- 31	- 28	- 28
Dividend payout (-)	- 1 252	0	- 3 168	0
Coupon of AT1 instruments (-)	- 12	- 12	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 90	- 90	- 72	- 72
Deduction re NPL backstops (-)	- 158	- 158	- 68	- 68
Deduction re pension plan assets (-)	- 143	- 143	0	0
IRB provision shortfall (-)	0	0	0	- 31
Deferred tax assets on losses carried forward (-)	- 172	- 172	- 227	- 227
Transitional adjustments to CET1	0	46	0	478
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 500	1 500	1 500	1 500
CRR compliant AT1 instruments	1 500	1 500	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	1 782	1 767	1 721	1 735
IRB provision excess (+)	284	136	224	493
Transitional adjustments to T2	0	- 46	0	- 493
Subordinated liabilities	1 498	1 677	1 497	1 735
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Total weighted risk volume	109 994	109 979	104 646	104 362
Banking	100 313	100 298	95 120	94 836
Insurance	9 133	9 133	9 133	9 133
Holding activities	562	562	396	396
Elimination of intercompany transactions	- 14	- 14	- 4	- 4
Solvency ratios				
Common equity ratio	15.40%	14.07%	15.50%	16.77%
Tier-1 ratio	16.77%	15.44%	16.94%	18.20%
Total capital ratio	18.39%	17.04%	18.58%	19.87%

Note:

- For the composition of the banking RWA, see section ‘Solvency banking and insurance activities separately’ further in this memo.
- The difference between the fully loaded total own funds (20 223 million euros; profit and dividend re. 2022 is included) and the transitional own funds (18 744 million euros; profit and dividend re. 2022 is not included) as at 31-12-2022 is explained by the net result for 2022 (2 762 million euros under the Danish Compromise method), the proposed final dividend (-1 252 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (+148 million euros) and the grandfathered tier-2 subordinated debt instruments (-179 million euros).

Leverage ratio KBC Group

Leverage ratio KBC Group In millions of EUR	31-12-2022 Fully loaded	31-12-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Tier-1 capital	18 441	16 977	17 724	18 998
Total exposures	346 374	346 431	326 792	292 365
Total Assets	355 843	355 843	340 346	340 346
Deconsolidation KBC Insurance	-30 267	-30 267	-34 026	-34 026
Transitional adjustment	0	57	0	617
Adjustment for derivatives	-3 110	-3 110	-1 656	-1 656
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 347	-2 347	-1 665	-1 696
Adjustment for securities financing transaction exposures	813	813	1 016	1 016
Central Bank exposure	0	0	0	-35 014
Off-balance sheet exposures	25 442	25 442	22 776	22 776
Leverage ratio	5.32%	4.90%	5.42%	6.50%

At the end of December 2022, the fully loaded leverage ratio slightly decreased compared to December 2021, mainly due to higher total assets, driven by short-term money market and repo opportunities. But partly compensated by higher Tier 1 capital, mainly driven by inclusion of 2022 profits.

As from 01-04-2022, Central Bank exposures are no longer excluded from the leverage ratio exposure amount in the transitional calculation, causing a decrease in the transitional leverage ratio exposure amount.

Solvency banking and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD. The solvency of KBC Insurance is calculated on the basis of Solvency II rules as they became effective on 1 January 2016.

The tables below show the tier-1 and CAD ratios calculated under Basel III (CRR/CRD) for KBC Bank, as well as the solvency ratio of KBC Insurance under Solvency II.

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	31-12-2022 Fully loaded	31-12-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital, after profit appropriation	17 287	17 519	18 318	17 964
Tier-1 capital	15 325	15 751	16 415	16 210
Common equity	13 825	14 251	14 915	14 710
Parent shareholders' equity	16 436	15 620	17 047	14 912
Solvency adjustments	-2 610	-1 370	-2 132	- 202
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	1 962	1 768	1 903	1 754
Total weighted risk volume	100 313	100 298	95 120	94 836
Credit risk	84 930	84 915	80 971	80 687
Market risk	3 132	3 132	2 665	2 665
Operation risk	12 251	12 251	11 484	11 484
Common equity ratio	13.8%	14.2%	15.7%	15.5%

Solvency II, KBC Insurance consolidated (in millions of EUR)	**31-12-2022**	**31-12-2021**
Own Funds	3 721	4 075
Tier 1	3 220	3 574
IFRS Parent shareholders' equity	2 157	3 991
Dividend payout	- 309	- 525
Deduction intangible assets and goodwill (after tax)	- 194	- 194
Valuation differences (after tax)	1 410	267
Volatility adjustment	150	43
Other	6	- 8
Tier 2	501	500
Subordinated liabilities	501	500
Solvency Capital Requirement (SCR)	1 833	2 029
Market risk	1 252	1 581
Non-life	714	626
Life	1 114	834
Health	230	314
Counterparty	122	114
Diversification	-1 185	-1 133
Other	- 414	- 308
Solvency II ratio	203%	201%

Minimum requirement for own funds and eligible liabilities (MREL)

Besides the ECB and NBB, which supervise KBC on a going concern basis, KBC is also subject to requirements set by the Single Resolution Board (SRB). The SRB is developing resolution plans for the major banks in the euro area. The resolution plan for KBC is based on a Single Point of Entry (SPE) approach at the level of KBC Group with 'bail-in' as the primary resolution tool. MREL measures the amount of own funds and eligible liabilities that can be credibly and feasibly bailed-in.

In 4Q 2022, the SRB informally communicated to KBC updated MREL targets (under BRRD2) for 01-01-2024, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE):

- 27.87% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 26.21% at YE 2022 (including the Combined Buffer Requirement(1));
- 7.38% of LRE as from 01-01-2024, with an intermediate target of 7.34% of LRE as from 01-01-2022.

Besides a total MREL amount, BRRD2 also requires KBC to maintain a certain part of MREL in subordinated format (i.e. instruments subordinated to liabilities, excluded from bail-in). To ensure that KBC's senior debt issued by the Holding Company (HoldCo) is eligible for the subordinated MREL target (i.e., to make sure that no excluded liabilities ranking pari passu or junior with HoldCo senior debt are present in KBC Group NV), KBC Group decided to make KBC Group NV a Clean HoldCo for the purpose of resolution. The Clean HoldCo has been implemented at 30-06-2022 and KBC's entire MREL stack is subordinated to excluded liabilities.

The binding subordinated MREL targets are:

- 23.92% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 18.08% at YE 2022 (including the Combined Buffer Requirement(1))
- 7.38% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of December 2022, the MREL ratio stands at 27.5% as a % of RWA (versus 27.2% as at the end of September 2022) and at 8.7% as % of LRE (versus 8.6% as at the end of September 2022). The increase of the MREL ratio in % of RWA and in % LRE is mainly driven by the increase of the available MREL with the issuance of new HoldCo Senior instrument and an increase of the CET1 capital.

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.39% for 2022 and 0.75% as from 4Q 2023) + Systemic Risk Buffer (0.20%), comes on top of the MREL target as a percentage of RWA

Income statement, volumes and ratios per business unit

Details on our segments or business units are available in the company presentation.

Note: The ECB approved to apply the IFRS9 transitional arrangements from 2Q 2020, as such the difference between fully loaded and the transitional measures are assigned to Group Centre. In other words, the RWA, allocated capital and the ROAC of the different countries remain based on fully loaded.

Business unit Belgium **(in millions of EUR)**	**FY 2022**	**FY 2021**	**4Q 2022**	**3Q 2022**	**2Q 2022**	**1Q 2022**	**4Q 2021**
Breakdown P&L							
Net interest income	2 826	2 533	812	702	677	635	641
Non-life insurance (before reinsurance)	488	460	129	132	125	102	100
Earned premiums	1 261	1 197	322	322	312	305	308
Technical charges	- 774	- 737	- 193	- 190	- 188	- 203	- 208
Life insurance (before reinsurance)	- 42	- 55	- 8	- 7	- 12	- 14	- 16
Earned premiums	878	903	268	197	197	216	298
Technical charges	- 920	- 958	- 276	- 204	- 209	- 230	- 314
Ceded reinsurance result	33	36	- 16	2	10	37	13
Dividend income	54	38	9	19	19	7	8
Net result from financial instruments at fair value through profit or loss	142	224	60	- 5	37	50	34
Net realised result from debt instruments at fair value through OCI	- 2	2	0	- 4	1	1	0
Net fee and commission income	1 265	1 320	304	302	314	345	338
Net other income	226	195	47	44	93	42	38
TOTAL INCOME	4 989	4 754	1 337	1 186	1 263	1 204	1 154
Operating expenses	- 2 647	- 2 436	- 614	- 577	- 554	- 901	- 558
Impairment	- 46	303	- 43	- 21	25	- 7	43
on financial assets at AC and at FVOCI	- 35	309	- 38	- 21	25	- 1	51
other	- 12	- 6	- 5	0	0	- 7	- 8
Share in results of associated companies and joint ventures	- 9	- 3	- 2	- 3	- 2	- 2	- 1
RESULT BEFORE TAX	2 287	2 618	677	585	731	294	639
Income tax expense	- 529	- 621	- 152	- 142	- 167	- 67	- 153
RESULT AFTER TAX	1 759	1 997	525	444	564	227	486
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**1 759**	**1 997**	**525**	**444**	**564**	**227**	**486**
Banking	1 318	1 619	415	348	418	138	413
Insurance	441	377	110	96	146	89	73
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	117 221	108 251	117 221	117 613	114 910	111 303	108 251
of which Mortgage loans (end of period)	*44 326*	*41 561*	*44 326*	*43 840*	*43 327*	*42 478*	*41 561*
Customer deposits and debt certificates excl. repos (end of period)	155 971	142 282	155 971	148 120	153 686	142 241	142 282
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	12 621	12 989	12 621	12 616	12 722	12 831	12 989
Unit-Linked (end of period)	11 998	13 634	11 998	11 980	12 168	13 152	13 634
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	55 783	55 520	55 783	57 166	55 749	57 143	55 520
Required capital, insurance (end of period)	1 505	1 708	1 505	1 393	1 357	1 580	1 708
Allocated capital (end of period)	7 831	7 510	7 831	7 876	7 679	7 757	7 510
Return on allocated capital (ROAC)	22%	27%	27%	22%	28%	12%	27%
Cost/income ratio, group	53%	51%	46%	49%	44%	75%	48%
Combined ratio, non-life insurance	90%	90%	100%	91%	88%	82%	98%
Net interest margin, banking	1.68%	1.62%	1.95%	1.62%	1.59%	1.57%	1.60%

Business unit Czech Republic (in millions of EUR)	FY 2022	FY 2021	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021
Breakdown P&L							
Net interest income	1 313	972	323	325	340	326	292
Non-life insurance (before reinsurance)	208	142	51	60	46	50	35
Earned premiums	403	337	106	105	99	92	89
Technical charges	- 195	- 194	- 55	- 45	- 52	- 42	- 54
Life insurance (before reinsurance)	90	61	14	46	15	14	17
Earned premiums	171	182	44	44	40	43	47
Technical charges	- 82	- 121	- 29	2	- 26	- 29	- 30
Ceded reinsurance result	- 9	17	- 1	- 3	- 1	- 4	7
Dividend income	1	1	0	0	1	0	0
Net result from financial instruments at fair value through profit or loss	152	95	17	28	40	67	35
Net realised result from debt instruments at fair value through OCI	- 12	- 4	0	- 1	- 6	- 5	- 3
Net fee and commission income	213	214	44	57	55	58	54
Net other income	- 25	8	5	- 42	2	11	- 10
TOTAL INCOME	1 933	1 506	454	472	491	516	428
Operating expenses	- 927	- 803	- 238	- 214	- 206	- 270	- 204
Impairment	- 61	126	- 29	- 30	- 6	4	14
on financial assets at AC and at FVOCI	- 46	142	- 23	- 31	- 2	10	26
other	- 10	- 9	- 1	1	- 4	- 6	- 5
Share in results of associated companies and joint ventures	- 1	- 3	0	0	0	- 1	- 1
RESULT BEFORE TAX	943	827	186	228	280	249	237
Income tax expense	- 143	- 129	- 27	- 31	- 43	- 42	- 39
RESULT AFTER TAX	800	697	159	197	237	207	198
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**800**	**697**	**159**	**197**	**237**	**207**	**198**
Banking	712	629	133	173	220	186	176
Insurance	88	69	26	24	17	21	22
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	35 445	32 671	35 445	34 989	34 169	33 972	32 671
of which Mortgage loans (end of period)	*19 696*	*18 303*	*19 696*	*19 196*	*18 916*	*18 974*	*18 303*
Customer deposits and debt certificates excl. repos (end of period)	51 069	46 239	51 069	49 781	48 366	48 729	46 239
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	649	690	649	643	673	694	690
Unit-Linked (end of period)	365	526	365	412	458	518	526
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	17 421	16 213	17 421	16 594	17 226	17 110	16 213
Required capital, insurance (end of period)	170	147	170	171	178	159	147
Allocated capital (end of period)	2 146	1 841	2 146	2 052	2 132	2 008	1 841
Return on allocated capital (ROAC)	38%	39%	30%	38%	46%	42%	44%
Cost/income ratio, group	48%	53%	52%	45%	42%	52%	48%
Combined ratio, non-life insurance	83%	87%	86%	78%	86%	83%	84%
Net interest margin, banking	2.55%	2.08%	2.40%	2.45%	2.70%	2.65%	2.29%

Business unit International Markets (in millions of EUR)	FY 2022	FY 2021	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021
Breakdown P&L							
Net interest income	888	962	271	237	194	187	249
Non-life insurance (before reinsurance)	174	160	47	40	45	42	40
Earned premiums	352	336	89	89	87	87	85
Technical charges	- 178	- 176	- 42	- 49	- 42	- 45	- 45
Life insurance (before reinsurance)	44	39	11	11	11	11	10
Earned premiums	114	111	28	27	28	31	30
Technical charges	- 70	- 71	- 16	- 17	- 18	- 19	- 20
Ceded reinsurance result	- 13	- 16	- 3	- 3	- 2	- 4	- 4
Dividend income	1	1	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	118	23	34	30	22	32	- 5
Net realised result from debt instruments at fair value through OCI	- 6	2	- 1	0	- 5	0	2
Net fee and commission income	376	305	106	106	84	80	87
Net other income	- 1	- 7	- 4	3	- 5	4	- 2
TOTAL INCOME	1 582	1 469	462	423	343	353	376
Operating expenses	- 906	- 1 048	- 211	- 197	- 246	- 252	- 263
Impairment	- 152	- 160	- 62	- 51	- 30	- 9	- 41
on financial assets at AC and at FVOCI	- 78	- 110	- 27	- 27	- 16	- 8	- 15
other	- 75	- 50	- 36	- 25	- 14	0	- 26
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	524	262	189	175	67	93	72
Income tax expense	- 83	- 135	- 20	- 28	- 16	- 19	- 16
RESULT AFTER TAX	441	127	169	147	52	74	56
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**441**	**127**	**169**	**147**	**52**	**74**	**56**
Banking	387	85	150	132	47	59	53
Insurance	54	42	19	15	5	15	4
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	25 384	18 805	25 384	24 494	19 902	19 362	18 805
of which Mortgage loans (end of period)	*9 638*	*7 800*	*9 638*	*9 276*	*8 362*	*8 036*	*7 800*
Customer deposits and debt certificates excl. repos (end of period)	29 962	24 652	29 962	28 457	23 808	24 079	24 652
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	291	305	291	292	300	304	305
Unit-Linked (end of period)	408	459	408	376	393	437	459
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	21 501	21 790	21 501	20 892	17 321	17 141	21 790
Required capital, insurance (end of period)	150	154	150	141	147	154	154
Allocated capital (end of period)	2 588	2 431	2 588	2 510	2 112	2 007	2 431
Return on allocated capital (ROAC)	18%	5%	28%	25%	9%	13%	9%
Cost/income ratio, group	57%	71%	46%	47%	72%	71%	70%
Combined ratio, non-life insurance	85%	86%	82%	88%	89%	83%	90%
Net interest margin, banking	3.00%	2.61%	3.18%	3.11%	2.84%	2.81%	2.69%

As of 1Q 2022, KBC Ireland has been shifted from Business Unit International Markets to Group Center. No restatements have been made.

Slovakia (in millions of EUR)	FY 2022	FY 2021	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021
Breakdown P&L							
Net interest income	235	229	66	55	56	58	56
Non-life insurance (before reinsurance)	37	35	11	9	8	8	8
Earned premiums	70	62	18	18	17	16	17
Technical charges	- 33	- 26	- 7	- 9	- 9	- 8	- 8
Life insurance (before reinsurance)	13	13	3	3	3	3	3
Earned premiums	30	31	7	8	7	8	8
Technical charges	- 17	- 18	- 4	- 4	- 4	- 4	- 4
Ceded reinsurance result	- 3	- 7	- 1	- 1	0	- 1	- 1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	41	8	7	10	12	11	4
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	72	71	18	17	19	17	18
Net other income	- 3	6	- 6	2	0	1	3
TOTAL INCOME	392	356	99	97	98	98	91
Operating expenses	- 253	- 260	- 67	- 58	- 60	- 68	- 67
Impairment	- 21	15	- 9	- 7	- 4	- 1	- 2
on financial assets at AC and at FVOCI	- 19	16	- 8	- 6	- 4	- 1	- 2
other	- 2	- 1	- 2	- 1	0	0	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	118	111	23	32	35	29	21
Income tax expense	- 28	- 26	- 5	- 8	- 7	- 7	- 3
RESULT AFTER TAX	90	85	17	24	28	22	18
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**90**	**85**	**17**	**24**	**28**	**22**	**18**
Banking	81	77	15	21	25	20	18
Insurance	10	8	2	3	3	2	1
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	10 796	9 417	10 796	10 524	10 241	9 790	9 417
of which Mortgage loans (end of period)	*6 114*	*5 117*	*6 114*	*5 928*	*5 734*	*5 332*	*5 117*
Customer deposits and debt certificates excl. repos (end of period)	8 421	7 696	8 421	8 281	8 021	7 617	7 696
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	114	115	114	114	114	114	115
Unit-Linked (end of period)	52	67	52	53	56	60	67
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 383	5 815	6 383	6 161	6 097	6 037	5 815
Required capital, insurance (end of period)	27	30	27	26	28	29	30
Allocated capital (end of period)	751	638	751	725	719	682	638
Return on allocated capital (ROAC)	13%	13%	10%	13%	16%	13%	11%
Cost/income ratio, group	64%	73%	67%	60%	61%	69%	74%
Combined ratio, non-life insurance	87%	92%	84%	85%	88%	90%	103%

Hungary (in millions of EUR)	FY 2022	FY 2021	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021
Breakdown P&L							
Net interest income	424	311	124	108	99	93	90
Non-life insurance (before reinsurance)	57	52	18	10	16	14	14
Earned premiums	140	143	34	34	34	37	34
Technical charges	- 83	- 91	- 17	- 24	- 19	- 24	- 20
Life insurance (before reinsurance)	11	9	3	2	3	3	2
Earned premiums	39	40	9	9	10	11	11
Technical charges	- 28	- 31	- 6	- 7	- 8	- 8	- 9
Ceded reinsurance result	- 2	- 2	0	- 1	- 1	- 1	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	77	21	26	18	11	21	- 8
Net realised result from debt instruments at fair value through OCI	- 5	2	0	0	- 5	0	2
Net fee and commission income	219	198	57	57	54	51	55
Net other income	- 3	3	0	1	- 7	3	1
TOTAL INCOME	777	592	228	195	170	184	155
Operating expenses	- 446	- 335	- 79	- 78	- 154	- 136	- 82
Impairment	- 97	9	- 36	- 41	- 17	- 3	- 17
on financial assets at AC and at FVOCI	- 29	22	- 5	- 17	- 3	- 4	- 12
other	- 68	- 12	- 30	- 24	- 14	0	- 5
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	234	267	114	76	- 1	45	56
Income tax expense	- 38	- 40	- 10	- 14	- 5	- 10	- 10
RESULT AFTER TAX	195	226	104	62	- 6	35	46
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**195**	**226**	**104**	**62**	**- 6**	**35**	**46**
Banking	181	207	93	58	0	30	41
Insurance	15	19	11	5	- 6	5	5
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	5 879	5 413	5 879	5 516	5 274	5 436	5 413
of which Mortgage loans (end of period)	*1 681*	*1 812*	*1 681*	*1 597*	*1 693*	*1 812*	*1 812*
Customer deposits and debt certificates excl. repos (end of period)	9 515	9 759	9 515	8 780	9 235	9 897	9 759
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	37	45	37	36	41	44	45
Unit-Linked (end of period)	200	254	200	186	202	237	254
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 721	7 438	7 721	7 386	7 413	7 553	7 438
Required capital, insurance (end of period)	49	51	49	45	49	51	51
Allocated capital (end of period)	925	828	925	882	890	868	828
Return on allocated capital (ROAC)	22%	27%	47%	28%	-2%	16%	23%
Cost/income ratio, group	57%	57%	36%	42%	90%	74%	53%
Combined ratio, non-life insurance	87%	87%	74%	93%	100%	85%	87%

Bulgaria **(in millions of EUR)**	**FY 2022**	**FY 2021**	**4Q 2022**	**3Q 2022**	**2Q 2022**	**1Q 2022**	**4Q 2021**
Breakdown P&L							
Net interest income	229	141	81	74	38	36	36
Non-life insurance (before reinsurance)	80	73	19	20	21	20	18
Earned premiums	142	132	37	37	36	33	34
Technical charges	- 62	- 59	- 18	- 16	- 15	- 13	- 16
Life insurance (before reinsurance)	20	17	5	5	5	5	5
Earned premiums	45	39	11	10	11	12	11
Technical charges	- 25	- 23	- 6	- 5	- 6	- 7	- 7
Ceded reinsurance result	- 8	- 7	- 2	- 2	- 1	- 2	- 2
Dividend income	1	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	1	0	1	1	- 1	- 1	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	86	39	30	32	12	12	13
Net other income	5	5	2	1	1	1	1
TOTAL INCOME	413	268	135	131	75	71	71
Operating expenses	- 207	- 140	- 65	- 61	- 32	- 49	- 35
Impairment	- 34	- 1	- 17	- 3	- 10	- 4	- 4
on financial assets at AC and at FVOCI	- 30	2	- 14	- 3	- 9	- 3	- 1
other	- 4	- 3	- 3	0	0	0	- 2
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	172	127	53	67	33	19	32
Income tax expense	- 17	- 13	- 5	- 7	- 4	- 2	- 3
RESULT AFTER TAX	155	114	48	61	30	17	29
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**155**	**114**	**48**	**61**	**30**	**17**	**29**
Banking	125	90	41	53	22	9	24
Insurance	30	24	6	8	8	8	5
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	8 709	3 973	8 709	8 454	4 387	4 136	3 973
of which Mortgage loans (end of period)	*1 843*	*870*	*1 843*	*1 751*	*935*	*892*	*870*
Customer deposits and debt certificates excl. repos (end of period)	12 026	6 257	12 026	11 396	6 551	6 565	6 257
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	139	145	139	142	145	146	145
Unit-Linked (end of period)	156	139	156	137	135	140	139
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 397	3 452	7 397	7 345	3 811	3 551	3 452
Required capital, insurance (end of period)	73	73	73	70	70	73	73
Allocated capital (end of period)	912	434	912	903	502	457	434
Return on allocated capital (ROAC)	24%	28%	29%	41%	25%	15%	28%
Cost/income ratio, group	50%	52%	48%	46%	43%	68%	50%
Combined ratio, non-life insurance	83%	82%	89%	83%	77%	81%	87%

We describe the impact of the acquisition of NN's Bulgarian pension and life insurance business and the acquisition of the 100% shares of Raiffeisenbank Bulgaria in note 6.6 in this report.

Group Centre - Breakdown net result (in millions of EUR)	FY 2022	FY 2021	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021
Operational costs of the Group activities	-98	-86	-40	-22	-14	-21	-42
Capital and treasury management	-23	-13	-17	5	-16	4	0
Holding of participations	-69	32	-32	-15	-10	-12	29
Results companies in rundown	60	-5	57	22	-4	-15	4
Other	-6	-135	-3	-2	3	-4	-68
Total net result for the Group centre	-135	-207	-35	-11	-41	-49	-77

Business unit Group Centre (in millions of EUR)	FY 2022	FY 2021	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021
Breakdown P&L							
Net interest income	134	-16	11	32	37	53	-5
Non-life insurance (before reinsurance)	11	19	-4	5	7	3	5
Earned premiums	17	15	4	5	4	3	4
Technical charges	-7	4	-8	0	2	0	1
Life insurance (before reinsurance)	-1	-1	0	0	0	0	0
Earned premiums	-1	-1	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Ceded reinsurance result	-14	-12	-1	-3	-4	-5	-2
Dividend income	4	5	0	2	2	0	1
Net result from financial instruments at fair value through profit or loss	-7	-198	6	3	-10	-6	-102
Net realised result from debt instruments at fair value through OCI	-3	6	0	0	-4	1	1
Net fee and commission income	-6	-3	-2	-2	-2	0	1
Net other income	-10	28	-5	-3	1	-3	30
TOTAL INCOME	108	-171	5	34	26	43	-71
Operating expenses	-339	-109	-97	-79	-65	-97	-53
Impairment	-24	-7	2	1	-17	-10	0
on financial assets at AC and at FVOCI	5	-7	6	0	-16	14	0
other	-28	0	-4	1	-1	-24	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	-254	-288	-90	-43	-56	-64	-125
Income tax expense	119	81	55	33	15	16	48
RESULT AFTER TAX	-135	-207	-35	-11	-41	-49	-77
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**-135**	**-207**	**-35**	**-11**	**-41**	**-49**	**-77**
Banking	-93	-202	-11	-13	-31	-38	-69
Holding	-20	-25	-9	3	-9	-4	-22
Insurance	-23	20	-15	-1	0	-7	14
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	3	0	3	3	3	3	0
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	15 743	12 920	15 743	15 738	15 766	15 216	12 920
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 155	1 990	6 155	6 460	6 675	6 729	1 990
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	8	20	8	13	17	-9	20
Allocated capital (end of period)	706	228	706	746	774	718	228

As of 1Q 2022, KBC Ireland has been shifted from Business Unit International Markets to Group Center. No restatements have been made.

Business unit Group Centre – Of which Ireland:

Ireland (in millions of EUR)	FY 2022	FY 2021	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021
Breakdown P&L							
Net interest income	240	282	57	56	61	66	68
Non-life insurance (before reinsurance)	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 3	- 5	1	0	- 1	- 3	- 1
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	- 2	- 3	- 1	- 2	- 1	2	0
Net other income	- 8	- 21	- 1	0	- 4	- 3	- 7
TOTAL INCOME	228	253	56	54	55	63	59
Operating expenses	- 208	- 313	- 40	- 52	- 44	- 71	- 79
Impairment	- 18	- 183	5	1	- 13	- 10	- 18
on financial assets at AC and at FVOCI	7	- 149	5	0	- 13	14	0
other	- 24	- 34	- 1	1	0	- 24	- 18
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	3	- 243	20	3	- 2	- 18	- 37
Income tax expense	34	- 55	13	17	0	3	0
RESULT AFTER TAX	37	- 298	33	21	- 2	- 15	- 37
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**37**	**- 298**	**33**	**21**	**- 2**	**- 15**	**- 37**
Banking	42	- 289	33	21	- 1	- 11	- 30
Insurance	- 5	- 10	0	- 1	- 1	- 4	- 7
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	3	3	3	3	3	3	3
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	418	940	418	644	840	974	940
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 332	5 084	4 332	4 585	4 855	4 962	5 084
Allocated capital (end of period)	491	531	491	520	551	536	531
Return on allocated capital (ROAC)	7%	-46%	25%	15%	-1%	-11%	-23%
Cost/income ratio, group	91%	124%	72%	96%	80%	113%	132%

We describe the impact of the sale transaction of the Irish credit and deposit portfolio in note 5.11 and note 6.6 in this report.

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

Gives an idea of the amount of profit over a certain period that is attributable to one share (and, where applicable, including dilutive instruments).

Calculation (in millions of EUR)	Reference	2022	2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 864	2 614
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 50	- 50
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	417
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	417
Basic = (A-B) / (C) (in EUR)		6.75	6.15
Diluted = (A-B) / (D) (in EUR)		6.75	6.15

Combined ratio (non-life insurance)

Gives an insight into the technical profitability (i.e. after eliminating investment returns, among other items) of the non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio takes ceded reinsurance into account.

Calculation (in millions of EUR or %)	Reference	2022	2021
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	1 147	1 081
/			
Earned insurance premiums (B)	Note 3.7.1	1 976	1 841
+			
Operating expenses (C)	Note 3.7.1	625	565
/			
Written insurance premiums (D)	Note 3.7.1	2 025	1 875
= (A/B)+(C/D)		88.9%	88.9%

In 2022, the technical insurance charges were negatively impacted by storms mainly in Belgium (-107 million euros before tax, before reinsurance; -53 million euros before tax, after reinsurance).

In 2021, the technical insurance charges were severely negatively impacted by several floods in Belgium (estimated impact -110 million euros before tax, before reinsurance; -87 million euros before tax, after reinsurance).

Common equity ratio

A risk-weighted measure of the group's solvency based on common equity tier-1 capital (the ratios given here are based on the Danish compromise). Changes to the capital rules are gradually being implemented to allow banks to build up the necessary capital buffers. The capital position of a bank, when account is taken of the transition period, is referred to as the ‘transitional’ view. The capital position based on full application of all the rules – as would be the case after this transition period – is referred to as ‘fully loaded’.

A detailed calculation can be found under ‘Solvency KBC Group’ section.

Cost/income ratio (group)

Gives an impression of the relative cost efficiency (costs relative to income) of the banking, insurance and holding activities.

Calculation (in millions of EUR or %)	Reference	2022	2021
Cost/income ratio			
Operating expenses of the group activities (A)	Consolidated income statement	4 818	4 396
/			
Total income of the group activities (B)	Consolidated income statement	8 612	7 558
=(A) / (B)		55.9%	58.2%

Where relevant, we also exclude the exceptional and/or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. The adjustments include: MTM ALM derivatives (fully excluded), bank and insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 54% in 2022 (versus 55% in 2021).

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges. The numerator and denominator in the formula relate to all impaired loans, but may be limited to impaired loans that are more than 90 days past due (the figures for that particular calculation are given in the ‘Credit risk’ section.

Calculation (in millions of EUR or %)	Reference	2022	2021
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 048	2 569
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 350	5 454
= (A) / (B)		47.1%	47.1%

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period, relative to the total loan portfolio (see 'Loan portfolio' for definition). In the longer term, this ratio can provide an indication of the credit quality of the portfolio.

Calculation (in millions of EUR or %)	Reference	2022	2021
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	155	- 329
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	197 052	184 640
= (A) (annualised) / (B)		0.08%	-0.18%

In 2022, the credit cost ratio without the outstanding ECL for geopolitical and emerging risks, amounts to 0.00% (versus 0.09% without the outstanding ECL for Covid risks in 2021).

Impaired loans ratio

Indicates the proportion of impaired loans in the loan portfolio (see 'Loan portfolio' for definition) and, therefore, gives an idea of the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid. These loans have a KBC default status of PD 10, PD 11 or PD 12. Where appropriate, the numerator in the formula may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12). Relevant figures for that calculation are given in the 'Credit Risk' section.

Calculation (in millions of EUR or %)	Reference	2022	2021
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 350	5 454
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	205 720	188 400
= (A) / (B)		2.1%	2.9%

In 2022, the decrease of the impaired loans ratio in mainly driven by the sale of the bulk of non-performing mortgage portfolio in Ireland (for more information see note 6.6).

Leverage ratio

Gives an idea of the group's solvency, based on a simple non-risk-weighted ratio.

A detailed calculation can be found under 'Solvency KBC Group' section.

Liquidity coverage ratio (LCR)

Gives an idea of the bank's liquidity position in the short term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-month period. It is the average of 12 end-of-month LCR figures.

Calculation (in millions of EUR or %)	Reference	2022	2021
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	91 928	108 642
/			
Total net cash outflows over the next 30 calendar days (B)		60 820	65 399
= (A) / (B)		152%	167%

Loan Portfolio

Gives an idea of the magnitude of (what are mainly traditional) lending activities.

Calculation (in millions of EUR or %)	Reference	2022	2021
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	178 053	159 728
+			
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	785	719
+			
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 157	4 830
+			
Other exposures to credit institutions (D)		4 072	4 392
+			
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	10 222	9 040
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 636	2 581
+			
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 1 997	- 2 077
+			
Non-loan-related receivables (H)		- 602	- 338
+			
Other (I)	Component of Note 4.1	6 394	9 525
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		205 720	188 400

As of 3Q 2021, the sale of the Irish loan portfolio resulted in a shift to the line ‘Non-current assets held for sale and disposal groups’ part of the ‘Other’ line (for more information see note 5.11 and note 6.6).

Net interest margin

Gives an idea of the net interest income of the banking activities (one of the most important sources of revenue for the group) relative to the average total interest-bearing assets of the banking activities.

Calculation (in millions of EUR or %)	Reference	2022	2021
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	4 450	3 863
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	224 014	211 020
= (A) (annualised x360/number of calendar days) / (B)		1.96%	1.81%

The net interest margin takes into account the banking group net interest income, excluding dealing room and the net positive impact of ALM FX swaps & repos.

Net stable funding ratio (NSFR)

Gives an idea of the bank's structural liquidity position in the long term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-year period.

Calculation (in millions of EUR or %)	Reference	2022	2021
Available amount of stable funding (A)	Regulation (EU) 2019/876 dd. 20-05-2019	209 274	218 124
/			
Required amount of stable funding (B)		153 767	147 731
= (A) / (B)		136%	148%

Parent shareholders' equity per share

Gives the carrying value of a KBC share, i.e. the value in euros represented by each share in the parent shareholders' equity of KBC.

Calculation (in millions of EUR or number)	Reference	2022	2021
Parent shareholders' equity (A)	'Consolidated balance sheet'	19 430	21 577
/			
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417
= (A) / (B) (in EUR)		46.58	51.76

Return on allocated capital (ROAC) for a particular business unit

Gives an idea of the relative profitability of a business unit, more specifically the ratio of the net result to the capital allocated to the business unit.

Calculation (in millions of EUR or %)	Reference	2022	2021
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	1 759	1 997
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		7 890	7 270
= (A) annualised / (B)		22.3%	27.5%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	800	697
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 083	1 784
= (A) annualised / (B)		38.5%	39.2%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	441	127
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 386	2 509
= (A) annualised / (B)		18.5%	5.1%

Return on equity

Gives an idea of the relative profitability of the group, more specifically the ratio of the net result to equity.

Calculation (in millions of EUR or %)	Reference	2022	2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 864	2 614
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 50	- 50
/			
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI instruments and for FVPL equity instruments – overlay approach (C)	'Consolidated statement of changes in equity'	20 185	19 463
= (A-B) (annualised) / (C)		13.9%	13.2%

Sales Life (insurance)

Total sales of life insurance compromise life insurance premiums and unit-linked life insurance premiums (as required under IFRS, we use margin deposit accounting for most of these unit-linked contracts, which means they are not recognised under 'Earned insurance premiums').

Calculation (in millions of EUR or %)	Reference	2022	2021
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	1 163	1 196
+			
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	1
+			
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	922	768
Total sales Life (A)+ (B) + (C)		2 085	1 964

Solvency ratio (insurance)

Measures the solvency of the insurance business, as calculated under Solvency II.

A detailed calculation can be found under 'Solvency banking and insurance activities separately' section.

Total assets under management

Total assets under management (AuM) consist of direct client money (also known as assets under distribution towards retail, private banking and institutional clients), KBC Group assets (incl. pension fund), fund-of-funds assets and investment advice. Total AuM comprise assets managed by the group's various asset management companies (KBC Asset Management, ČSOB Asset Management, etc.), as well as assets under advisory management at KBC Bank. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence account for a large part of any change in this income line.

Calculation (in billions of EUR or quantity)	Reference	2022	2021
Belgium Business Unit (A)	Company presentation on www.kbc.com	184	216
+			
Czech Republic Business Unit (B)		15	14
+			
International Markets Business Unit (C)		7	7
A)+(B)+(C)		206	236