Annual Report 2022
KBC Bank

To the reader

Company name

'KBC', 'the group', 'we' or 'KBC Bank' as used in this annual report refer (unless otherwise indicated) to the consolidated bank entity, i.e. KBC Bank NV including all group companies included in the scope of consolidation. 'KBC Bank NV' refers solely to the non-consolidated entity. The 'Company annual accounts' section deals only with the non-consolidated entity.

Difference between KBC Bank and KBC Group

KBC Bank NV is a subsidiary of KBC Group NV. The KBC group's legal structure has one single entity – KBC Group NV – in control of several underlying companies, the most important of which are KBC Bank NV and KBC Insurance NV. All KBC Bank NV shares are owned by KBC Group NV. Where mention is made of KBC Group or the KBC group in this annual report, KBC Group NV is meant, including all group companies included in the scope of consolidation.

Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in the annual report are based on assumptions and assessments we made when drawing up this report in early March 2023. By their nature, forward-looking statements involve uncertainty. Various factors could cause actual results and developments to differ from the initial statements.

Versions and translation

The Annual Report is available in Dutch and English versions. We have made every reasonable effort to avoid discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Articles 3:6 and 3:32 of the Belgian Companies and Associations Code (CAC)

These articles specify the minimum content of company and consolidated financial statements required by law. This information has been incorporated into the different sections of the 'Report of the Board of Directors', which also contains additional, non-compulsory information. To avoid repetition, reference is sometimes made to information presented in other sections of this report. KBC Bank has combined the reports for the company and consolidated financial statements. Other reports and the www.kbc.com website referred to in certain sections do not form part of the annual report.

Non-financial information statement

As required by Articles 3:6 §4 and 3:32 §2 of the CAC, we provide a statement on non-financial information at the highest consolidated level for a Belgian entity, i.e. (in the annual report of) KBC Group NV. This also applies to the parts of the EU Taxonomy that are already obligatory. The KBC Group annual report is available at www.kbc.com. Nevertheless, part of the non-financial information in question is also provided in KBC Bank's annual report.

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Ratios used

A list of the most important ratios and terms used in this document (including the alternative performance measures) can be found at the back of this report.

Publisher

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Group profile

Statement by the Chairman of the Board of Directors and the Chief Executive Officer

The year of Russia's invasion of Ukraine

Koenraad Debackere: '2022 will go on record as the year in which Russia invaded Ukraine. Just when concerns about the pandemic began to subside in some countries, Russia invaded Ukraine in February. The subsequent events caused a grave humanitarian crisis for the Ukrainian population, with countless casualties and fatalities, families being separated and millions of residents having fled the country. We express our heartfelt solidarity with all victims of the conflict in the region and with the large numbers of refugees in the various European host countries.

The brutal invasion also shook the global economy. Although our direct exposure to Ukraine, Belarus and Russia is very limited, we are keeping a close eye on the indirect macroeconomic consequences, such as the impact of the high oil and gas prices on inflation and economic growth, and the financial and operational spillover effects for us, our counterparties and our clients. For this purpose, we set aside a reserve of about 0.4 billion euros in 2022 to cover the related geopolitical and emerging risks.'

Continued focus on climate responsibility and sustainability in general

Johan Thijs: 'The new geopolitical environment should not divert attention from the other major challenges of our time. The climate crisis is unfolding in front of us and is causing extreme weather conditions that will become increasingly widespread. This means that we must act now if we are to minimise climate change and its consequences. As an integrated bank-insurance group, we seek to play a major role in the transformation needed to prevent catastrophic global warming. Together with our clients, we have started building a more climate-friendly loan portfolio and are shifting our focus to responsible investment. We encourage investments aimed at creating and supporting the transition to a greener society and are making every effort to help our clients and accommodate their needs on their journey towards more sustainable activities. We joined various international initiatives related to climate change and sustainability and we significantly tightened several of our sustainability targets in 2022. This included defining specific climate indicators for our lending activities in a few carbon-intensive sectors such as energy and real estate. Another important sustainability initiative was the issue of a first-ever social bond in August, with the yields being used to finance projects in the hospital sector.

We are especially proud that we are one of the 19 companies worldwide to have been awarded the Terra Carta seal in January 2023, in recognition of our commitment to creating a sustainable future. We invite you to read in this Annual Report, and even more so in our Sustainability Report and our Climate Report at www.kbc.com, how KBC puts sustainability into practice.

Rapid path to digitalisation

Johan Thijs: 'KBC has always been at the forefront of new digitality developments, the most visible example of which is our personal digital assistant Kate, which we further developed in 2022.Our ultimate objective continues to be ensuring maximum convenience for our clients. Already well established in Belgium and the Czech Republic, Kate was also launched in our other core countries in 2022. We are pleased to report that Kate's growth has exceeded our expectations. Our clients have been quicker to adopt Kate than we expected, while the digital assistant has also far outperformed the 2022 target in terms of autonomy. One of the most prominent innovations in 2022 was, undoubtedly, the launch of our own digital currency, the Kate Coin, which our clients will be able to use when making certain purchases or investments. Roughly 8 000 employees of our group were the first to test the Kate Coin at the Werchter Boutique festival in June, which they had been invited to as a reward for their work during the coronavirus period. The launch of Discai is another outstanding example of innovation. Set up with the aim of marketing our portfolio of artificial intelligence applications, Discai has now introduced the first AI solution into the market. We also receive external recognition for our continued successful efforts towards innovation and providing our clients with maximum convenience. In October 2022, independent international consulting firm Sia Partners once again named KBC Mobile one of the best mobile banking apps worldwide and the best mobile banking and insurance app in Belgium.'

Further geographic focus

Koenraad Debackere: 'Focus remains a particularly important aspect of our strategy. Our core business is and will remain bank-insurance for retail clients and corporates in a clear selection of core markets. Where it is possible, opportune and attractive, we aim to strengthen our position in those countries further. In early July 2022, we completed the acquisition of Raiffeisenbank Bulgaria. The combination of Raiffeisenbank and UBB will allow us to significantly bolster our position in the Bulgarian banking market. This means that, over the past 15 years, KBC has carved out a position for itself as the largest investor in Bulgaria and has taken the lead in the process of consolidating the Bulgarian financial sector. We would like to extend a warm welcome to our new clients and colleagues, who are now part of our large family.
In February 2022, we sold virtually the entire portfolio of non-performing mortgage loans of KBC Bank Ireland, and we also entered into an agreement for the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland. The latter transaction was finalised in early February 2023, which means that we have now effectively fully withdrawn from the Irish market.'

Excellent result in challenging conditions

Johan Thijs: 'In 2022, we were able to reverse the full remaining amount of impairments previously set aside for the coronavirus crisis, but we also set aside 0.4 billion euros in impairments for geopolitical and emerging risks to hedge the mostly indirect economic impact of the war in Ukraine on our loan portfolio. Our income grew by 12%, with the most striking component being higher net interest income, whereas our cost base obviously suffered from the inflationary pressure as well as from significantly higher bank taxes. This translated into an excellent net profit for 2022 totalling 2.2 billion euros, up 3% on the year-earlier result.

The economic environment in 2022 and beyond

Koenraad Debackere: '2022 was dominated by two factors. In the first half of the year, the global economy continued its recovery in the wake of the pandemic, and the reopening of the economy and reduction in supply impediments boosted economic growth. However, during the year, especially the European economy increasingly felt the effects of the shock in commodity and energy prices resulting from the Russian invasion of Ukraine. After strong quarterly growth in the first half of the year, euro area growth dynamics decelerated and barely remained in positive territory in the fourth quarter. This means that the European economy seems to have averted a deep recession for now. The year 2023 is certain to bring great challenges as well. Monetary and budgetary policymakers must get the high inflation under control, while at the same time ensuring a minimal impact on growth. Rising interest rates have also put global debt issues back on the radar.
However, the results we posted this year and in previous years have demonstrated that we can continue to build on our solid foundations and our strategy even in challenging circumstances. This strategy is built entirely on the trust you, our dear client, employee, shareholder or other stakeholder, have placed in us. I sincerely thank you for that.'

Johan Thijs
Chief Executive Officer

Koenraad Debackere
Chairman of the Board of Directors

Area of operation and activities

KBC Bank caters mainly for retail, private banking, SME and mid-cap clients. Geographically, we focus on our core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. We have a limited presence elsewhere in the world, primarily to support corporate clients from our core markets. KBC Bank is wholly owned by KBC Group.

Network and personnel	
Bank branches (31-12-2022)	1 215
Belgium	420
Central and Eastern Europe (Czech Republic, Slovakia, Hungary and Bulgaria)	772
Rest of the world	23
Number of staff (2022 average in FTEs)	around 29 000

Financial calendar

Financial communication is largely organised at KBC Group level. Financial information relating to KBC Bank is available at www.kbc.com > Investor Relations > Information on KBC Bank. The most up-to-date version of the financial calendar is available at www.kbc.com.

Financial calendar for KBC Group and KBC Bank	
FY 2022	KBC Group Annual Report for 2022, Sustainability Report for 2022 and Risk Report for 2022 available: 3 April 2023
	KBC Bank Annual Report for 2022 available: 3 April 2023
	AGM of KBC Bank: 26 April 2023
	AGM of KBC Group: 4 May 2023
1Q2023	Earnings release for KBC Group: 16 May 2023
2Q2023/1H2023	Earnings release for KBC Group: 10 August 2023
3Q2023/9M2023	Earnings release for KBC Group: 9 November 2023

Long-term credit ratings

The table shows the long-term and short-term credit ratings of KBC Bank NV. The credit ratings of KBC Group NV and the sustainability ratings of the group are set out in the KBC Group annual report.

Credit ratings for KBC Bank (16 March 2023)	Long-term debt ratings	Short-term ratings
Fitch	A+ (stable outlook)	F1
Moody's	A2 (positive outlook)	P-1
Standard & Poor's	A+ (stable outlook)	A-1

Please refer to the respective credit rating agencies for definitions of the different ratings and methodologies.
* Long-term deposit rating of A1.

Our business model

The strategy, business model and management structure of KBC Bank is embedded in that of the KBC group. A summary is given below of the business model of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business. For more detailed information, please see the KBC Group annual report for 2022.

How do we create sustainable value? (KBC Group)

As a banker, we see to it that our clients are able to save and invest in a well-informed manner and that we actively offer them sustainable investment products. In this way, every client can grow their assets in keeping with their personal wishes and risk profile, and call on our expertise to assist them. We use the deposits our clients entrust to us to provide loans to individuals, businesses and public authorities, thus keeping the economy turning, even in more difficult conditions such as those during the coronavirus crisis. We also hold a portfolio of investments, which means we invest in the economy indirectly too. At the same time, we fund specific sectors and projects, such as the social profit sector and infrastructure projects that have a major impact on the domestic economy.

As an insurer, we enable our clients to operate free of worry and to limit their risks. We work hard every day to provide the best insurance cover at a fair price and we invest in a high-quality claims-handling service. What's more, we use our knowledge of the causes of accidents to develop accident prevention campaigns and we have a long-standing tradition of working with organisations involved in road safety, welfare and victim assistance.

We also offer our clients a variety of other services that are important to them in their everyday lives, including payments, cash management, trade finance, leasing, corporate finance, and money and capital market products. In this way too, we contribute to the economic system.

In all these activities, we seek to take account of the impact on society and the environment, which we translate into concrete targets. At the same time, we have made a conscious choice to enhance our positive impact on society – where possible – by focusing on areas where we can make a difference as a bank-insurer. The areas in question include financial literacy, environmental awareness, entrepreneurship and the issue of longevity and health. In our business operations, we also prioritise areas such as cyber risk, anti-corruption measures, climate change and, increasingly, other environmental aspects (such as biodiversity, a circular economy, water management and pollution).

In terms of climate, we as a bank-insurer have a direct influence on climate change through our own energy consumption. More important, however, is our indirect influence, through lending, holding an investment portfolio, providing investments to clients and insuring counterparties who can have a direct impact on the climate. We ourselves also feel the impact of climate change. Examples include higher levels of claims under the insurance we provide relating to consequences of extreme weather conditions and the impact on our loans or investments when relevant counterparties suffer the negative consequences of climate change or the transition to a lower-carbon society. We carefully consider these factors, not only to reduce or prevent adverse consequences, but also to contribute actively by launching sustainable products and services. We closely track our performance in this regard, to which end we apply specific targets. In 2022, as part of our Sustainable Finance Programme, we decided to develop a similar structured approach for the other environmental aspects.

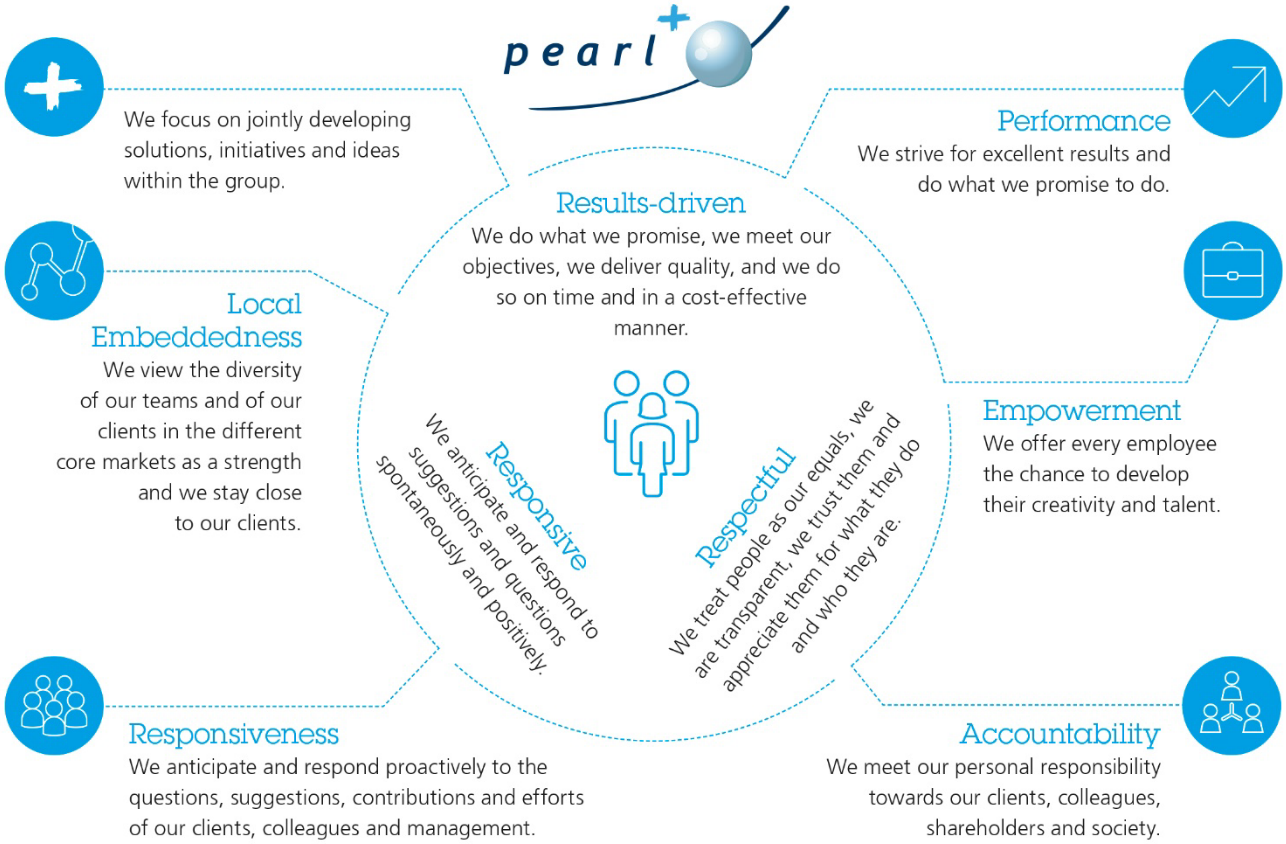
As a major player in each of our core countries, meanwhile, we form part of the local economic and social fabric. We make an important contribution to employment in all our core markets and, as such, recognise that we have a significant impact on the lives of our staff. We encourage responsible behaviour on the part of our employees and offer them a fair reward for their work, thereby contributing to the welfare of the countries in which we operate.

What makes us who we are? (KBC Group)

We sum up our business culture in the acronym 'PEARL+', which stands for Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness. We encourage all our employees to behave in a way that is responsive, respectful and results-driven. An explanation of what we mean is given in the diagram.

The '+' sign in PEARL+ symbolises our focus on the joint development and smart copying of solutions, initiatives and ideas so that they are easy to utilise and deploy throughout the group, enabling us to work more efficiently, respond more quickly to change and make full use of local skills and talents group-wide.

PEARL+ is a mindset, a working culture, shared by all our staff. We have appointed a dedicated PEARL manager to make sure that all our employees are thoroughly imbued with these values. The PEARL manager reports to our CEO. To embed this culture across the entire group and to ensure its success, we adopt not only a top-down but also a bottom-up approach to its implementation. This includes appointing hundreds of PEARL ambassadors in the workplace, who give concrete shape to PEARL and help other colleagues to apply it.



We have structured our group around three business units, which focus on local activities and contribute to sustainable earnings and growth. The units are Belgium, the Czech Republic and International Markets. A more detailed description is provided in the 'Our business units' section.

The Board of Directors is responsible for defining our group's strategy, general policy and risk appetite. It is supported by several specialised committees, namely the Audit Committee, the Risk & Compliance Committee, the Nomination Committee and the Remuneration Committee. These committees are dealt with in the 'Corporate governance statement'. Our Executive Committee provides the operational management of the group within the confines of the general strategy approved by the board. Besides the CEO, the Executive Committee includes the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and the Chief Innovation Officer (CIO) of the group, as well as the CEOs of the three business units.

What differentiates us from our peers? (KBC Group)

Our integrated bank-insurance model

We offer an integrated response to our clients' banking and insurance needs. Our organisation is similarly integrated, with most services operating at group level and the group also managed in an integrated style. Our integrated model offers our clients the benefit of a comprehensive, one-stop, relevant and personalised financial service that allows them to choose from a wider, complementary and optimised range of products and services, which go beyond pure bank-insurance. For ourselves, it offers benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, significant cost-savings and synergies, and heightened interaction opportunities with and a more complete understanding of our clients.

Our digital approach

Digital interaction with clients forms the basis of our business model in our strategy, not only in terms of sales and advice, but also in process and product development. In addition to a digital product range, therefore, we also offer our clients digital advice and develop all processes and products as if they had to be sold digitally. Artificial intelligence and data analysis will play an important part in digital sales and advice. Kate, our personal digital assistant, will feature prominently in this regard. We pay particular attention to the speed and simplicity with which we can serve our clients and take this into account when adjusting our internal processes. Of course, for complex questions or advice at key moments in life, experts will still be available in our branches or callcenters. Thanks to the success of our digital approach, we can simultaneously free up more time to advise more customers even better.

Our strong geographical focus and local responsiveness

We focus on our core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. This selection of countries allows us to operate in a mix of mature and growth markets, taking advantage in the latter of the catch-up potential for financial services. We have a limited presence elsewhere in the world, including to support the activities of our corporate clients in our core markets. We want to build sustainable relationships with our local clients in our core countries. The goal is to know and understand our local clients better, pick up signals effectively and respond to them proactively, offer tailored products and services, and focus on the sustainable development of the different communities in which we operate. Where relevant, we facilitate collaboration among our core countries to avoid duplicating our efforts and to offer our clients the best solutions.

Our approach to sustainability

As a financial institution, we are one of the driving forces behind the real economy and have a major direct and indirect impact on society. As a company that aims to support the transition to a more sustainable and climate-proof society, we have made sustainability integral to our overall business strategy and integrated it into our day-to-day business operations and the products and services we provide. Our sustainability strategy, which is geared towards the local economy and society, consists of financial resilience and three cornerstones: encouraging responsible behaviour on the part of all our employees, increasing our positive impact on society and limiting any adverse social impact we might have.

Our shareholder structure

A special feature of the KBC Group shareholder structure is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which together held roughly 41% of our shares at the end of 2022. These shareholders act in concert, thereby ensuring shareholder stability in our group. KBC Bank is wholly owned by KBC Group.

Our strengths

Unique bank-insurance model and innovative, data-driven digital strategy, which enables us to respond immediately to our clients' needs	Strong commercial banking and insurance franchises in all our business units	Successful track record of underlying business results	Solid capital position and strong liquidity	Firmly embedded in the local economies of our core countries	Strong focus on sustainability. Ambitious climate targets that we also use to guide our clients towards a more sustainable future

Our challenges

A macroeconomic environment characterised by geopolitical challenges, higher interest rates, high inflation and population ageing.	Impact of climate change on our and our clients' operations, and vice versa, and the use of opportunities related to the transition to a greener economy	Stricter regulation in areas like client protection, solvency and the environment	Changing client behaviour, competition and new players in the market	New technologies and cyber crime

In what environment do we operate? (KBC Group)

The world economy

Having started its upward trend back in the second half of 2021, inflation reached new highs in Europe and the US after the Russian-Ukrainian war broke out in February 2022. The inflation was fuelled by significantly higher energy and commodity prices and subsequently seeped into the underlying core inflation, i.e. inflation excluding energy and food prices. Responding to this event, in March 2022 the Fed terminated its net purchases under the quantitative easing programme and sped up the tapering of its bond portfolio (quantitative tightening) in September. The Fed also used its interest rate channel to tighten its policy, raising the key rate in 2022 at a faster and more substantial rate than anticipated, from a target range of 0%-0.25% to a target range of 4.25-4.50% at year-end 2022. The Fed is likely to further raise its key rate target range in 2023.
Faced with the exceptional surge in inflation in 2022, the ECB also changed course. After discontinuing net purchases under its Pandemic Emergency Purchase Programme (PEPP) in March 2022, it did the same for its general Asset Purchase Programme (APP) in July 2022. The ECB then immediately started bringing its deposit rate back to normal levels, raising it from -0.50% to 2% at year-end 2022. We expect to see even higher interest rates in 2023. According to ECB reports, the bonds the ECB purchased under the PEPP will be reinvested on their maturity date until at least the end of 2024. The APP portfolio, for its part, will be phased out from March 2023 onwards as part of the quantitative tightening policy. The ECB's encouragement of the financial sector to make early repayments of the long-term liquidity provisions (TLTROs) is also in line with this policy.

The current rising interest rates and reduced liquidity supply pose a risk to the efficient transmission of the ECB's monetary policy to the euro area as a whole. In concrete terms, this could manifest itself in unfounded, widening spreads between euro area government bonds. The ECB has two instruments it can use as possible remedies. The first one is the option to flexibly reinvest the PEPP portfolio by specifically targeting dysfunctional markets. The second instrument is the new Transmission Protection Instrument (TPI), which allows the ECB to purchase bonds directly in problematic markets under certain conditions but nevertheless with full discretionary power vested in the ECB's Executive Board.

The turnaround in monetary policy in 2022 translated into a substantial and largely synchronous increase in US and German government bond yields. The German ten-year yield turned positive again as a result. Overall, the US and German yields rose from 1.52% and -0.18% to 3.88% and 2.56%, respectively, since the start of 2022. The spread between US and German government bond yields was volatile throughout the year and, overall, narrowed from approximately 180 to 130 basis points. If this interest rate differential narrows slightly in 2023, the euro will be able to gain more ground over the US dollar in 2023.

The global economy will again have to rise to exceptionally large challenges in 2023. Policymakers must get the high inflation under control while also ensuring that the economic landing is as soft as possible – a combination that creates tension between monetary and budgetary policies. Rising interest rates have also put global debt issues back on the radar.

Main challenges

The main challenges facing us are, of course, the economic situation, intensifying competition and technological change, regulation, and cyber and ICT risks. The way in which we are dealing with them is set out below.

Market conditions in our core countries in 2022 (KBC Group)

Market environment in 2022[1]	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria
Change in GDP (real)	3.1%	2.5%	1.5%	4.9%	3.5%
Inflation (average annual increase in consumer prices)	10.3%	14.8%	12.1%	15.3%	13.0%
Unemployment rate (% of the labour force at year-end; Eurostat definition)	5.5%	2.3%	5.8%	4.0%	4.0%
Government budget balance (% of GDP)	-4.0%	-5.0%	-6.2%	-6.1%	-2.5%
Public debt (% of GDP)	105.0%	43.5%	62%	73.5%	23.0%
Forecast growth in real GDP in years ahead					
2023	0.6%	0.3%	0.9%	0.3%	0.7%
2024	1.2%	2.6%	2.8%	3.6%	3.5%
KBC's position in each core country[2]					
Main brands	KBC CBC KBC Brussels	ČSOB	ČSOB	K&H	UBB DZI KBC Bank Bulgaria (formerly Raiffeisenbank Bulgaria)
Network	420 bank branches 298 insurance agencies Online channels	201 bank branches Insurance sold through various channels Online channels	110 bank branches Insurance sold through various channels Online channels	195 bank branches Insurance sold through various channels Online channels	266 bank branches Insurance sold through various channels Online channels
Recent acquisitions or disposals[3] (2020-2021-2022)	-	-	Acquisition of OTP Banka Slovensko (2020)	-	Acquisition of NN's Bulgarian pension and life insurance business (2021). Acquisition of Raiffeisenbank Bulgaria (2022)
Clients (millions, estimate, KBC Group)	3.8	4.3	0.8	1.6	2.4
- Of which KBC Bank	3.6	3.8	0.5	0.9	1.7
Loan portfolio (in billions of EUR, KBC Group)	129	38	12	8	10
Deposits (excluding debt securities) (in billions of EUR, KBC Group)	145	49	8	9	12
Market share (estimate, KBC Group)					
- banking products	20%	21%	12%	11%	19%
- investment funds	28%	24%	7%	11%	13%
- life insurance	12%	7%	2%	3%	26%
- non-life insurance	9%	9%	5%	7%	12%
Contribution to net profit in 2022 (in millions of EUR, KBC Bank)	1 311	593	81	181	125

1 Data based on estimates in March 2023 and hence different from year-end 2022 data in Note 1.4 of the 'Consolidated financial statements'. Sale transactions were concluded for the operations of KBC Bank Ireland. Ireland accounted for 12 bank branches and 0.2 million clients at year-end 2022.
2 Market shares and client numbers: based on own estimates. For bank products: average market share for loans and deposits. In Belgium, the life insurance market share is based on reserves; for the other countries, it is based on premiums. Loan portfolio: see 'How do we manage our risks?'. Deposits: deposits from customers (excluding repos). The number of bank branches excludes self-service branches and the 11 KBC Bank branches established in the rest of Europe, the US and Southeast Asia. The market shares are based on the latest available data (e.g., from the end of September 2022).
3 See Note 6.6 of the 'Consolidated financial statements' for more details.

What are our main challenges? (KBC Group)

Climate change, global health risks and geopolitical challenges

Our financial performance is obviously impacted by the global economy in general, as well as by the financial markets and demographic trends. The coronavirus pandemic and the recent extreme weather conditions demonstrated that climate change and public health risks, too, can have a significant impact. And geopolitical developments, such as the war in Ukraine, also have major implications for the economy and hence our results.

How are we addressing them?

- ✓ We ensure in our long-term planning/scenario that our capital and liquidity position is capable of withstanding a negative scenario.
- ✓ We calculate the impact of changes in key parameters and estimate the impact of material events as effectively as possible.
- ✓ If it turns out that the models are not capturing the elevated credit risk resulting from specific events (the coronavirus crisis, the war in Ukraine, etc.), we will set aside additional reserves based on a management assessment.
- ✓ Where necessary (in response to the coronavirus crisis, for example), we take the measures needed to secure business accessibility and continuity.
- ✓ We have translated our environmental and climate change strategy into specific targets and have committed ourselves to several international climate change and sustainability initiatives.
- ✓ We constantly adjust our product and service offering by, for instance, responding to demand for sustainable products like green bonds, social bonds, sustainability-linked loans and sustainable pension saving.
- ✓ We aim to diversify our income sources to include more fee business, for example, alongside interest income.

Shifting client behaviour and competition

We face strong competition, technological changes and shifting client behaviour. Besides the traditional players, there is intensifying competition from online banks, fintechs, bigtechs and e-commerce in general.

This means potential pressure on cross-sell opportunities and is influencing clients' expectations in terms of speed, digital interaction, proactivity, personalisation and relevance. All this is increasing the significance of digitalisation and innovation within our group and creating the need for a resilient, responsive organisation capable of continuously adapting its processes and systems.

How are we addressing them?

- ✓ The creative input and diversity in terms of training and background of our employees is exceptionally important when it comes to equipping ourselves to deal with competition and technological change.
- ✓ We can draw on an immense volume of data, which enables us to understand more clearly what clients really want. Our integrated model enables us to gain better insights and to offer our clients more comprehensive solutions than pure banks or insurers can. Meanwhile, we are closer to our clients than bigtech companies are, for instance.
- ✓ We have a process in place to ensure that the business side receives approval efficiently for new product and service launches. The process also includes a thorough examination of the potential risks. We regularly review all our existing products, so that they can be adapted to take account of evolving client needs or changing circumstances.
- ✓ Research and development have been performed at a variety of group companies as part of a programme to develop new and innovative financial products and services. Over the past few years, we have launched numerous successful innovative solutions (see 'Our business units').
- ✓ We actively monitor trends and analyse the market.
- ✓ Where possible, applications are copied across the group's different core markets. We are also open to partnerships with fintech firms and sector peers.
- ✓ In addition to innovation and digitalisation, we are working hard to simplify and automate products and processes (straight-through processing).

Regulation

The following trends and regulations will have a significant impact in the years ahead:

- ✓ Sustainability: EU measures to mobilise financial resources for sustainable growth including by means of tailored reporting (Corporate Sustainability Reporting Directive and Article 8 of the Taxonomy Regulation);
- ✓ Digitality: EU initiatives related to the impact of new technologies on the financial services sector and the responsibilities of digital service providers; regulations on crypto assets including the MiCA (Markets in Crypto-Assets) Regulation and the AML directive (digital assets).
- ✓ Data governance: a regulation (in force with effect from September 2023) that imposes conditions on the provision of data intermediation services, including intermediation services between data holders and potential data users.
- ✓ Prudential supervision: further implementation of amendments to the Bank Recovery and Resolution Directive (BRRD2); further follow-up of the transposition of the Basel IV standards into the Capital Requirements Regulation (CRR2) and Capital Requirements Directive (CRD5); implementation of the Digital Operational Resilience Act (DORA); revision of the Solvency II Directive; follow-up of the developments related to the draft Directive on recovery and resolution planning for insurance undertakings; further implementation of the consequences of the reform of the regulatory framework for investment firms, including stockbrokers.
- ✓ Financial markets and products: reform of the European Market Infrastructure Regulation (EMIR), which will have an operational impact on derivative activities; new obligations ensuing from the Crowdfunding Regulation.

How are we addressing them?

- ✓ We are making thorough preparations for the new regulations, details of which are kept in a database. Specialised teams keep close track of the trends and rules, and propose the necessary responses in terms of the group's capital planning, for instance.
- ✓ We participate in working groups at sector organisations, where we analyse draft texts.
- ✓ A special team focuses on contacts with government and regulators.
- ✓ We produce memorandums and provide training courses for the business side.
- ✓ We study the impact of regulations on client behaviour and, where appropriate, adjust our products and processes to take account of shifts in that behaviour; we likewise study the impact on transformation and innovation projects.

Cyber risk and information security

Highly secure ICT systems are extremely important in an increasingly digital world where cyber attacks are a constant threat, with the potential to cause significant financial and reputational harm.

Our focus at KBC is on ensuring both our clients and our entities optimum protection against cyber crime.

How are we addressing them?

- ✓ We raise our employees' awareness of cyber risks by providing training in areas like phishing, smishing ('SMS phishing') and vishing ('voice phishing'), and cyber fraud in general. We use tests that train them to respond appropriately to various scenarios.
- ✓ We work to achieve highly secure and reliable ICT systems and robust data protection procedures, and we constantly monitor our systems and the environment.
- ✓ We analyse cyber risks from an ICT and business perspective, so that we can offer maximum resistance and are able to remedy attacks swiftly and efficiently. We regularly evaluate our risk mitigation plans and adapt them as appropriate.
- ✓ Our group-wide Competence Centre for Information Risk Management & Business Continuity tracks all risks relating to data protection, cyber crime and operational ICT. The team informs and assists local entities, tests KBC's defence mechanisms and provides training.
- ✓ We are members of the Belgian Cyber Security Coalition – a knowledge and consultative platform consisting of around 50 public and private-sector enterprises and academics.
- ✓ We also have our entities' cyber risks and defence mechanisms evaluated by internal and external security experts.
- ✓ See also 'Non-financial risks' in 'How do we manage our risks?' and 'The client is at the centre of our business culture' in 'Privacy, data protection, communication and inclusion' as well as in our Sustainability Report at www.kbc.com.

Our employees, capital, network and relationships (KBC Group)

As a financial group, we draw on many different types of capital, including our employees and our capital base, but also our brands, reputation and capacity to innovate, our relationships with all our stakeholders, our branches, agencies and electronic networks, and our ICT infrastructure.

Our employees

Our values group-wide are the same and are founded on our PEARL+ business culture. The ‘E’ in PEARL+ stands for ‘Empowerment’, referring to our commitment to give every employee the space they need to develop their talent and creativity and to deploy it towards accomplishing our business strategy. The ‘+’ in PEARL+ stands for co-creation across national borders and ‘smart copying’ between us. In this way, we can benefit even more from the wealth and diversity of our group. We actively stimulate this culture amongst our employees. Through the various ‘Team Blue’ initiatives, such as the Team Blue Challenges and Group Inspiration Days, we aim to unite employees from different countries, to make them proud of their team and their company and enable them to draw on each other’s experience.

It remains our fixed ambition to ‘future-proof’ our organisation and employees, and to keep the latter on board as much as possible and enable them to grow with KBC. We are committed to a learning culture, in which learning forms an integral part of our everyday activities. Our company is engaged in a transformation process right now (take the introduction of ‘Kate’, for instance) and needs different skills. We therefore ask our staff to be flexible and to focus on skills that are relevant. To achieve all this in a smart way, we use an AI-driven learning and talent platform that goes by the name of StiPPLE. This platform enables us to provide employees with the HR information they need to take their career to a higher level. The learning content they receive is tailored not only to the relevant skills but also the appropriate level of those skills. A digital butler helps them focus on the right output and development targets. StiPPLE also serves as an integrated marketplace for internal job openings, using the technology to match available jobs with qualified internal candidates. The digital learning and talent platform is now available in Belgium and a number of other countries. As Kate increasingly takes centre stage in the services we provide to our clients and in our business processes, we recently launched the Kate Academy.

We take the health and well-being of our employees very seriously, and no less so in the present post-pandemic environment. As a proper balance between business performance and employee well-being is more important than ever, we are looking for creative solutions to ensure that we can all continue to work in good health and with enthusiasm. In February 2022, Corporate HR set up a new department, Work Life Support, comprising the relevant departments that support workplace well-being with the objective of extending workers’ professional lives. The new department develops integrated solutions for a preventive approach to burnouts and mental health issues, in order to support employees returning to work after a period of illness and for sustainable end-of-career proposals. Another point of focus is offering employees attractive working conditions in which they feel that coming to work has added value.

Prompting a wave of solidarity, the war in Ukraine led numerous colleagues in all core markets to roll up their sleeves and start initiatives to get relief supplies where they were needed, take in refugees, make housing available or initiate fundraising campaigns. KBC employees in Slovakia, for instance, are allowed to spend one day a year doing voluntary work, and many of them helped out in the border region. KBC in Belgium also joined in, raising the donations that Belgian KBC employees made to the national fundraising campaign for Ukraine (‘Ukraine 12-12’).

Having recruited some 760 new employees in Belgium in 2022, we are doing well in the quest for talent, but the search is still on for people with specialist skill sets that will help KBC to grow and expand. We introduced a new method of talent recruitment, in which the employee experience takes centre stage, turnaround times are much shorter and initial job interviews are conducted over video chat.

Our employees can rely on a competitive and fair salary plus supplementary benefits. In 2022, we also decided to provide a group-wide profit bonus to our employees, to thank them for their commitment and resilience, which led to strong results in the past year despite the challenging circumstances.

Good managers are key when it comes to bringing out the best in our employees and implementing the KBC strategy successfully. We therefore invest in the training and education of all our managers through various leadership programmes. Since the nature of leadership has changed since the pandemic, we introduced the ‘Leading the Next Level’ programme. Managers are provided with behavioural anchors, a self-scan and a team scan to give them new insights and allow them to work more effectively with their teams. In Belgium, for example, inspirational sessions are held to promote teamwork, which also extends to employees. In the Czech Republic, we introduced the innovative ‘Future Leaders’ and ‘Future Leader of Leaders’ programmes. To enable them to pursue a common vision, senior managers from across the group take part in the ‘KBC University’, an ambitious development programme. For instance, blockchain, web 3.0 and digital currency training courses were provided in 2022. Newly appointed senior managers complete a leadership programme in line with our PEARL+ business culture, as well as a strategy module. We are also actively working on a separate policy for top talent management, in which we identify future senior managers and fast-track them to face tomorrow’s challenges. There is a special focus in this policy on gender diversity.

We keep close track of our employees’ opinions. We launched two employee engagement surveys in 2022. In Belgium, the survey response rate was 75% in March, which rose to 77% in October. 72% of our employees report feeling engaged with KBC, which is a 3%-points increase. Employee engagement is defined as pride in working for the company, motivation to be in the current role, and a sense of connection with KBC. It was precisely this sense of connection that was up 6%-points in 2022, as employees

are proud of the stability of KBC as a company and of its innovative approach. For ČSOB Czech Republic, which has an employee engagement rate of 76%, we learned from the survey conducted in the second half of the year that 78% of staff are proud of ČSOB, 72% are motivated in their jobs, and 76% plan to remain at ČSOB in the next three years. Employee engagement rates for the other countries range from 58% to 70% (somewhat lower due to acquisition and integration projects).
The survey was incorporated in a wider survey in all countries. For Belgium, the survey was integrated into the Shape Your Future survey, which gauges the impact of the strategy in addition to employee engagement. The outcome of the survey reveals, for example, that 67% of our employees recognise how their job helps to put the KBC strategy into practice – a percentage that has remained roughly the same. Just over half of our employees state that they can express an opposing view without having to fear adverse consequences.
The surveys have also resulted in a number of measures, including initiatives to support managers in their coaching roles. Managers can access their results and choose to implement specific measures as necessary.

On 1 January 2023, KBC Belgium implemented a new distribution model for Retail. In the new model, which will be subject to leaner commercial control, we expect Kate to take over some of the duties of a number of Retail employees. As Retail positions cover relatively more complex duties, we will adapt our HR job model accordingly. As the new distribution model provides growth opportunities, we will increase the budget for promotions and similar events.

We do not make any distinction on the grounds of gender, age, religion, ethnic background or sexual orientation in our HR, recruitment and promotion policies or remuneration systems. Our policy, including a number of general principles, was published on www.kbc.com and we take part in the Bloomberg Gender Equality Index and the Workforce Disclosure Initiative.
Within the organisation, there are more specific guidelines in place. Our two specific focal areas are gender and people with physical disabilities. Each of our entities will develop a plan containing specific improvement measures related to diversity and inclusion, and in setting up teams they do not just consider skills but also factors such as gender, age, cultural background, and so on. Since we feel this is an important issue, we maintain a zero-tolerance policy towards flagrantly disrespectful behaviour. We also raise diversity awareness among our employees in the form of inspiration sessions. KBC boasts a diversity and inclusion network organisation called 'Diversity Rocks', which has established one local group in every country. In terms of remuneration, a pay gap analysis is conducted every year. A study is being conducted in Belgium into the role of gender, compared to other factors, in decisions concerning remuneration, the outcome of which can be found in our Sustainability Report.

We invest in good social dialogue with employee representatives. This consultation covers a very wide range of themes, such as pay and employment conditions, reorganisation and well-being. It is organised primarily on an individual country and company basis to take account of the local legal and business-specific situations. Meanwhile, an annual meeting of the European Works Council has been held at group level to deal with topics of cross-border importance, so ensuring that there is a forum for discussing the impact of decision-making at group level too.

Our group's acquisitions and disposals obviously also have an impact on HR. We are focussing on the technical HR details in preparation for the official acquisitions of NN and Raiffeisenbank in Bulgaria. In Ireland – for which a number of sale transactions were concluded – (see Note 6.6. in the 'Consolidated financial statements' section), we keep the lines of communication open with employees to provide them with maximum certainty regarding the pending sale transactions. The severance scheme KBC Ireland recently negotiated with its Employee Council offers employees what qualify as very favourable terms within the industry, which reflects the bank's great appreciation for the work of its employees.

The application of our HR policy is closely monitored, not only by means of high-quality surveys, but also on the basis of accumulated HR data. The Beehive dashboard, for example, shows the key parameters for our senior and middle management at a glance. This dashboard is used, among other things, to record data and information on FTE developments, performance and progression, skill development and reward budgeting. Other dashboards and various ad hoc HR analytics tools enable us to extrapolate information from HR data and implement the appropriate measures in response.
We use an operational risk framework to perform an annual review of key risks in the HR process. The implementation and monitoring of legislation forms an important part of this process and we ensure that it is applied strictly in the area of HR. Examples in this regard include EBA guidelines on outsourcing, a variety of laws on remuneration policy (including the variable wage component) and privacy law. Areas we prioritise in this context include Schrems2 (data processing outside the European Economic Area) and data loss prevention. We ensure that all employees are in compliance with the legal training requirements in the various countries in which we are active, in areas such as the distribution of insurance policies, loans and investment products. We also raise our employees' awareness of risks, including cyber risks, through targeted information campaigns and training. 'People risk' is an important operational risk for human resources, which we closely track in collaboration with our risk department. In a financial sector that is changing very quickly, KBC would not be able to remain a reference in the European financial sector without the right employees with the right skills.

The KBC Group annual report contains a table with an overview of the total workforce and a breakdown into various categories.

Our capital

Our activities are only possible if we have a solid capital base. At year-end 2022, KBC Group's total equity came to 20.8 billion euros and its capital was represented by 417 169 414 shares. At year-end 2022, KBC Bank's total equity was 17.8 billion euros. The KBC Bank share is not traded on the stock market.

KBC Group is the sole shareholder of KBC Bank. KBC Group shares are held by a large number of shareholders in a number of countries. A group of shareholders consisting of MRBB, Cera, KBC Ancora and the Other core shareholders constitute KBC Group's core shareholders. A shareholder agreement was concluded between these core shareholders in order to ensure shareholder stability and guarantee continuity within the group, as well as to support and co-ordinate its general policy. To this end, the core shareholders act in concert at the General Meeting of KBC Group NV and are represented on its Board of Directors. The current agreement applies for a ten-year period with effect from 1 December 2014. According to the most recent notifications, the core shareholders own 40% of our shares between them. More information on the KBC Group's shareholder structure can be found in the KBC Group annual report.

A major part of our activities involves transforming deposits and other forms of funding into loans. For that reason, funding through deposits and debt securities is an important raw material for our group. We have therefore developed a strong retail/mid-cap deposit base in our core markets. We also regularly issue debt instruments, including via KBC IFIMA, KBC Bank and KBC Group NV itself.

Our network and our relationships

Alongside staff and capital, our network and relationships are especially important to our activities. An overview of our network can be found under 'Market conditions in our core markets in 2022'.

Our social and relationship capital comprises all relationships with our clients, shareholders, government, regulators and other stakeholders, enabling us to remain socially relevant and to operate as a socially responsible business. This theme is dealt with in depth under 'Our role in society' in the 'Our strategy' section.

Our strategy

The strategy, business model and management structure of KBC Bank is embedded in that of the KBC group. A summary is given below of the strategy of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business. For more detailed information, please see the KBC Group annual report for 2022.

The core of our strategy for the future (KBC Group)

client centricity	bank-insurance	sustainable profitable growth	role in society
PEARL+:jointly developing solutions, initiatives and ideas within the group.			
Within a stringent risk, capital and liquidity management framework			

Our strategy rests on the following principles:

- We place our clients at the centre of everything we do.
- We look to offer our clients 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 implement our strategy within a strict risk, capital and liquidity management framework.

As part of our PEARL+ business culture, we focus on jointly developing solutions, initiatives and ideas within the group. More information on PEARL is provided in the 'Our business model' section.

The client is at the centre of our business culture (KBC Group)

Focus on the physical and financial well-being of our clients

We continued to focus our efforts on client and employee safety in the wake of the coronavirus crisis, making a point of maintaining regular communications and offering a sensible mix of in-person and online events and meetings. We have also collaborated intensively with government bodies since the beginning of the coronavirus crisis to support all clients affected by the pandemic, through such measures as loan payment deferrals under the various coronavirus-related moratoria. With the exception of an amount of 0.2 billion euros, most of the moratoria have now expired. In addition to this, we granted some 0.9 billion euros in loans that fall under the various coronavirus-related government guarantee schemes in our core markets. For more details on moratoria and government guarantee schemes, see Note 1.4 of the 'Consolidated financial statements' in the 2020 and 2021 Annual Reports.

Russia invaded Ukraine in February 2022. Regrettably, the war was still ongoing at the time this Annual Report went to press. The tragedy unfolding in Ukraine is causing immense human suffering and is shaking the global economy. We express our heartfelt solidarity with all victims of the conflict and are hoping for a respectful, peaceful and lasting solution in the near future. Several countries have imposed economic sanctions. As a financial group, we naturally shoulder our responsibility to do business in a legal and ethical way and to comply with the various sanctions.
In all KBC core markets, our employees initiated relief campaigns for Ukraine and several of our people took in refugees, provided assistance and performed voluntary work. Several of our banks in our core markets helped meet the needs of Ukrainian refugees by providing an exemption from costs payable for specific financial services, and numerous charitable activities were carried out. The 'Ukraine 12-12' campaign was launched in Belgium. A special button in KBC Mobile allowed clients to make a donation to the campaign. In the Czech Republic, ČSOB pooled resources with relief agency People in Need and launched a fundraising campaign immediately after the war broke out. It also donated ICT equipment and provides clients with Ukrainian-language information on the website and by telephone. In Hungary, the K&H Foundation for a Healthy Society donated to five humanitarian organisations and doubled the amounts donated by employees. In Bulgaria, UBB donated the proceeds of the Easter for Everyone campaign and employees' donations to NGO Mother Ukraine for humanitarian aid to refugees arriving in Bulgaria. And in Slovakia, the ČSOB Foundation doubled the amounts that staff had donated to Človek v ohrození (People in Need) for aid to Ukraine and donated 3 euros for every runner participating in the 2022 ČSOB Bratislava Marathon.
Although our direct net exposure to Ukraine, Belarus and Russia is very limited (a mere 29 million euros at year-end 2022), it goes without saying that our activities are indirectly hit by the macroeconomic fallout from the conflict, such as the impact of the high oil and gas prices on inflation and economic growth, and the spillover effects for us, our counterparties and our clients. Given this situation, we recorded a reserve to cover geopolitical and emerging risks of 0.4 billion euros (see Note 1.4 of the 'Consolidated financial statements' section below for more details).

Access to financial services and solid financial advice for all sections of society contributes to economic development and forms the basis for financial and social integration. We fulfil our responsibility as a bank-insurer in this regard too, we promote financial literacy and seek by means of solid and transparent advice to help our clients make the right decisions. We realised more than ever during the coronavirus crisis just how important digital literacy is and we launched a variety of initiatives and guides, for instance, to help new users familiarise themselves with our mobile apps. With the introduction of the option to receive financial and economic news through KBC Mobile in 2022, we found yet another way to contribute to awareness-raising and financial education.

Digital First

Client expectations have shifted enormously in recent years, with efficient and user-friendly products and services becoming the norm, powered by technology. For that reason, we have been engaged for several years now in the digitalisation of processes that allow simple, high-quality products to be brought to clients in a smooth and rapid manner. For a few years now, we have been designing products, services and processes from a 'digital-first' perspective. This implies that they were modified before being digitalised to make them simpler, more user-friendly and scalable and that they allow a fast and appropriate response to our clients' questions and expectations. For clients who so desire, we will use the available data in an intelligent and appropriate manner. as we have seen that clients increasingly demand more proactive and personal products and services in addition to speed and simplicity.

This is why we are transitioning from an omnichannel distribution model towards a digital-first distribution model. The human factor remains important in both models and our staff and branches will be fully at the disposal of our clients. In a digital-first distribution model, digital interaction with clients will form the initial basis. We therefore aim over time to provide all relevant solutions via mobile applications. In addition to a digital product range, we will offer our clients digital advice and develop all processes and products as if they were sold digitally.

For clients who so wish, Kate – our personal digital assistant – plays an important role in digital sales and advisory, so that personalised and relevant solutions can be offered proactively. Clients can personally ask Kate questions regarding their basic financial transactions. They also receive regular discrete and proactive proposals at appropriate times in their mobile app to ensure maximum convenience. Clients are entirely free to choose whether or not to accept a proposal. If they do, the solution will be offered and processed completely digitally. Initially, Kate focused on the mobile application for retail clients in Belgium and the Czech Republic, but in 2022 Kate was introduced in the other core countries of the group, i.e. in Bulgaria in February, and in Slovakia and Hungary in August. Kate for businesses (with a focus on SMEs) was launched in 2021 and is already available in the Czech Republic and Belgium.

Employees in the branch network and contact centres continue to function as a beacon of trust for our clients. The human touch is particularly important in more complex services and solutions and in matters requiring emotional intelligence. Our employees will also support, encourage and monitor use of digital processes, assisted by artificial intelligence, data and data analysis.

To guarantee our clients maximum ease of use and to be able to offer a growing number of possibilities via Kate, we will also change our internal processes, the way we supply our products and services, and how we organise ourselves internally. At the same time, this will require a further change in mentality and in-service training for our staff. For instance, Kate automates certain administrative acts, helping our clients as well as our employees save time. Our employees use this extra time to connect with clients and speak with them about anything that might be on their minds. Kate also helps prepare for appointments, which again saves our employees time.

In 2022 we launched our own banktech, Discai, through which we will be marketing our portfolio of innovative artificial intelligence applications. The first available application focuses on the fight against money laundering. Discai opts for a gradual go-to-market strategy and will collaborate with partners in distributing and integrating those applications. In the next phase, Discai will guide companies and organisations in several sectors in their search for high-performance and innovative solutions to technological and regulatory challenges they encounter in their respective fields.

In 2022 we were the first in Europe to introduce our own blockchain-based digital currency, the Kate Coin, which was fully developed within KBC. KBC retail clients who are interested can acquire Kate Coins and also use them through their Kate Coin wallet in KBC Mobile. This is a closed environment; the Kate Coin has no value outside this environment. Although the Kate Coin will initially be introduced in Belgium, it will eventually be rolled out throughout the KBC group. On Sunday 19 June, the first large-scale trial of the Kate Coin was completed at the Werchter Boutique music festival. During this event, no fewer than 8 000 attending KBC employees could try out the Kate Coins and use them to pay for their food and drinks.

Privacy, data protection, communication and inclusion

Digitalisation provides us with the opportunity to collect increasing amounts of data. This has helped us to learn more about our clients, advise them more effectively, and further improve their bank-insurance experience. However, this also comes with the obligation to use the available data in a responsible manner. We therefore make sure we process data in accordance with the GDPR and all privacy rules, and that processes are in place to ensure this for each new service we launch. In doing so, we take into account the key data protection principles of purpose limitation (i.e. not using data for any purpose other than that for which it was collected), data minimisation (i.e. not collecting more data than is required for the intended purpose) and transparency (i.e. being transparent regarding the data collected and used). The latter is related to the privacy policy we created and which is published by each entity of our group through the appropriate channels in order to ensure that all individuals whose personal data is processed are properly informed. We make every effort to secure and protect data against unwanted or unauthorised access, loss or damage, to not retain any personal data once it is no longer required for the purpose for which it was collected, and to keep all personal data accurate and up to date. We have documented all the rights of the data subjects and protect this from any infringements on fundamental human rights resulting from our access to data. Because privacy and data protection are not only objective concepts, defined by law, they are highly subjective ones too. We therefore want to let our clients decide how we use their data and how Kate can use this data. In the process, we aim to communicate in a transparent way and offer our clients a clear privacy overview, in which they can adjust their choices at any moment.

Follow-up

Since putting the interests of our clients at the heart of everything we do is the cornerstone of our strategy, we keep a close eye on their situation. We continuously survey our clients and organise regular debates with client panels. A specific dialogue is likewise maintained with NGOs, and a stakeholder debate also organised on a regular basis. We closely monitor our reputation and communicate this analysis to all the departments and individuals concerned, so they can take appropriate action. Examples of the actions we take with the aim of addressing shifting client expectations, competition and technological challenges can be found under 'What are our main challenges?'.

The most important Key Performance Indicators (KPIs) relating to the client being put at the heart of everything we do, are set out in the KBC Group annual report.

We offer our clients a unique bank-insurance experience (KBC Group)

As a bank-insurer, we put our clients at the heart of what we do by offering them an integrated range of products and services. Our integrated model offers the client the benefit of a comprehensive, relevant and personalised one-stop service that allows them to choose from a wider, complementary and optimised range of products and services. It offers the group benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, significant cost-savings, synergies and heightened interaction opportunities with and a more complete understanding of our clients.

As stated earlier, we do everything we can to integrate our channels (bank branches and insurance agencies, contact centres, self-service terminals, the website, our home banking application and mobile apps). Because we are both a bank and an insurer, we can commit ourselves completely to this integrated approach and seamless service.

We have developed a unique bank-insurance cooperation concept within our group, a model that goes much further than a bank that sells insurance products. It is all about complete integration of back-offices and supporting services, which delivers operational and commercial optimisation for both the client and for KBC itself. The way we work means, for instance, that we only need one communications department, one marketing department, one risk management department and so on. It is only the underlying product factories that operate independently, as these are specific professions.
In addition to operating as a single business, we pursue a digital-first, lead-driven and AI-led organisation. This means fully integrated front and back-end applications designed according to the 'digital first' principle. We are firmly committed to becoming data and AI-led in all our core countries, at their own pace. Kate (see previous section) is the key element within a data-led organisation of this kind. Of course, for complex questions or advice at key moments in life, experts will still be available in our branches or callcenters. Thanks to the success of our digital approach, we can simultaneously free up more time to advise more customers even better.

Previously, we only offered our own bank and insurance products and services through our mobile apps. As 'bank-insurance+' has been rolled out, we are now also offering non-financial solutions alongside traditional banking and insurance solutions in our core countries. After all, to remain the reference, it is no longer enough simply to offer clients and prospects banking and insurance products. It is also about solutions that help our clients save money (e.g., suggesting that they switch to a cheaper energy supplier), earn money (e.g., 'KBC Deals' discounts in Belgium), making everyday payments easier (e.g., paying automatically for parking) or supporting business activities. We work with third parties to provide these solutions.

Our bank-insurance model is already enabling us to achieve various commercial synergies. In Belgium, for instance, eight to nine out of ten clients who agreed home loans with KBC Bank in 2022 also took out mortgage protection cover with KBC Insurance, while more than nine out of ten purchased home insurance. At ČSOB in the Czech Republic, five to six out of ten clients who took out home loans in 2022 also purchased home insurance from the group. To give another example, across the group at year-end 2022, about 81% of active clients held at least one of the group's banking products and one of its insurance products, while roughly 25% actually held at least two banking and three insurance products (3-3 in Belgium). The number of bank-insurance clients of this type grew by 5% (1-1) and 7% (2-2 and 3-3 in Belgium) in 2022 respectively.

We use a number of Key Performance Indicators (KPIs) to track the success of our bank-insurance performance, The most important Key Performance Indicators (KPIs) relating to bank-insurance are set out in the KBC Group annual report.

We focus on sustainable and profitable growth (KBC Group)

Developing long-term relationships with our clients is crucial if we are to secure our long-term future. We do not pursue high short-term returns that come with excessive risks but rather focus on sustainable and profitable growth in the long run.

Sustainable and long-term thinking also means concentrating on the local economies of our core markets, i.e. Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. We view our presence in these countries as a long-term commitment and want to consolidate our presence there by means of organic growth or attractive acquisitions, in line with clear and strict strategic and financial criteria.

As a result of the withdrawal from Ireland, arising merger and acquisition opportunities beyond our core markets may be assessed (for approval of the Board of Directors) taking into account very strict strategic, financial, operational and risk criteria.

Recent examples (more details are provided in the 'Our business units' section and in Note 6.6 of the 'Consolidated financial statements'):

- In July 2021, we acquired NN's Bulgarian pension and life insurance business. This acquisition enables us to further expand our cross-selling opportunities through our already established bank-insurance presence in the Bulgarian market, allowing us to serve more clients and to benefit from economies of scale and increased visibility.
- In February 2022, we sold virtually the entire portfolio of non-performing mortgage loans of KBC Bank Ireland, and in October 2021 the latter confirmed that it had entered into a legally binding agreement with Bank of Ireland relating to the sale of primarily KBC Bank Ireland's performing loan assets and its deposit book. The Irish Competition and Consumer Protection Commission

(CCPC) approved the transaction in May 2022, and the Irish Minister for Finance gave his approval towards the end of the year. The sale was finalised in February 2023.

- In July 2022, we finalised the agreement with Raiffeisen Bank International on the acquisition of Raiffeisenbank Bulgaria, a universal bank in Bulgaria offering private individuals, SMEs and business clients a full range of banking, asset management, leasing and insurance services. Raiffeisenbank Bulgaria – now renamed KBC Bank Bulgaria – and UBB will merge their activities, which will allow KBC to bolster its position in the Bulgarian banking market even more. This acquisition will also create ample opportunity for insurance cross-selling with DZI.

We want to be in a position to deliver all our products and services in a top class manner. In the case of our core activities, we will retain production in-house. But for peripheral activities, we will mostly look to outsourcing or partnerships with (or in some cases acquisition of) specialists, including fintechs. In Belgium, for instance, we collaborate with a fintech that performs energy price comparisons for our clients. This is plainly not a core business of ours, but – besides advancing the general level of client satisfaction and ensuring maximum convenience for our clients – it does help us to gain an understanding of our clients in order to improve our core business. If we have access to the details of these transactions, we can generate added value for our clients by proposing better solutions based on analysis, thereby saving them money or making their lives easier.

The most important Key Performance Indicators (KPIs) relating to sustainable and profitable growth are set out in the KBC Group annual report.

Our role in society: to be responsive to society's expectations (KBC Group)

More detailed information about our role in society is provided in our Sustainability Report, which is available at www.kbc.com.

Aiming to encourage responsible behaviour on the part of all our employees

Our stakeholders' trust depends entirely on responsible behaviour on the part of every employee. We therefore expect all our employees to behave responsibly, which means this theme comes high on our agenda every year.
The basis of responsible behaviour is integrity, which requires honesty, fairness, transparency and confidentiality, as well as a healthy awareness of risk. Integrity and ethical values are also reflected in our 'Code of Conduct for KBC Group Employees'.

Given the difficulty of defining responsible behaviour, rather than drawing up guidelines for such behaviour we set out the underlying principles. These are presented in the 'Compass for Responsible Behaviour' section. Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. We pay particular attention, therefore, to training (including testing) and awareness.

We developed an e-learning course to clarify the importance of responsible behaviour and to provide a framework to help our employees take difficult decisions when faced with dilemmas. The vast majority of all KBC employees had completed this course by the end of 2022. The online training course has also been incorporated into the onboarding programme for new staff.

New initiatives intended to raise awareness of responsible behaviour are being scheduled for 2023, including a mandatory webinar and a specific internal website that will be accessible to all staff members and to which all countries will be encouraged to make a contribution.

We communicate transparently on our rules and policy guidelines, which are published at www.kbc.com.

Sustainable Development Goals

In 2015, the United Nations drew up a development plan with 17 ambitious targets for 2030. These Sustainable Development Goals (SDGs) set the global agenda for governments, businesses and society when it comes to tackling the major challenges in the field of sustainable development, such as ending poverty, protecting the planet and guaranteeing prosperity for all. While the 17 SDGs are all interrelated and relevant, and we ensure through our sustainability policy that we work on achieving each of these goals, we have decided to focus on the five goals where, we believe, KBC can have the greatest impact and make the greatest contribution.

Good health and well-being

We aim to develop banking and insurance products that focus on health, health care and improving quality of life. In our social projects and prevention campaigns, we focus on themes such as health and road safety and attempt to create even more impact. We promote a good work-life balance among our employees.

Affordable and clean energy

We actively contribute to raising the share of renewables in the energy mix. We invest in initiatives in the field of renewable energy and energy efficiency through our banking and insurance activities and have drawn up a gradual exit programme for the financing of non-sustainable energy solutions, including thermal coal and oil and gas.

Decent work and economic growth

Our banking and insurance business supports entrepreneurship and job creation and contributes to sustainable economic growth. We support new businesses and invest in innovation and technology through alliances with start-ups and fintechs. We play an important role in protecting basic labour rights, fair pay, equal opportunities and training and development opportunities for all our employees. In association with BRS, we also offer microfinancing and microinsurance activities to provide rural businesses and farmers in the Global South access to financial services, thereby facilitating sustainable local development and contributing to financial inclusion.

Responsible consumption and production

We support the transition to a low-carbon and circular economy. We develop sustainable banking and insurance products and services that meet a range of social and environmental challenges. We advise all our clients to choose responsible investment funds. We endeavour to mitigate our own negative impact on the environment by dealing sustainably with energy, paper, water, mobility and waste and by reducing our greenhouse gas emissions.

Climate action

We apply a strict environmental policy to our loan, investment and insurance portfolios. We consider the climate performance of our investments and actively work with our investee companies. We develop business solutions that help clients reduce their greenhouse gas emissions and make the transition to a low-carbon economy. We limit our own environmental impact and communicate on that. We attempt to address climate-related risks and also focus on climate-related opportunities.

Aiming to enhance our positive impact on society

We want to enhance our positive impact on society to which end we are focusing on areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and longevity and/or health.

You can find more information and examples in the following diagram and in the 'Our business units' section.

Focus areas	Description	A few recent examples:
Financial literacy	• Helping clients make the right choices through good and transparent advice, and clear communication. • Improving general public knowledge of financial concepts and products.	• Resumption of educational programmes by KBC employees in schools to enhance financial literacy among young people in Belgium, the Czech Republic and Hungary after the coronavirus measures were lifted. • Launch in Bulgaria of an educational programme focusing on ESG topics in collaboration with the Faculty of Economics of Sofia University. • Lending to education sector: 1.2 billion euros.
Environmental awareness	• Reducing our ecological footprint through a diverse range of initiatives and objectives. • Developing products and services that can make a positive contribution to the environment.	• Reduction in our direct environmental footprint and net climate neutrality relative to our direct footprint since 2021. • Publication of the first Climate Report in October 2022, including new environmental objectives. • Supporting clients seeking to make energy upgrades to their homes thanks to KBC's investment in start-up Setle. • Issue of green bonds. • Coordination of sustainability-related loans provided to our corporate clients in line with the Sustainability-Linked Loan Principles. • For further details, see 'Focus on climate'.
Entrepreneurship	• Contributing to economic growth by supporting innovative ideas and projects.	• Further expansion of Start it @KBC in Belgium as the first Walloon branch was opened at the start of 2022. • Providing rural businesses and farmers in the Global South access to financial services in association with BRS (microfinancing and microinsurance activities). • Active use of Start it @KBC to support women entrepreneurs in the start-up world. • Introduction of Start it @UNI, a programme targeting university students in the Czech Republic that helps them increase their prospects of success in the market when launching their projects.
Longevity and health	• We have opted for 'longevity' as our fourth pillar in Belgium and the Czech Republic. This requires us to adapt our policy and our range of products and services to the fact that people are living longer and to make a positive contribution to the issues surrounding an ageing population by offering specific solutions through our core activities. • We chose 'health' as the fourth pillar in Bulgaria, Slovakia and Hungary. These core countries will develop products, services and projects geared towards improving general health, healthcare and quality of life.	• Issuance of the first social bond in 2022 • ATMs equipped with voice recognition technology for visually impaired clients and eScribe for hearing-impaired clients in the Czech Republic. • Financial and material aid to sick children through the K&H MediMagic programme in Hungary. • Helpline for elderly people in the Czech Republic operated by specially trained call centre agents who help them manage their banking business. • Loans provided for senior care and healthcare sectors: 6.2 billion euros.

Limiting any negative impact we might have on society

We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review and update our sustainability policies at least every two years. A complete list of our sustainability policies can be found in our Sustainability Report.

Important KBC sustainability policies		**Applies to**
Blacklist of companies and activities	We place stringent ethical restrictions on businesses involved with controversial weapons systems (including nuclear and white phosphorous weapons) and on businesses viewed as ‘serious’ infringers of UN Global Compact Principles.	Lending, insurance, advice, own investments, responsible investment and conventional funds, suppliers
Human rights	Our human rights policy is based on the UN Guiding Principles on Business and Human Rights and UN Global Compact Principles. See also the separate section below.	Lending, insurance, advice, own investments, responsible investment and conventional funds, suppliers, personnel
Controversial regimes	We do not wish to be involved in financial activities with controversial regimes that fundamentally violate human rights and lack any form of good governance, rule of law or economic freedom. We do, however, make an exception for strictly humanitarian goods. Based on reputable external sources, we decide each year what countries are to be included on our list of controversial regimes.	Lending, insurance, advice, own investments, responsible investment and conventional funds, suppliers
Sustainable and responsible banking, advisory and insurance policy	We have imposed restrictions on providing loans, advice and insurance to controversial and socially sensitive sectors and activities such as: the energy sector, project finance, arms-related activities, tobacco, gambling, sectors with a substantial impact on biodiversity (palm oil production, mining, deforestation, etc.), land acquisition and involuntary resettlement of indigenous populations, animal welfare (including fur) and prostitution.	Lending, insurance, advice
KBC Asset Management – traditional fund exclusions	In the case of conventional funds, we apply the minimum exclusions based on the blacklist of businesses that are involved with controversial weapons systems or which commit serious breaches of UN Global Compact Principles, and the policies on controversial regimes. What’s more, investment products involving food-price speculation are entirely excluded. We have additionally decided to exclude the tobacco industry from KBC Asset Management’s investment funds and from KBC’s own investment portfolio, while coal mining companies and utility companies that generate their energy production from coal are excluded from all investment funds.	Conventional funds
KBC Asset Management – responsible investment exclusions	For responsible investment, we go even further in the exclusion and restriction of controversial activities like all fossil fuels, gambling, defence and fur.	Responsible investment funds
New policies (effective 1 January 2023)	Coal: although we fully maintain our stringent policy on companies that still have coal-based electricity and heat generation capacity, we did decide to permit specific, targeted funding of renewable energy projects initiated by new clients who still have such capacity (as was already the case for existing clients). This decision was inspired by the desire to facilitate and assist the energy transition for all companies and is subject to very stringent conditions, including a strict separation between this type of loan and the company’s other activities. The funding of coal-to-gas, coal-to-liquid and coalbed methane projects is now also expressly excluded. Biodiversity: the first restrictions for cattle farming have been introduced, as KBC now refuses to fund or insure companies having more than 200 000 ruminants in order to limit both methane emissions and improper land use. We also expanded our definition of ‘protected areas’ from the IUCN Green List (59 areas) to all category I and II areas on the IUCN’s list of protected areas (9 889 areas in Europe, 454 of which are located in our core countries).	Lending, insurance, advice

We monitor compliance with our sustainability policy in a number of ways:

- active internal screening of the application of our sustainability policy to our lending, insurance and investment operations;
- a general ESG assessment of the sustainability performance of the relevant companies by external parties, with the emphasis on sustainability strategy and companies' public sustainability strategy and on any recent controversies in which they have been involved.

Examples of measures in the event that infringements are detected:

- zero tolerance across all our business activities for companies on the blacklist;
- exclusion of companies that do not comply with the UN Global Compact Principles, as assessed by an external ESG evaluator, for loans, insurance and own assets;
- enforcement, in consultation with the relevant parties, of an exit strategy or specific conditions on existing credit or insurance relationships and advisory services, and the rejection of new applications.

Our sustainability governance

Sustainability governance

Board of Directors: is regularly briefed by the Executive Committee on the sustainability strategy, including its policy on climate change, as well as other relevant sustainability issues such as gender diversity. Since climate-related risks have been classified as a top risk, the Risk and Compliance Committee monitors sustainability risks closely. The Board evaluates the implementation of the sustainability strategy using a Sustainability Dashboard and expresses its opinion on major changes to sustainability policies.

Executive Committee: the highest level with direct responsibility for sustainability, including policy on climate change. It ratifies the decisions of the Internal Sustainability Board and the Sustainable Finance Steering Committee.

Internal Sustainability Board (ISB): chaired by the CEO and comprises the CFO as Deputy Chair, senior managers from all business units and core countries, and the senior general manager of Group Corporate Sustainability. It is the most important platform for managing sustainability at group level and takes decisions on all matters relating to sustainability.

Group Corporate Sustainability: responsible for developing, implementing and supervising the sustainability strategy. The team reports to the Internal Sustainability Board on the implementation of the strategy and prepares the Sustainability Dashboard. The department is led by the Senior General Manager of Group Corporate Sustainability, who reports directly to the Group CEO.

Sustainable Finance Steering Committee: supervises the Sustainable Finance Programme and is chaired by the CFO. It reports to the Executive Committee and the Board and maintains contact with the ISB.

Sustainable Finance Programme Core Team: is headed by a programme manager from Group Corporate Sustainability and is made up of specialists from Finance, Credit Risk, and Risk as well as sustainability experts. It integrates the climate approach within the group and supports the business side in developing climate resilience in accordance with the TCFD and the EU action plan.

General Managers of Sustainability in every core country: bear ultimate responsibility for all matters pertaining to sustainability in their country. They are part of senior management and were appointed at the end of 2022 to replace the local Corporate Sustainability Coordinators. They are responsible for integrating the Internal Sustainability Board's decisions and the goals of the Sustainable Finance Programme. They are part of the local country organisation and, therefore, are subject to hierarchical reporting. As they work closely with both the local ISB representative and Group Corporate Sustainability, they also come under the functional direction of the Senior General Manager of Group Corporate Sustainability.

The Sustainability departments and CSR committees in each core country: are organised in such a way as to support their senior managers, who sit on the Internal Sustainability Board, and the General Manager Corporate Sustainability in integrating our sustainability strategy and organising and communicating local sustainability initiatives. Among other things, the employees and committees involved also supply and validate non-financial information.

External Sustainability Board: consists chiefly of sustainability experts from the academic world and advises Group Corporate Sustainability on sustainability policy and strategy.

Responsible Investing Advisory Board: supervises the screening of the responsible nature of KBC Asset Management's responsible investment funds.

Focus on climate (KBC Group)

In September 2022, we published our first interim Climate Report, in which we detailed our efforts, objectives and performance in our role as CCCA signatory. The report outlines our baseline and the first targets we have set for the most essential carbon-intensive industrial sectors and product lines in our lending activities and describes how we use our asset management activities to take concrete steps towards a climate-resilient future. The report is available at www.kbc.com.

More extensive and in-depth information on the climate scenarios used, the determination of the most essential sectors and the scope and boundaries of our climate standards, data and goals can be found in our Climate Report and our Sustainability Report at www.kbc.com.

The climate aspect in our business model

As a bank-insurer, we have an influence on climate change in two ways. Firstly, by limiting our own energy consumption. Our dependence on natural resources is relatively limited, but we nevertheless manage our direct greenhouse gas emissions with the goal of steadily reducing them in line with fixed targets.
More important is our indirect influence, through lending, holding an investment portfolio, providing investments to clients and insuring other parties who could have a significant impact on the climate. We limit this indirect negative impact through clear policies, which also entail restrictions on the most polluting activities, and we enhance our positive impact through actions relating to the most climate-sensitive sector portfolios, by engaging in a sustainability dialogue with our clients, by supporting companies that take account in their investment decisions of environmental, social and governance aspects, and by developing new, innovative business solutions in all our core countries to stimulate a low-carbon and circular economy.

We ourselves also feel the impact of climate change as a bank-insurer. Examples include potential risks due to acutely or chronically changing weather patterns, which can lead to higher levels of claims under the insurance we provide, or the impact on our loans or investments when relevant counterparties suffer the negative consequences of climate change (resulting from long-term drought and prolonged periods of heat in the summer of 2022, for example) or the transition to a lower-carbon society (which can lead to repayment problems). It also relates to the influence we experience from possible changes to the relevant legislation and capital requirements, litigation, changes in client behaviour (including the risk of missed opportunities), the impact of rising market prices on greenhouse gas emissions, and technological innovations.

We actively modify our business model as needed, adjusting it both for the purpose of reducing or avoiding any negative impact (see our relevant goals in this area) and to contribute to reducing global warming within the targets set in the Paris Agreement. We obviously also intend to capitalise on the many opportunities presented by the transition to a greener and more sustainable economy. This entails both further expanding our sustainable product and service offering in the field of investment, insurance, leasing and so on, and actively supporting clients in their transition to lower-carbon operations.

The aim is to chart the resilience of our business model going forward, taking account of different climate scenarios and time horizons, using specific measuring and reporting instruments (see below).

Sustainability integrated into our remuneration policy

Sustainability, including climate and the associated targets, is integrated into the remuneration systems of our employees and especially our senior management.

- The variable remuneration of Executive Committee members is linked to factors including the achievement of a number of collective targets. One such target is specifically related to progress in the area of sustainability, which is evaluated every six months via the KBC Sustainability Dashboard report. The Board of Directors evaluates, via the Remuneration Committee, the criteria by which Executive Committee members are assessed in this regard.
- Sustainability is also integrated into management's variable remuneration. At least 10% of the variable remuneration received by senior management depends on the achievement of individual targets agreed in advance as part of the group's sustainability policy, including climate policy.
- The non-recurrent results-based bonus paid to employees in Belgium has been partially linked to environmental targets (the ratio between the number of green kilometres and the number of commuting kilometres, for instance).

Climate governance

Climate governance forms part of our general sustainability governance (see 'Our sustainability governance').

- A Sustainable Finance programme has been set up within the group as part of the sustainability policy to focus on integrating the climate approach across the entire group.
- The Sustainable Finance programme is directed by a programme manager from Group Corporate Sustainability, together with a core team comprising representatives of the most relevant departments. The Core Team is in contact with all other group departments and also works closely with the sustainability teams in all core countries.
- A steering committee, chaired by the Group CFO, oversees the progress and the practical implementation of the various measures implemented under the Sustainable Finance programme. However, the main strategic decisions are taken by the Internal Sustainability Board (ISB), which is chaired by the Group CEO and comprises representatives of all core countries, as the ISB has become the most important platform for steering sustainability policy at group level, including our climate approach.
- The programme's progress is also regularly discussed in the Executive Committee and the Board of Directors, with reference, among other things, to the KBC Sustainability Dashboard.
- An external Sustainability Board advises Group Corporate Sustainability on all sustainability themes, including all aspects of our climate policy.

The environmental and climate aspects of our sustainability policy

An overview of our KBC sustainability policies is set out in the 'Our role in society' section.

Important elements of our climate and environmental policy include:

- the application and regular revision of a strict policy to limit the negative ecological impact of our activities through measures such as specific policies on energy and other socially sensitive sectors, abiding by the Equator Principles on project funding and the KBC Blacklist;
- developing specific banking, insurance and investment products and services to support a sustainable, low-carbon and climate-resilient society (see table);
- creating awareness of environmental responsibility amongst our internal (employees) and external (clients, suppliers, etc.) stakeholders;
- supporting our clients in their transition towards more sustainable business models, including through partnerships that provide them with advice and effective support in improving their energy performance;
- adjusting our activities to limit the global temperature increase in line with the Paris Agreement and joining the UN's Collective Commitment to Climate Action;
- tracking TCFD recommendations: we catalogue our climate risks while also responding to the opportunities offered by the green transition. We contribute to the development of methodologies to measure the impact of the climate on our business model with a view to formulating evidence-based targets. We report on this in a transparent manner (also see our Sustainability Report).

Integrating climate-related risks, opportunities and targets into our sector approach remains a key challenge.

- We started out by analysing our credit portfolio, and have now also included our insurance portfolios in the internal analyses. Based on a materiality assessment, as stipulated in the TCFD, we focused on the sectors representing more than 5% of industrial loans designated as climate-sensitive and carbon-intensive. These analyses form the basis for determining a strategy and targets that must help us to effectively honour our climate commitment as part of the Paris Agreement. We use the term 'white paper' to reflect the open mind with which we embarked on the exercise.
- We have drawn up white papers for the energy, commercial real estate, agriculture, food production, building and construction, chemicals, transportation and metals sectors, as well as for three retail product lines: home loans, car loans and car leasing. The white papers also consistently analysed the local context of all core countries, so that policy decisions can be taken for the entire group portfolio. The white papers are updated once every two years and even once every year for the main sectors and product lines.
- In 2022, these white papers formed the basis for our first Climate Report. The report contains a clear overview of our baseline measurement and the reduction targets for 2030 and 2050 we have set for the most essential carbon-intensive industrial sectors and product lines in our lending activities, as well as the corresponding policy decisions taken to reach those targets. PwC has audited the baseline measurement calculated for the climate targets KBC has set for its lending activities.

We report on our approach, progress and challenges in the area of the environment through channels such as our Climate Report, Sustainability Report, this Annual Report and via sustainability questionnaires (including CDP, S&P, Sustainalytics and Vigeo). We regularly tighten up our approach, taking account of scientific and technological developments, social trends and the changing views of our stakeholders and also invite regular challenges by our External Sustainability Board.

Through our upstream and downstream value chain, we also engage different stakeholders in dialogue. We pursue an active discussion with our clients, for instance, to raise their awareness of climate change and their commitment to combat it. At the same time, we focus on developing business solutions that have a positive impact on the environment and interact with our clients to this end.

Some examples of recent sustainability- and/or environment-related products and initiatives (KBC group)*

Issue of the first-ever social bond	In August 2022, KBC became the first financial institution in Belgium to issue a social bond, which is used to (re)finance projects in the hospital sector. The issue involved an amount of 750 million euros with an 8-year maturity and a coupon of 3%.
Responsible investment funds	Wide range of responsible investment funds, including ECO-thematic funds and Impact Investing-funds. Thorough screening is applied to determine which companies and countries belong to the investment universe for responsible investment solutions. Moreover, all companies that can be linked to fossil fuels have been excluded from all our responsible investment funds.
Project finance	We are actively involved in financing renewable energy projects in all core countries and in our neighbouring countries. Last year, KBC Securities' Project Finance Team funded renewable energy with an installed capacity of 86.3 MWp, for example by concluding successful transactions in onshore and offshore wind energy in the Netherlands and Germany and by acquiring its first stake in an offshore wind project in the United Kingdom. In the Czech Republic, ČSOB granted Enery, an Austrian operator of renewable energy generated by solar panels – the number 2 in the Czech market – a refinancing facility for solar projects totalling 21.1 MW.
Making homes more sustainable	We offer several products to support the most energy-efficient homes and to encourage renovation and investments in energy-efficiency measures. For example, KBC Bank has provided the Flemish 0% loan since January 2021 (which is to be replaced by an interest rate discount for home and apartment renovations in 2023) and – through its investment in start-up Setle – provides support to clients seeking to make home energy upgrades. Setle makes renovation estimates of buildings and refers clients to the allowances and grants available to them. We support the transition to energy-efficient homes in our other core countries, too, by providing mortgage loans and renovation loans under favourable conditions.
More sustainable transport	Around two thirds of the new vehicles in the KBC Autolease fleet are currently electric or hybrid vehicles. Having 25 000 bicycles in its portfolio, KBC Autolease is also a market leader in bicycle leasing. We have partnered with the Flemish government to offer its employees bicycle leasing as a sustainable mobility alternative. In Slovakia, ČSOB Leasing works with its partners to actively promote the use of no-emission and low-emission vehicles.
Non-life insurance: climate-related product features	In Belgium and Slovakia, our car insurance offers comprehensive cover and adequate support for electric and hybrid vehicles. For clients installing their own charging stations, this is automatically included in the home insurance policy in Belgium, which also covers other green investments such as solar panels and home batteries. We also offer our own multi-risk climate insurance, farmers and growers cultivating open-air crops, including fruit growers and arable farmers, to protect them from crop damage caused by extreme and rough weather conditions such as storm, hail, frost, ice, precipitation and drought.
Proxy voting by KBC Asset Management	KBC Asset Management lives up to its responsibility to represent clients who invest in companies via our equity funds at shareholders' meetings.
Green loans and green bonds for corporate clients	KBC is promoting sustainable financial solutions amongst its corporate clients in all core countries, including by means of green and sustainability bonds and green and sustainability-linked loans. We also operate in the syndicated market of sustainability-linked loans and frequently arranged such loans on a bilateral basis last year. KBC also acts as a sustainability coordinator, assisting companies in integrating sustainability features into their long-term bank credit facilities.
Carbon footprint calculation tool	In Belgium, we support our corporate and SME clients in calculating their carbon footprint. The tool used for this purpose has now also been rolled out to other core countries. In Bulgaria, we also developed a specific carbon footprint calculator for our agricultural clients in collaboration with the Institute of Agricultural Economics.

* The use of terms such as 'green' and 'sustainable' here and elsewhere in this report should not in any way be taken to mean that the measures and policies described are already fully aligned with the EU Taxonomy.

We want to be a partner for our clients in their transformation to a more sustainable future. KBC and its partner Encon have held no fewer than 400 meetings with large corporate clients in Belgium to help them make their business processes more sustainable, which has resulted in more than 250 consultancy contracts. Similar to the Encon partnership for corporate clients, in the near future SMEs will also be able to request climate advice from specialist KBC subsidiary ecoWise.

Our suppliers are important stakeholders too and we want them to integrate social, ethical and environmental criteria into their policies. Information on our code of conduct for suppliers and our internal procedure for screening suppliers can be found in the ‘Focus on human rights’ section. Product-related environmental requirements have also been embedded in the process, including the duty to notify KBC about new environmentally friendly products and the use of environmentally friendly packaging. We also involve our suppliers in the setting up of circular procurement models.

One of the pillars of our sustainability and climate policy is the focus on responsible investment. Our greatly expanded product range enables clients to stock their portfolios exclusively with responsible products, and in our digital sales process we offer the responsible option by default. If both the traditional option and its responsible counterpart are available, our employees in the regular sales channel will first offer clients the responsible investment. All of KBC’s responsible investment funds in Belgium comply with the ‘Towards Sustainability’ quality standard developed at the instigation of and monitored by the Central Labelling Agency. These days, an increasing number of clients opt for responsible investment funds.

We meet our responsibility through various international organisations and initiatives and report on this in our Sustainability Report and elsewhere.

- We endorsed the TCFD recommendations in December 2017.
- We follow and implement the different actions ensuing from the EU Action Plan for Sustainable Finance.
- We are a member of the UN Environment Programme Finance Initiative (UNEP FI) and a Founding Signatory of the UNEP FI Principles on Responsible Banking (PRBs). We likewise endorse the Collective Commitment to Climate Action (CCCA).
- We also endorse the UNEP FI Principles for Sustainable Insurance and the Principles for Responsible Investment.
- As a board member of the International Capital Markets Association, we are playing our part in developing green bonds in the EU.
- We have been a signatory to the Equator Principles since 2004 and have integrated them in our lending policy.

Our climate risk management

More information on how we address climate-related risks can be found in the ‘How do we manage our risks?’ section.

Our benchmarks and targets

Indirect impact of our lending and asset management activities

We use leading methodologies such as PCAF and PACTA to measure the climate impact of certain sectors and the transition process in the loan portfolio. More information in this regard can be found in our Climate Report at www.kbc.com. For the third year now, KBC Asset Management is using a method for mapping the climate impact of all investment funds in its portfolio. This analysis, based on TRUCOST data and methodology, was applied for the second time in 2022 to KBC Insurance’s proprietary investment portfolio and to the investments of the KBC Pension Fund.

Since 2021, we report on the estimated greenhouse gas emissions associated with our lending activities. For this purpose, we use the measurement methodology of the Partnership for Carbon Accounting Financials (PCAF), a worldwide standard for the harmonised measurement of financed emissions. The table below provides an overview of the results. We also refer to our Sustainability Report, which contains detailed information on the PCAF measurement method and the limitations that must be considered when interpreting the results. This report also contains information on how we want to gradually improve our reporting on these emissions by gathering more adequate and more refined data.

The KBC Group annual report contains a table that provides an overview of the loan portfolio for the most climate-sensitive sectors and an estimate of the greenhouse gas emissions associated with our lending activities. Additional information can be found in our Sustainability Report.

How did we define our sector climate targets? Based on climate science aligned with targets from the Paris Agreement and taking into account the local context, all KBC entities engaged in lending or leasing activities prepared projections for the expected portfolio-specific and sector-specific decarbonisation development, ultimately resulting in company targets. All targets were aggregated into a single projection at KBC group level, which is compared with climate benchmarks derived from climate scenarios with a ‘less than 2°C’ policy target, i.e. courses of action that are in line with our CCCA commitment. More information in this regard can be found in our Climate Report. Seeking to have the climate targets verified by an independent party, KBC Bank and its consolidated entities signed a commitment letter with the Science Based Targets initiative (SBTi) at the end of 2022 to commit themselves to having their climate targets validated by SBTi within two years of signing.

Our own environmental footprint

The impact of our own activities as a bank-insurer is very limited, especially when compared to industrial companies and our indirect impact through lending and other activities, We nevertheless also calculate our own direct greenhouse gas impact (including from our own buildings and own fleet) and apply certain targets in that regard.
Data relating to our own environmental footprint can be found in the KBC Group annual report. The data and calculations of the greenhouse gas emissions have been verified by Vinçotte in accordance with ISO 14064-3. For further information on our environmental footprint, including more detailed descriptions and the methodology and scope of the calculations, see our Sustainability Report.

The KBC Group annual report contains a table that provides an overview of our targets related to our direct environmental impact and the indirect impact of our lending and asset management activities. Additional information can be found in our Sustainability Report.

EU taxonomy

The Taxonomy Regulation establishes an EU-wide framework according to which investors and businesses can assess whether certain economic activities are environmentally sustainable. The required information is set out in the KBC Group annual report.

Focus on human rights (KBC Group)

We meet our responsibility to respect human rights, social justice and labour rights throughout the group, and we undertake to respect the letter and the spirit of: (i) the Universal Declaration of Human Rights; (ii) the principles concerning fundamental rights in the eight International Labour Organisation core conventions as set out in the Declaration on Fundamental Principles and Rights at Work; (iii) the UN Declaration on the Rights of Indigenous Peoples; (iv) the OECD Guidelines for Multinational Enterprises and (v) the UK Modern Slavery Act, to which end KBC has published a Modern Slavery Statement since 2017. In addition, we have been UN Global Compact signatories since 2006 and have incorporated the ten principles on human rights, labour, environment and anti-corruption in our policies, so that they are applied throughout our activities. We publish reports in order to be transparent about the progress we have made in implementing these principles. This information is available on the UN Global Compact website. It goes without saying that we comply with local laws, rules and regulations in the countries where we operate and with international and regional human rights treaties containing internationally recognised standards by which the business sector must abide.

We use the UN Guiding Principles Reporting Framework to monitor our human rights policy, as described in the KBC Group Policy on Human Rights. Our human rights policy applies to our business activities (clients and suppliers) and also to our own internal operations (employees).

KBC views its employees' rights to freedom of association, collective bargaining, a healthy and safe workplace, and freedom from discrimination as fundamental. We are thus fully committed to respecting and upholding our employees' human rights. We likewise expect our employees to apply and respect human rights in the performance of their duties. These principles are dealt with in more detail in the 'Code of Conduct for KBC Group Employees' and the 'KBC Diversity & Inclusion Policy' (see www.kbc.com). Strict national and international laws and regulations are in place in all our core countries to protect human rights. We expect our employees to act in accordance with the regulations and to behave responsibly in everything they do. We also have specific procedures in place to guarantee compliance and to deal with complaints, including the 'Policy for the Protection of Whistleblowers'.

Our suppliers are an important stakeholder in our value chain and so we work closely with them too. Our stringent rules and frameworks for procurement, sale and subcontracting activities with suppliers are summarised in the 'KBC Code of Conduct for Suppliers' and apply in all our core countries. We have translated our Code of Conduct for Suppliers into an internal procedure in the shape of a step-by-step plan that our procurement department can use. Suppliers we work with are screened against the KBC Blacklist of controversial firms with which KBC does not wish to do business. We also refer to Worldcheck and apply a standard questionnaire (on human rights, labour, environment and anti-corruption) when screening key suppliers. Suppliers that meet our expectations receive a positive evaluation and sign the KBC Sustainability Code of Conduct for Suppliers. If any infringements are detected within the contract period that cannot be put right fundamentally within an appropriate amount of time, we terminate the agreement.

We expect our clients to at least comply with local and international laws and regulations, and our Compliance department ensures that this is the case. Our day-to-day operations are all performed subject to the KBC Group Policy on Blacklisted Companies, the KBC Group Human Rights Policy and the KBC Group Policy on Controversial Regimes. These exclude companies or countries that are involved in, for instance, a serious infringement of human rights or with controversial weapons systems. We also pay considerable attention to privacy and data protection and closely monitor compliance with them. Where relevant, we ask our clients to demonstrate their compliance with particular industry standards in which respect for human rights is an important aspect. We have developed a specific due diligence process for lending, insurance activities and advice. This likewise incorporates procedures to deal with any infringements that are detected. For instance, businesses can be excluded from all our activities, an exit strategy can be launched or special conditions imposed on existing loans and insurance cover. In the event of doubt, the advice is sought of the Group Corporate Sustainability department. Our investment activities (asset management and own investments) are also subject to internal screening. Responsible investment funds, moreover, have to meet additional controls.

The Equator Principles apply in the case of international project finance. These are applied by participating financial institutions when defining, assessing and managing the environmental and social risks related to project financing.

Strict application of these sustainability rules enables us to oversee the reputational and financial risks arising from potential breaches of human rights and other controversial developments in our core activities. For more information, see ‘Business and strategic risks’ in the ‘How do we manage our risks?’ section. Our human rights guidelines, blacklists and other relevant documentation are available at www.kbc.com.

We aim to achieve our ambitions within a stringent risk management framework (KBC Group)

Risk management is an integral part of our strategy and our decision-making process.

- We perform risk scans to identify all key risks.
- We define our risk appetite in a clear manner.
- We translate that into strict limit tracking per activity and business unit.
- We monitor the risk profile of existing and new products via a Product Approval Process.
- We challenge the results of the periodic planning process via stress tests.
- We have installed independent chief risk officers in all relevant parts of our organisation.

Although the activities of a large financial group are exposed to risks that only become apparent in retrospect, we can currently identify a number of major challenges for our group. These are set out under ‘In what environment do we operate?’ in the ‘Our business model’ section. As a bank-insurer, we are also exposed to the typical risks for the sector, which are listed in the following table. A description of each type of risk can be found in the ‘How do we manage our risks?’ section.

Sector-specific risks	How are we addressing them?
Credit risk	Existence of a robust management framework Recording impairment charges, taking risk-mitigating measures, optimising the overall credit risk profile, reporting, stress testing, etc. Limit systems to manage concentration risk in the loan portfolio, etc.
Market risk in non-trading activities	Existence of a robust management framework Basis Point Value (BPV), sensitivity of net interest income, sensitivity per risk type, stress tests, limit tracking for crucial indicators, etc.
Non-financial risk (operational risk, compliance risk, reputational risk, business risk, strategic risk)	Existence of a robust management framework Group key controls, risk scans, Key Risk Indicators (KRIs), etc. Risk scans and monitoring of risk signals Strict acceptance policy, stress tests, monitoring, etc.
Market risk in trading activities	Existence of a robust management framework Historical VaR method, BPV and basis risk limits, ‘greeks’ and scenario limits for products with options, stress tests, etc.
Liquidity risk	Existence of a robust management framework Drawing up and testing emergency plans for managing a liquidity crisis Liquidity stress tests, management of funding structure, etc.
Technical insurance risks	Existence of a robust management framework Underwriting, pricing, claims reserving, reinsurance and claims handling policies, etc.
Climate-related and other ESG risks	Gradual integration in existing management frameworks Ongoing initiatives within the Sustainable Finance Programme Risk-mitigating measures, including policies on lending and investment portfolio Estimation of short and long-term risks based on scenario and sensitivity analyses, etc.

The most important Key Performance Indicators (KPIs) relating to solvency and liquidity are set out in the KBC Group annual report.

Our financial report

- We review the consolidated results in this section of the annual report. A review of the non-consolidated results and balance sheet is provided in the 'Company annual accounts' section.
- The overall impact on the net result of fluctuations in the exchange rates of the main non-euro currencies was – on balance – limited.
- Information on financial instruments, hedge accounting and the use thereof is provided in the 'Consolidated financial statements' section (Notes 1.2, 3.3, and 4.1–4.8 among others) and in the 'How do we manage our risks?' section.
- For information on significant post-balance-sheet events, see Note 6.8 of the 'Consolidated financial statements'.
- All KBC Bank shares are owned by KBC Group.

Consolidated income statement

Consolidated income statement, KBC Bank (simplified, in millions of EUR)	2022	2021
Net interest income	4 724	4 054
Dividend income	19	14
Net result from financial instruments at fair value through profit or loss[1]	320	32
Net realised result from debt instruments at fair value through other comprehensive income	-6	8
Net fee and commission income	2 256	2 210
Other net income	-52	140
Total income	7 261	6 457
Operating expenses	-4 308	-3 905
Impairment	-275	269
on financial assets at amortised cost and at fair value through other comprehensive income[2]	-155	329
Share in results of associated companies	-10	-5
Result before tax	2 668	2 816
Income tax expense	-470	-681
Net post-tax result from discontinued operations	0	0
Result after tax	2 197	2 135
Result after tax, attributable to minority interests	0	0
Result after tax, attributable to equity holders of the parent	2 197	2 135
Ratio of 'result before tax' to 'average total assets'	0,85%	0.96%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'

Key consolidated balance sheet and solvency figures

Selected balance-sheet and solvency items, KBC Bank (in millions of EUR)	2022	2021
Total assets	322 088	302 991
Loans and advances to customers (excl. reverse repos)	176 084	157 663
Securities (equity and debt instruments)	50 235	48 528
Deposits from customers (excluding repos and debt securities)	225 614	200 621
Risk-weighted assets (Basel III, fully loaded)	100 300	95 120
Total equity	17 813	18 547
of which parent shareholders' equity	16 313	17 047
Common equity ratio (Basel III, fully loaded)	13.7%	15.7%
Liquidity coverage ratio (LCR)	152%	167%
Net stable funding ratio (NSFR)	136%	148%

- Impact of the sale transactions (which had not yet been finalised at year-end 2022) on KBC Bank Ireland's loan and deposit portfolios: all assets and liabilities forming part of the disposal groups were transferred 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 (they will be derecognised upon completion of the sale transactions). The results of the disposal groups will continue to be recognised in the relevant income statement items (and the relevant ratios) until completion of the transactions. We transferred KBC Bank Ireland from the International Markets Business Unit to the Group Centre on 1 January 2022.
- The organic growth figures for the volume of loans and deposits have been adjusted for exchange rate effects and intragroup transactions (between bank and group, and between bank and insurer), for the acquired Raiffeisenbank Bulgaria (now renamed KBC Bank Bulgaria) and for re-inclusion of KBC Bank Ireland's still outstanding portfolio (which has been transferred to other items for accounting purposes; see above). We have also allocated Ireland to the Group Centre in the organic figures for both 2022 and 2021.
- More information on this matter can be found in Note 6.6 of the 'Consolidated financial statements'.

Important post balance sheet event which led to an adjustment in the annual accounts of 2022: see Note 3.6 in the Consolidated Financial Statements.

Analysis of the result

Net interest income

Our net interest income amounted to 4 724 million euros in 2022, up 17% on the year-earlier figure. This was mainly attributable to improved reinvestment yields in all core countries, growth in the loan and deposit volumes (see below), higher income from funding, the consolidation of Raiffeisenbank Bulgaria (now renamed KBC Bank Bulgaria) since the third quarter of 2022 and a positive exchange rate effect, partly offset by the negative impact of factors including pressure on credit margins in nearly all core countries, the cancellation in the third quarter of negative interest charged on corporate and SME current accounts and the loss of a positive effect of ECB tiering at the end of July 2022.
Our loans and advances to customers (excluding reverse repos) stood at 176 billion euros and, at first sight, increased by 12% in 2022. This entailed organic growth of 7%, with an 8% increase at the Belgium Business Unit, 5% at the Czech Republic Business Unit and 17% at the International Markets Business Unit (with solid growth in all three countries). Our total deposit volume (deposits from clients, excluding debt securities and repos) stood at 226 billion euros and, at first sight, increased by 12% in 2022. This entailed organic growth of 8%, with 11% growth at the Belgium Business Unit (6% if the volatile deposit development at the branches abroad is excluded), 7% at the Czech Republic Business Unit and 8% at the International Markets Business Unit (with growth in all three countries).
The net interest margin came to 1.96% compared to 1.81% in 2021. It amounted to 1.68% in Belgium, 2.55% in the Czech Republic and 3.00% at the International Markets Business Unit.

Net fee and commission income

Our net fee and commission income came to 2 256 million euros in 2022, a growth of 2% on the year-earlier figure. The positive impact of the consolidation of Raiffeisenbank Bulgaria and higher fees for banking services (especially for payments) was partly offset by lower fees for asset management services (lower entry fees).
At the end of 2022, our total assets under management at KBC Group level came to approximately 206 billion euros, 13% less than a year earlier, due to lower asset prices (-15%), combined with limited net inflow (2%). Most of these assets at year-end 2022 were managed at the Belgium Business Unit (184 billion euros) and the Czech Republic Business Unit (15 billion euros).

Other income

Other income came to an aggregate 281 million euros, well above the year-earlier figure of 193 million euros.
The 2022 figure includes 320 million euros in trading and fair value income, a strong increase compared to the year-earlier figure of 32 million euros, which is mainly attributable to the positive change in the market value of derivatives used for asset/liability management purposes and higher dealing room income. The remaining other income included 19 million euros in dividend income, -6 million euros in the net realised result from debt instruments at fair value through other comprehensive income and -52 million euros in other net income. The latter is a 192-million-euro drop on the year-earlier figure, mainly on account of losses on the sale of bonds and the 149 million euros negative impact related to the arbitral award issued in the arbitration proceedings against the company ICEC-HOLDING in the Czech Republic in February 2023; see Note 3.6 in the Consolidated Financial Statements) and several positive one-off items in the reference year.

Operating expenses

Our costs rose by 10% to 4 308 million euros in 2022. They comprise bank taxes totalling 620 million euros, an increase of no less than 23% in one year's time that is partly due to an extraordinary payment into the deposit guarantee fund on account of Sberbank Hungary and a new bank and insurance tax in Hungary in the reporting period. Excluding the bank taxes, the cost increase still amounted to 8%. This increase is due to the inflation-related wage drift, higher ICT expenses, facility and marketing costs and higher professional fees, as well as to several exceptional and/or one-off items such as the consolidation of Raiffeisenbank Bulgaria (including the associated integration expenses and euro adoption costs), exchange rate effects, an additional profit bonus for staff (compared to a smaller coronavirus-related bonus in the reference period) and one-off expenses related to the sale of the Irish portfolios (compared to a larger impact in the reference period).
The cost/income ratio came to 59% in 2022, compared to 60% in 2021. If we leave out the bank taxes altogether, the cost/income ratio for 2022 came to just 51%, compared to 53% in 2021.

Impairment

There was a net increase of loan loss impairment charges totalling 155 million euros in 2022, compared to a net reversal of 329 million euros in 2021. The 2022 figure is primarily attributable to the full reversal of the remaining provision for the coronavirus crisis, as well as the new reserve set aside to cover geopolitical and emerging risks (413 million euros; partly to absorb the direct and indirect consequences of the war in Ukraine and the impact on the loan portfolio). Taking into account the effect of the acquisition of Raiffeisenbank Bulgaria, the reserve set aside to cover geopolitical and emerging risks amounted to 429 million euros at year-end 2022. The net reversal in the reference period was mainly attributable to the partial reversal of the reserve set aside for the coronavirus crisis, partly offset by one-off impairment charges related to the sale transactions in Ireland. More information on the reserves set aside to cover geopolitical and emerging risks and for the coronavirus crisis can be found in Note 1.4 of the 'Consolidated financial statements' section.
The total net increase of 155 million euros in 2022 breaks down as follows: 36 million euros for Belgium, 46 million euros for the Czech Republic, 19 million euros for Slovakia, 29 million euros for Hungary, 30 million euros for Bulgaria and a net reversal of 5 million euros for the Group Centre (related primarily to Ireland).
For the group as a whole, the credit cost ratio amounted to 0.08% for 2022 (0.00% excluding the amounts set aside for geopolitical and emerging risks and the reversal of the remaining reserve set aside for the coronavirus crisis), as opposed to -0.18% for 2021 as a whole (0.09% excluding the partial reversal of the reserve set aside for the coronavirus crisis). A negative figure represents a positive impact on the result.
The proportion of (stage 3) impaired loans (see the 'Glossary of financial ratios and terms' for a definition) in our loan portfolio was 2.1% at year-end 2022, compared to 2.9% for 2021. The impaired loans ratio for 2022 amounted to 1.9% in Belgium, 1.7% in the Czech Republic and 1.9% at the International Markets Business Unit. For the group as a whole, the proportion of impaired loans more than 90 days past due came to 1.1%, compared to the year-earlier figure of 1.5%. A substantial part of the drop in impaired loans is related to the sale of KBC Bank Ireland's non-performing loan portfolio in February 2022.
Other impairment charges came to an aggregate 120 million euros in 2022, as opposed to 60 million euros in 2021. In 2022, these included the impact of the interest rate cap in Hungary, one-off impairment charges on non-current assets in Ireland related to the sale transaction and impairment charges on non-current assets in other countries.

Income tax expense

Our income tax expense came to 470 million euros in 2022, compared to a year-earlier figure of 681 million euros. Despite a slightly higher result before tax, the decrease is partly due to one-off items related to the sale transactions in Ireland in both years. Besides paying income tax, we pay special bank taxes. These amounted to 620 million euros compared to 503 million euros in 2021 and are included under 'Operating expenses'.

Analysis of the balance sheet

Loans and deposits

Our core banking business is to attract deposits and use them to provide loans. This explains the importance of the figure for loans and advances to customers on the assets side of our balance sheet (176 billion euros (excluding reverse repos) at year-end 2022). At first sight, loans and advances to customers went up by around 12% for the group as a whole. This entailed organic growth of 7%, with 8% growth at the Belgium Business Unit, 5% at the Czech Republic Business Unit and 17% at the International Markets Business Unit (with growth in all countries). The main lending products at group level were again term loans (82 billion euros; +11% excluding the acquisition of Raiffeisenbank Bulgaria) and mortgage loans (73 billion euros; +8% excluding Raiffeisenbank Bulgaria). On the liabilities side, our customer deposits (deposits from customers, excluding debt securities and repos) grew by 12% to 226 billion euros. This entailed organic growth of 8%, with 11% growth at the Belgium Business Unit (6% excluding the branches abroad), 7% at the Czech Republic Business Unit and 8% at the International Markets Business Unit. The main deposit products at group level were again demand deposits (123 billion euros; +5% excluding Raiffeisenbank Bulgaria) and savings accounts (77 billion euros; +3% excluding Raiffeisenbank Bulgaria). Debt securities issued accounted for 28 billion euros, 6% more than the previous year. More information on this matter can be found in Note 4.1 of the 'Consolidated financial statements' section.

Securities

We also hold a portfolio of securities, which totalled roughly 50 billion euros at year-end 2022. The securities portfolio comprised 1% shares and 99% bonds At year-end 2022, 87% of these bonds consisted of government paper. A detailed list of these bonds is provided in the 'How do we manage our risks?' section.

Other assets and other liabilities

Other important items on the assets side of the balance sheet were loans and advances to credit institutions and investment firms (4 billion euros, down 46% on the year-earlier figure, due in part to lower collateral management volumes in Belgium and a shift to balances with central banks in Hungary), reverse repos (21 billion euros, down 18% on the year-earlier figure), derivatives (positive mark-to-market valuation of 7 billion euros mainly for interest rate and foreign exchange contracts, up 19% on the year-earlier figure, mainly because of an increase of forex contracts (incl. CZK/EUR)), and cash, cash balances with central banks and other demand deposits with credit institutions (51 billion euros, up 27% on the year-earlier figure, due primarily to higher balances at the central banks).

Other significant items on the liabilities side of the balance sheet were the repos (11 billion euros, three times higher than the year-earlier figure), derivatives (negative mark-to-market valuation of 9 billion euros, mainly for interest rate and foreign exchange contracts, up 29% on the year-earlier level, mainly because of an increase of forex contracts (incl. CZK/EUR)) and deposits from credit institutions and investment firms (25 billion euros, down 35% year-on-year, partly due to a repayment of part of the amount borrowed under TLTRO III).

Significant amounts under 'Non-current assets held for sale and disposal groups' (8 billion euros at year-end 2022) and 'Liabilities associated with disposal groups' (2 billion euros at year-end 2022) relate to the sale transaction of the – primarily performing – Irish loan portfolio and deposit book which had not yet been finalised at year-end 2022 (see Note 6.6 in the 'Consolidated financial statements' section).

Equity

On 31 December 2022, our total equity came to 17.8 billion euros. This figure included 16.3 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity fell by 0.7 billion euros in 2022, attributable to the combined effect of a number of items, including the profit for the financial year (+2.2 billion euros), the distribution of dividend to KBC Group (-3.0 billion euros), an increase in the revaluation reserves (+0.1 billion euros) and a number of minor items. For more details, see 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section.

The fully loaded CET1 ratio dropped from 15.7% as at 31-12-2021 to 13.7% as at 31-12-2022, explained by the acquisition of KBC Bank Bulgaria (-1.0% pt.), organic RWA growth (-0.3% pt.), 116% pay-out ratio 2022 profit (-0.4% pt.), FVOCI (-0,2% pt.) and NPL backstop (-0.1% pt.); it should be noted that, upon completion, the sale transaction in Ireland which had not yet been finalised at year-end 2022 will ultimately have a positive impact on the common equity ratio of around 1 percentage point. Detailed calculations of our solvency indicators are given in the 'How do we manage our capital?' section. The group's liquidity position also remained excellent, as reflected in an LCR ratio of 152% and an NSFR ratio of 136%.

Our business units

Our group's management structure centres on three business units: 'Belgium', 'Czech Republic' and 'International Markets'. The latter is responsible for the other core countries in Central and Eastern Europe (Slovakia, Hungary and Bulgaria).

- The Belgium Business Unit comprises the activities of KBC Bank NV and its Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities.
- The Czech Republic Business Unit comprises all KBC's activities in the Czech Republic. These consist primarily of the activities of the ČSOB group (under the ČSOB Bank, Postal Savings Bank, Hypoteční banka, ČSOB Stavební spořitelna and Patria brands).
- The International Markets Business Unit comprises the activities conducted by entities in the other Central and Eastern European core countries, namely ČSOB Bank in Slovakia, K&H Bank in Hungary, and UBB and Raiffeisenbank Bulgaria (the latter of which was acquired in 2022) in Bulgaria. KBC Bank Ireland, which was still part of the International Markets Business Unit in 2021, was transferred to the Group Centre as of 2022 due to the sale transactions.

Besides financial reporting for three business units, we also report on a separate Group Centre. This centre includes the operating results of the group's holding-company activities, certain costs related to capital and liquidity management, costs related to the holding of participating interests and the results of the remaining companies and activities in the process of being run down.

Belgium

The economic context

The Belgian economy continued to grow in 2022 despite the Ukraine and energy crises and, overall, recorded solid annual growth of 3.1%. This resulted partly from a strong first half of the year, but even more so from a major spillover of last year's events. Private consumption was the main driver of GDP growth, which was slightly surprising against the backdrop of a severe decline in consumer confidence since the Russian invasion of Ukraine at the end of February. Demand was still slightly underpinned by post-pandemic recovery, whereas wage indexation mitigated the impact of high inflation on real family incomes.

The labour market also held up well in 2022, but did lose some momentum as the year progressed. Although the employment rate was up 1.6% on the year-earlier level, the number of unemployment people also rose by 5.1% in the same period. The energy inflation peak caused Belgian inflation, measured according to the harmonised index, to climb substantially to no less than 13.1% in October. It fell back to 10.2% towards the end of the year as energy inflation declined, but core inflation nevertheless continued its upward trend. At 10.3%, the average inflation figure for 2022 as a whole was more than three times that of 2021. The ten-year rate of Belgian linear bonds (OLOs) rose from approximately 0.2% at year-end 2021 to 3.2% at year-end 2022. The yield spread with the corresponding German Bund rose from 36 basis points at the start of the year to 60 basis points at the end of the year. The Belgian government's shortfall was reduced further in 2022, but did remain high at 4.5% of GDP as extensive measures were introduced to absorb the impact of energy prices.

Figures for forecast GDP growth in 2023 and 2024 can be found under 'Market conditions in our core markets'.

Specific objectives (KBC Group)

- We put the client at the heart of all the products and services we develop and at the centre of everything we do. Our focus here is on a 'digital first' approach with a human touch, and investing in the seamless integration of our various distribution channels. We are working on the further digitalisation of our banking, insurance and asset management services and exploiting new technologies and data to provide our clients with more personalised and proactive solutions. Our digital assistant 'Kate' is taking this to the next level.
- To support these activities, we are also fully engaged in introducing end-to-end straight-through processing into all our commercial processes, making full use of all technological capabilities such as artificial intelligence. This is how we increase our efficiency, which allows us to invest in a strong branch network boasting more expertise and a higher number of Private Banking and Commercial Banking branches (see below).
- We expand our service provision via our own and other channels by collaborating with partners through 'eco-systems' that enable us to offer our clients comprehensive solutions. We are also integrating a range of selected partners into our own mobile app and making our products and services available in the distribution channels of selected third parties.
- We aim for further growth of bank-insurance at CBC in specific market segments and expansion of our accessibility in Wallonia, again with a strong focus on 'Digital First with a human touch'.
- We work tirelessly on the ongoing optimisation of our bank-insurance model in Belgium.
- We express our commitment to Belgian society by leading the way in the sustainability revolution. We are making our banking, insurance and asset management products more sustainable to create financial leverage in achieving global climate targets. We aim to be more than a provider of pure bank-insurance services – as a partner in the climate transition, we are working with other partners on developing housing, mobility and energy solutions. We also continue to focus on financial literacy, entrepreneurship and population ageing.

A few achievements in 2022 (KBC Group)

In 2022, too, we continued to invest heavily in expanding our digital systems, with the emphasis on solutions aimed at making our clients' lives easier and helping them save time and money. The most important achievement in 2022 was the further development of Kate, our digital assistant, including the launch of our own digital currency, the Kate Coin. More information about this can be found in 'The client is at the centre of our business culture'.
We also launched a number of other banking and insurance applications in the past year, One of these is the new KBC CyberSecure Insurance for our retail clients, which provides security against financial loss resulting from fraud, swindling or online identity theft, and psychological support if clients have suffered online reputational harm. Over the past few years, we have also added a large number of non-banking applications to our range of services in KBC Mobile, including the ability to compare energy rates, receive financial and economic news, pay for car parking or public transport tickets, enter and leave car parks using number plate recognition and pay automatically, order cinema tickets, and make donations for Ukraine (e.g., to 'Ukraine 12-12'), The Warmest Week (see below) and other good causes.
Our experts naturally remain available at our branches and at KBC Live to answer complex questions or provide advice at key life moments. The human touch continues to take centre stage in our strategy, while the success of our digital strategy also allows us to free up more time to improve the advice we provide to clients. That is why are committed to improving the availability of our experts and expanding the number of Private Banking and Commercial Banking branches. From 2023 onwards, we will double the number of Private Banking branches and clients with assets of at least 250 000 euros will have access to more than 500 relationship managers. In commercial banking, all expertise related to the more complex needs of self-employed persons, SMEs and corporate banking clients is in the hand of more than 250 relationship managers in 24 Commercial Banking branches – three times the number of branches available in 2022.
We are also continuously exploring ways to further optimise our accessibility. To this end, in April 2022 we launched an experiment involving the provision of services at home intended to provide non-digital and less mobile retail clients with extensive local KBC presence, even in areas where no KBC bank branch is available. Following a client's request, an experienced KBC employee will drive to the client's home in a vehicle with distinct KBC livery (the 'KBC-Belmobiel') to provide the services requested by the client. We are now rolling out the service in the whole of Flanders. And last but not least, to ensure optimum service provision and accessibility we are working with several other major banks in rolling out a new network of bank-neutral ATMs in Belgium. As part of this interbank collaboration, cash points will be available at convenient locations for clients to withdraw cash. Specifically for CBC in Wallonia, we would like to highlight the launch of CBC Pure Online, a digital branch for private individuals and professionals that provides a comprehensive range of bank-insurance products.

We again recorded substantial growth in deposits and lending in 2022. Across the business unit as a whole, our deposits (excluding debt securities) rose again by 11%, or 6% excluding the volatile deposit growth in the network of branches abroad. Loans and advances to customers went up by 8%, thanks in part to a 7% increase in the volume of mortgage loans.
Assets under management dropped by 15% in 2022, almost exclusively attributable to falling asset prices.
As stated earlier, we are also specifically aiming for further growth of CBC in Wallonia and expansion of our accessibility in Wallonia. In 2022, the number of clients grew by around 22 000 (net) as a result of these efforts.

Our bank-insurance model is delivering numerous commercial synergies. In 2022, for instance, more than nine out of ten clients who agreed home loans with KBC Bank also purchased home insurance with KBC Insurance, while between eight and nine out of ten took out mortgage protection cover. There was a further increase of nearly 3% in the number of active clients (clients with a current account into which their income is regularly paid) who hold at least one KBC banking product and one KBC insurance product, while the number of active clients with at least three banking and three insurance products from KBC increased by almost 4%. At year-end 2022, bank-insurance clients (with at least one banking and one insurance product from the group) accounted for 81% of the business unit's active clients. Stable bank-insurance clients (i.e. holding three banking and three insurance products) made up 30% of active clients.

We once again took a variety of initiatives to stimulate entrepreneurship. For example, we further expanded Start it @KBC, the largest accelerator for start-ups in Belgium, and at the end of January 2022 we also opened the first branch in Wallonia with the aim of strengthening the Walloon start-up and scale-up ecosystem and connecting it to the networks in Flanders, Brussels and other countries. Start it @KBC – in the pursuit of an equal gender balance – actively encourages women entrepreneurship and keeps a close eye on women entrepreneurs among the pitch participants.
In August 2022, we issued our first social bond, worth 750 million euros, which is used for healthcare investments. The selection of a hospital portfolio is not a random choice; healthcare is at the core of our activities as a bank-insurer and the sector is facing a tremendous transition due to the coronavirus pandemic as well as other factors.
As regards environmental awareness, our aim is not only to reduce our own footprint, but also to actively assist our clients in their transition to more sustainable business models. For instance, KBC relationship managers in Belgium initiated in-depth discussions on sustainability with both large corporate clients and SMEs. An increasing number of those clients requested an estimate of their own carbon footprint, which we provide, to use as a basis for an action plan mapping out a more sustainable future for their business. A pilot project was also set up to give owners of non-residential real estate a greater understanding of the energy efficiency of their property assets, which included scientifically-based scenario analyses.
When it comes to the transition, the main focus for private individuals is on their homes. Although financing and insuring homes is obviously a core activity for us as a bank-insurer, in the past few years our clients also reaped the benefits of partnerships with third parties that went beyond financial services. These benefits included group purchases or the option to compare energy prices or, more recently, providing support to clients seeking to renovate their homes to make them more energy-efficient (through our investment in Setle).
In 2022, we also committed ourselves to supporting The Warmest Week – with the theme of 'social disadvantage' – as its exclusive partner. As part of the fundraising campaign, many events were organised to raise funds for the Warmest Week Fund, to support 270 selected projects fighting against social disadvantage.

In efforts to accelerate sustainable mobility, the Flemish government introduced company bicycles for its employees, offering them the option to lease a company bicycle as of November 2022. The Flemish government collaborates with KBC Autolease for this purpose.

Czech Republic

The economic context

In 2022, the Czech economy was hit by the energy crisis on the back of the Russian invasion of Ukraine. In the second half of the year, rising energy prices and the associated consequences for consumer price inflation prompted a spike in inflation, which reached nearly 18% in September. Nominal wages did not keep up with inflation, confronting Czech households with a drop in real wages of more than 8%. This triggered a substantial deterioration in consumer confidence and a material negative contribution of household consumption to GDP dynamics in the second half of the year, which resulted in a recession. The downward trend in household consumption was partly offset by stock building in the first half of the year and by the recovery of foreign trade in the second half of the year.
The unemployment rate remained more or less stable above 2.2% throughout 2022 and the labour market remained tight. Various sectors consistently reported the labour shortage as a major factor limiting production at the end of the year.
The external balance deteriorated significantly in 2022 as the high energy prices pushed up nominal imports and supply chain disruptions slowed down exports in the first half of 2022, translating into a current-account deficit of an estimated 5% of GDP.
The Czech National Bank raised its key rate to 7% in the first half of the year in response to the high inflation and expectations of more inflation increases, but took a more cautious approach in the second half of the year – partly in view of the deterioration of the real economy – and left the key rate unchanged. The Czech National Bank also used a small portion of its substantial foreign exchange reserves (approximately 60% of GDP at the start of 2022) to prevent a weakening of the koruna.

Figures for forecast GDP growth in 2023 and 2024 can be found under 'Market conditions in our core markets'.

Specific objectives

- To retain our reference position in banking and insurance services by offering our retail, SME and mid-cap clients a hassle-free, no-frills client experience.
- To use data and AI to offer personalised solutions proactively to our clients, including via Kate, our personalised digital assistant.
- To continue the further digitalisation and to introduce new and innovative products and services, including open bank-insurance solutions aimed at boosting the financial well-being of our clients.
- To concentrate on rolling out straight-through processing and further simplifying our products, our head office, and our distribution model, in order to enable us to operate even more cost-effectively.
- To further increase the client base and further strengthen our market position, especially in insurance and investment services.
- To strengthen our business culture based on the values responsive, respectful and results-driven.
- To become the reference in advisory services in terms of climate change and sustainable lending and investments. To also express our social engagement by focusing on financial literacy, entrepreneurship, population ageing and cybersecurity.

A few achievements in 2022 (KBC Group)

Partly as a result of the past lockdowns, in recent years we saw rapid growth in the use of our digital channels, and mobile banking in particular. In September 2022, the ČSOB Smart mobile app exceeded the milestone of 1 million active users. The number of active users of all our digital channels combined rose by approximately 18% last year to 1.6 million. In the past few years we also gradually added even more services to our smartphone apps, with the most important achievement being the option of using Kate, our personalised digital assistant. The Czech version of Kate is now available in ČSOB Smart, DoKapsy and CEB Mobile for businesses (see 'The client is at the centre of our business culture' for more information). The DoKapsy app now also allows users to read news articles, buy tickets for Prague Integrated Transport (PID) and receive tips for trips in the area. Other new products and services include ČSOB NaDobrouVěc (ČSOB ForGoodCause), giving clients the option to make a small donation to a charity with every card payment they make. The service can be opened in ČSOB Smart or by asking our virtual assistant Kate. Just like last year, our cyber risk insurance was particularly successful with nearly 120 000 new insurance policies taken out through ČSOB Smart in 2022.
Poštovní spořitelna (Postal Savings Bank) was renamed ČSOB Poštovní spořitelna in June. Clients of ČSOB Poštovní spořitelna now have better access to all of the ČSOB group's services, including the most state-of-the-art digital environment. The extensive branch network is unparalleled and even makes ČSOB Poštovní spořitelna the most accessible bank in the Czech market today. By extension, this applies to ČSOB as a whole, as we now serve all ČSOB clients in all branches and post offices.
The year 2022 was also marked by the Russian invasion of Ukraine, which prompted a flow of refugees and a wave of solidarity. More information about the various initiatives launched by ČSOB and the other group companies can be found in 'The client is at the centre of our business culture'.

We again recorded substantial growth in lending in 2022. Overall, our loans and advances to customers went up by 5% in 2022, partly as a result of the growth in home loans (+4%). Our deposits (excluding debt securities) also went up by 7%. We adjusted these growth figures for foreign-exchange effects. Assets under management grew by 7%; the decline in asset prices was more than offset by net inflow.

Our bank-insurance model is delivering numerous commercial synergies. For example, around five to six out of ten ČSOB group clients who took out home loans with the bank in 2022 also purchased home insurance from the group. There was a further increase of 9% in the number of active clients (clients with a current account into which their income is regularly paid) who hold at least one banking product and one insurance product from the group, while the number of active clients with at least two banking and two insurance products from the group increased by 10%. At year-end 2022, bank-insurance clients (with at least one banking and one insurance product from the group) accounted for 86% of the business unit's active clients. Stable bank-insurance clients (i.e. holding two banking and two insurance products) made up 20% of active clients.

We once again took a number of initiatives in terms of our social engagement, focusing on environmental awareness, financial literacy, entrepreneurship and population ageing.
As part of our efforts to raise environmental awareness, we aim to actively assist our clients in implementing sustainability initiatives. For instance, we offer our clients mortgage loans for energy-efficient homes, which provide benefits when they decide to fund their EPC-category A or B investment plans, and consumer loans to finance energy-saving technologies (such as photovoltaic panels, heat pumps and home insulation) at an interest-rate discount. We have pooled resources with external energy specialists to offer our clients the option to discuss their construction and renovation plans for their family home with experts.
Regarding the initiatives to stimulate entrepreneurship, Start it@ČSOB continues to be the most important initiative. In 2022, we also organised a Green Challenge acceleration aimed at sustainable start-ups and we launched Start it @UNI, a programme targeting university students in which we work together with the incubators of selected Czech universities to help students increase their prospects of success in the market when launching their projects.
Our focus on population ageing led us to set up a helpline specifically for elderly people that is operated by specially trained staff. In 2022, call centre colleagues handled over 80 000 calls on this line. We also propose the e-book 'Senior's Guide to the World of Finance', which gives practical advice on finance and safe Internet use.
As financial literacy is a natural and important topic to us and we are convinced that financial education should start with children, we developed a unique ČSOB financial and digital education training programme for schools. Our employees have been visiting Czech schools since 2016 with the aim of teaching pupils and students how to handle money in a fun and interactive way. Until year-end 2022, a total of 545 of our employees visited 500 schools to teach more than 50 000 pupils and students in 2 800 classes. In 2021 we developed the application ČSOB Filip, a children's guide to the financial world showing real situations children encounter on their path towards adulthood. The app is available in the Google Store and the App store and has been downloaded over 6 000 times to date. We added specific cyber-risk and sustainability information in 2022. We are collaborating with the Czech Association of Paraplegics to check whether our branches are truly barrier-free; any shortcomings are eliminated. We are also scrutinising all ČSOB applications and websites from the perspective of visually impaired users, and all our ATMs are equipped with speech navigation for the visually impaired. We also offer eScribe, an online speech transcription service for the hearing impaired, allowing them to communicate with bank staff.

International Markets

The economic context

Although Slovakia, Hungary and Bulgaria mostly followed the euro area's economic growth path in the first half of 2022, the Hungarian economy contracted in the third quarter and inevitably ended up in a technical recession.
The surge in inflation in 2022 was more substantial in the Central European economies than in the euro area. This was mainly driven by the major dependence on energy imports and tight labour market conditions. Annual average inflation in Slovakia, Hungary and Bulgaria stood at 12.1%, 15.3% and 13.0%, respectively, well above the euro area's figure of 8.4%.
The National Bank of Hungary (NBH) responded by significantly raising its base rate even further from 2.4% at the start of 2022 to 13%. In 2022, the Hungarian forint suffered severely from the general risk aversion in the financial markets. The currency was volatile and the resulting substantial depreciation of the exchange rate against the euro in 2022 greatly contributed to the inflationary pressure. At its weakest point, the forint stood at around 430 forints per euro. Seeking to support the forint, in the fourth quarter the NBH therefore created additional interest rate facilities in addition to the traditional base rate, which prompted a significant rise in the short-term money market interest rate. The forint again recovered on the back of this measure and declining risk aversion in the financial markets towards the end of the year. On balance, however, it depreciated substantially in 2022, from approximately 370 to 400 forints per euro.
In 2022, the Bulgarian economy's quarterly growth rate was more or less in line with euro area growth. In addition to high energy prices and the direct impact of the conflict in Ukraine, political instability was another major factor as this policy uncertainty weighs on economic sentiment and the investment climate. Meanwhile, the Bulgarian economy continues to face a consistently tight labour market, which is largely attributable to the unfavourable demographic development.

Figures for forecast GDP growth in 2023 and 2024 can be found under 'Market conditions in our core markets'.

Specific objectives

- The group strategy presents a number of challenges for all countries in the business unit, viz.:
  - To develop new and unique 'bank-insurance+' propositions.
  - To continue digitally upgrading our distribution model.
  - To drive up the volume of straight-through and scalable processing.
  - To increase the capacity in relation to data and AI to enable us to proactively offer relevant and personalised solutions.
  - To selectively expand our activities with a view to securing a top-three position in banking and in insurance.
  - To implement a socially responsible approach in all countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.
- Country-specific:
  - To become the undisputed leader in the area of innovation in Hungary. We are aiming to raise profitability by targeting income through vigorous client acquisition in all banking segments and through more intensive cross-selling. We also aim to expand our insurance activities substantially, primarily through sales at bank branches for life insurance and agents, bank branches, brokers and online for non-life insurance.
  - To maintain our robust growth in strategic products in Slovakia (i.e. home loans, consumer finance, SME funding, leasing and insurance), partly through cross-selling to group clients and via digital channels. Other priorities include the sale of funds and increased fee income.
  - In Bulgaria we focus on the merger between UBB and the acquired Raiffeisenbank Bulgaria to create the leading bank in Bulgaria, including in the area of digitalisation and innovation, and the reference in bank-insurance in all segments. Our insurer, DZI, is likewise maintaining its goal of growing faster than the market in both life and non-life insurance.
  - Ireland: Ireland was part of the International Markets Business Unit until year-end 2021, but was then transferred to the Group Centre in view of the pending sale transactions (see also 'Developments in 2022').

A few achievements in 2022

Partly as a result of the past lockdowns, in recent years we saw rapid growth in the use of our digital channels, and mobile banking in particular, in Slovakia, Hungary and Bulgaria, in line with our other core countries. For instance, the number of users of the mobile banking app grew by around 17% in Slovakia, 17% in Hungary and 19% in Bulgaria (UBB), after growth of 15%, 30% and 30%, respectively, a year earlier.
We also developed several new products and services with a clear digital focus. This translated into double-digit growth of the share of digital sales, for the second year in a row. This now amounts to (measured based on the main banking products) roughly one third of total sales in the three countries (for UBB: 31% in 2022, compared to 24% in 2021 and 10% in 2020; K&H Bank: 42% in 2022 tcompared to 33% in 2021 and 15% in 2020; CSOB Bank: 30% in 2022 compared to 18% in 2021 and 10% in 2020). The main event clearly consisted of the launch of Kate, our digital assistant, in all three countries in 2022 (see 'The client is at the centre of our business culture' for more information). Other examples of new and innovative products and services are the launch of the UBB Agro Carbon Emissions Calculator in Bulgaria (a digital tool for calculating the carbon footprint of agricultural companies and proposing improvements, which contains links to companies that provide support), the introduction of Garmin & Xiaomi Pay (in addition to Apple Pay and Google Pay) in Hungary, and ČSOB SmartPOS in Slovakia (a simple portable payment terminal in smartphones). And, as is the case in Belgium and the Czech Republic, we gradually added a number of services to the smartphone apps in the various countries that go beyond pure bank-insurance services, such as features for buying public transport tickets and paying for car parking in Slovakia.
The year 2022 was also marked by the Russian invasion of Ukraine, which prompted a flow of refugees and a wave of solidarity. More information about the various initiatives in our group companies can be found in 'The client is at the centre of our business culture'.

For the business unit as a whole (excluding exchange rate impact and Ireland, which was part of the business unit until 2021), in 2022 deposits (excluding debt securities) grew by roughly 25% and loans and advances to customers grew by nearly 40%, both obviously benefiting strongly from the inclusion of the acquired Raiffeisenbank Bulgaria (see below). Excluding Raiffeisenbank Bulgaria, deposits rose by 8% and loans and advances to customers grew by 17%, both showing strong growth in each of the three countries (10% deposit growth and 15% growth in loans and advances in Slovakia, 6% and 18% in Hungary, and 10% and 19% in Bulgaria).
We continued to sharpen the group's geographical focus. In July 2022, we completed the acquisition of Raiffeisenbank Bulgaria, a universal bank in Bulgaria offering private individuals, SMEs and corporate entities a full range of banking, asset management, leasing and insurance services. Raiffeisenbank Bulgaria, now renamed KBC Bank Bulgaria, and UBB will merge their activities, which will allow KBC to bolster its position in the Bulgarian banking market even further. The acquisition will also create ample opportunity for insurance cross-selling with DZI.
In February 2022, KBC Bank Ireland sold nearly all of its non-performing mortgage loan portfolio of roughly 1.1 billion euros in a transaction financed by funds managed by CarVal Investors. In October 2021, KBC Bank Ireland confirmed that it had 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 As part of the transaction, the latter also acquired a small non-performing mortgage loan portfolio. The Irish Competition and Consumer Protection Commission (CCPC) approved the transaction in May 2022, and the Irish Minister for Finance gave his approval in early December 2022. The transaction was ultimately finalised in early February 2023.

More information on all of the acquisitions and disposals stated above can be found in Note 6.6 of the ‘Consolidated financial statements’.

Our focus on bank-insurance delivers many commercial synergies. For instance, group fire insurance was sold in conjunction with more than nine out of ten new home loans taken out in Bulgaria and Slovakia, and nearly seven out of ten such loans taken out in Hungary.
Across the business unit as a whole (but excluding the recently acquired Raiffeisenbank Bulgaria), the number of active clients (clients with a current account into which their income is regularly paid) who hold at least one banking product and one insurance product from the group grew by 4% in 2022, while the number of active clients with at least two banking and two insurance products from the group increased by 9%. At year-end 2022, bank-insurance clients (with at least one banking and one insurance product from the group) accounted for 74% of the business unit’s active clients. Stable bank-insurance clients (i.e. holding two banking and two insurance products) made up 24% of active clients. The acquisition of Raiffeisenbank Bulgaria will in the coming years provide an additional boost to bank-insurance in Bulgaria.

We link our social projects to financial literacy, environmental responsibility, entrepreneurship and health. Some examples of recent projects:
The Start it community is represented in all our core countries and focuses on increasing women’s involvement, including in Slovakia, Bulgaria and Hungary. Various programmes have been initiated to support women in starting up their own business. As environmental responsibility remains another important focus area, UBB developed a user-friendly application to calculate greenhouse gas emissions in the agricultural sector (see above). In August 2022, K&H also launched the K&H Green Home Loan for the purchase of energy-efficient homes and renovation projects. K&H also continues to work on financial education for young people, organising the K&H ‘Ready, Steady, Match!’ contest last year as well. A total of 10 000 students took part in last year’s contest themed ‘sustainability and digital developments’. In Bulgaria, we collaborated with Sofia University to start an educational programme in which KBC employees share their knowledge of a wide range of ESG topics with students. We also launched the mobile health app ‘Kaksi’ (‘How are you?’) to motivate our clients to live healthier lives and to reward them with discounts with our partners. The mobile app has various convenient functionalities, including the option for clients to easily make an appointment with a physician, access their own health file or send an SOS alert containing their location and health information.

How do the business units contribute to the group result?

See ‘Note 2.2: Results by segment’ in the ‘Consolidated financial statements’ section.

How do we manage our risks?

Mainly active in banking and asset management, we are exposed to a number of typical industry-specific risks such as credit risk, movements in interest rates and exchange rates, liquidity risk, operational and other non-financial risks.

In this section, we focus on our risk governance model and the most material risks we face.

Our statutory auditors have audited the information in this section that forms part of the IFRS financial statements, viz.:

- the ‘Risk governance’ section;
- parts of the ‘Credit risk’ section: ‘Managing credit risk’, ‘The building blocks for managing credit risk’, part of the ‘Loan and investment portfolio, banking’ table, ‘Forbearance measures’ and the ‘Other credit exposure, banking’ table;
- parts of the ‘Market risk in non-trading activities’ section: ‘Managing market risk in non-trading activities’, ‘The building blocks for managing market risk in non-trading activities’ and the ‘Exposure to sovereign bonds’ table;
- parts of the ‘Market risk in trading activities’ section: ‘Managing market risk’, ‘The building blocks for managing market risk’ and ‘Risk analysis and quantification’;
- parts of the ‘Liquidity risk’ section: ‘Managing liquidity risk’, ‘The building blocks for managing liquidity risk’ and ‘Maturity analysis’;
- The ‘Climate and other ESG risks’ section.

Introduction

KBC operates in a fast-changing environment characterised by volatility, uncertainty, complexity and ambiguity. The financial industry is in the midst of its biggest transition yet. On the one hand, there is the digital transformation, leading to new digital opportunities, whereas the downside for those who fall behind is growing disproportionately. Furthermore, the financial sector has an important role to play in the transition towards a green and sustainable economy. At the same time, KBC needs to deal with global and geopolitical challenges and mounting regulatory pressure and uncertainty.

In the aftermath of the worldwide coronavirus pandemic, the Russian invasion of Ukraine and the sanctions imposed by the West sent a shockwave through the world economy, resulting in elevated inflation, driven in part by surging energy prices. This caused a slowdown in economic growth and put additional pressure on the financial industry.

The invasion of Ukraine occurred at a time when other emerging risks had already started to weigh on the EU economy. International supply chains were constrained on the rebound from the coronavirus pandemic. The war aggravated these inflationary tendencies through peaking commodity (most notably food and metals) and energy (gas) prices. These emerging risks impact not only retail clients through increasing cost of living and higher repayment schemes due to increasing interest rates; Corporate and SME clients are also affected by supply chain issues, wage inflation and increasing commodity and energy prices. We are therefore keeping a very close eye on these risks and the impact on the group and its clients, both financially and operationally.

In addition, we face the same strategic challenges as the entire financial sector:
- Potential consequences of climate change and other environmental, social and governance (ESG) challenges are becoming increasingly tangible. Financial institutions not only need to reflect upon their own activities, taking into account all new regulations, but also need to help clients make the transition towards a more sustainable world and optimise their own energy consumption or carbon footprint.
- Changing client behaviour and expectations. Based on experience with innovative companies such as big techs, clients are in search of convenience, instant delivery of products and services and personal advice anywhere and at any time. Given today's client needs, processes have to be instant, data-driven and friction-free. This means that interactions with clients (digital as well as human) need to be exceptional in terms of client experience and operational efficiency.
- The future is data-driven. Artificial intelligence, big data analysis and automation technologies are making digital interactions smarter, for simple tasks as well as in support of more complex operations. This affects how banks interact with their clients. Distribution models need to be reassessed to find the right mix between human (physical or remote) and digital channels, the concrete role of humans, and how to support them using digital technologies. While digital leads are used to drive business, a positive customer journey is to be ensured at all times. At the same time, these new technologies also provide opportunities to make our risk management more effective and efficient.
- New business models are emerging, including industrialisation of banking and insurance (B2B2C alongside B2C), platformification and decentralised finance. This drives us to increase our ambition from 'merely' digitalising our traditional banking and insurance business towards 'broadening our distribution' (i.e. all-in-one, creating ecosystems that combine financial and non-financial services).

With its data-driven digital strategy and ambition to contribute to a more sustainable world, KBC is responding to these key challenges which, in turn, also involve certain risks for KBC. Therefore, the risk function has the clear ambition to support KBC in achieving its strategic objectives, to contribute to its resilience and agility, to provide management and the Supervisory Board with insights supporting risk-conscious decision making and inform them about the risks KBC is facing. The risk function therefore regularly assesses and updates its strategy. We have therefore defined three key pillars: the first is to support, advise and challenge business in its transformation journey, aiming to keep KBC's control environment up to standards and our risk profile within the appetite, the second is to transform in sync with the business environment and the corporate strategy, and our third pillar is to invest in our people.

Firstly, the risk function continuously adapts and further strengthens KBC's Risk Management Framework and its underlying risk management processes, while challenging the control environment. This allows us to properly and proactively assess and mitigate the risks linked to new technologies, products and services (including through a strong product approval process).

In addition, we continue to enhance our risk management toolkit through innovation, i.e. becoming more data-driven and looking into opportunities offered by new technologies, and becoming more straight-through via optimisation of our processes and tools. As the goal is to obtain a complete view of the risks for the entire group and individual entities quickly, efficiently and without compromising on quality, we have been focusing in recent years on group-wide tool implementation, process simplification and automation in all risk domains. Moreover, the risk function is also accelerating its efforts to leverage the data available in the risk tools and the business processes to further improve risk management and increase efficiency.

Lastly, effective risk management is not possible without strong human capital management: we continue to invest in our people and take initiatives to attract, engage, motivate and train them to build the workforce of the future. We focus on building a diverse, inclusive and positive working environment. We also structurally raise awareness about innovation and develop expertise in new trends and technologies. We continue to invest in knowledge sharing of innovation, technology and trends to further reinforce our risk management practices. These efforts are all to ensure that our risk professionals acquire the relevant digital skills to continue providing expert risk advice.

Risk governance

Main elements in our risk governance model:

- The Board of Directors, assisted by the Risk & Compliance Committee (RCC), which decides on the risk appetite – also defining the risk strategy – each year and supervises the risk exposure in relation to the risk appetite. It is also responsible for the promotion of a sound and consistent group-wide risk culture, based on a full understanding of the risks the group faces and how they are managed, as well as the group risk appetite.
- The Executive Committee – supported by activity-based risk committees – which is the senior management level committee responsible for integrating risk management with risk appetite, strategy, and performance goal setting.
- The CRO Services Management Committee (CRO Services MC) and activity-based risk committees mandated by the Executive Committee.
- Risk-aware business people who act as the first line of defence for conducting sound risk management. This involves allocating sufficient priority and capacity to risk topics, making sure that the quality of self-assessments is adequate, and performing the right controls in the right manner.
- An independent risk function that comprises the Group Chief Risk Officer (Group CRO), local CROs, local risk functions and the group risk functions. The risk function acts as (part of) the second line of defence. The risk function develops, imposes and monitors consistent implementation of the Risk Management Framework, describing the processes, methods and tools to identify, measure and report on risks. The third line of defence (internal audit) gives reasonable assurance to the Board of Directors that the overall internal control environment is effective, and that effective policies and processes are in place and applied consistently throughout the group.

Relevant risk management bodies:

- Executive Committee:
  - makes proposals to the Board of Directors about risk appetite – including the risk strategy – and the Enterprise Risk Management Framework;
  - decides on the risk-type-specific risk management frameworks and monitors their implementation throughout the group;
  - acts as the leading risk committee, covering material issues that are channelled via its supporting committees;
  - monitors the group's major risk exposure to ensure conformity with the risk appetite.
- Risk committees:
  - The CRO Services Management Committee supports the Executive Committee in assessing the adequacy of, and compliance with, the KBC Risk Management Framework and defines and implements the vision, mission and strategy for the CRO Services of the KBC group.
  - The activity-based Group Risk Committees (for lending (GLC), markets (GMC) and insurance (GIC), respectively) support the Executive Committee in integrated risk monitoring for these activities at group level.
  - The Group Internal Control Committee (GICC) supports the Executive Committee in monitoring and strengthening the quality and effectiveness of KBC's internal control system.
- Business Committees:
  - The Group ALCO handles matters related to ALM and liquidity risk.
  - The Global IT Committee handles matters related to information technology and information security risk.
  - The Internal Sustainability Board handles matters related to environmental, social and governance (ESG) risks.

To strengthen the voice of the risk function and to ensure that the decision-making bodies of the business entities are appropriately challenged on matters of risk management and receive expert advice, KBC has deployed independent Chief Risk Officers (CROs) throughout the group. Close collaboration with the business is assured since they take part in the local decision-making process and, if necessary, can exercise a right of veto. Independence of the CROs is achieved through a direct reporting line to the Group CRO. For each main risk type, a Risk Competence Centre is assigned at group level. Most of these competence centres are extended virtual teams made up of group and local experts working together.

Components of a sound risk management

Risk management refers to the coordinated set of activities to proactively identify and manage the many risks that can affect the group in its ability to achieve its objectives and in order to support the realisation of the group strategy.

The KBC Enterprise Risk Management Framework (ERMF) sets strict governance and clear rules and procedures on how risk management should be performed throughout the group. It also refers to a set of minimum standards and risk methods, processes and tools that all entities and risk-type-specific RMF must adhere to for which Group Risk is primarily responsible.

Risk identification

Risk identification is the process of systematically and proactively discovering, recognising, assessing and describing risks, both within and outside KBC, that could negatively impact the group's strategic objectives today and in the future. In addition to possible sources of risk, it also identifies their potential consequences and materiality for KBC. Risk identification ensures that KBC's risk management covers all material risks the company is exposed to. For this purpose, robust processes have been set up that cover risk identification from different perspectives, including the Risk Scan, the Climate Risk Impact Map, the New and Active Products Process (NAPP) and risk signals.

The Risk Scan is a strategic group-wide exercise aimed at identifying and assessing financial and non-financial top risks, i.e. risks that can significantly impact KBC's business model. The identified top risks are used as input for the yearly financial planning process and for several risk management exercises, including risk appetite setting and stress testing.

The Climate Risk Impact Map is a yearly risk identification process aiming to identify, for different time horizons and different climate scenarios, the most material climate risk drivers, both physical and transition risks, impacting KBC's businesses and portfolios.

The NAPP is a group-wide, highly formalised process to identify and mitigate all risks related to new and existing products and services which may negatively impact the client and/or KBC. Within the group, no products, processes and/or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the group's risk profile.

The internal and external environment are scanned on a continuous basis and using all possible sources of information to detect events or changes that might or will impact the KBC group, either directly or indirectly. Risk signals are collected at all levels of the organisation (group and local) and provide a summary of the identified risks and their potential impact for KBC. Where possible, remedial actions are proposed.

Risk measurement

Risk measurement aims to quantify the various risks we are exposed to. Once risks have been identified, various attributes can be assessed, such as impact, probability of occurrence, size of exposure, etc., with the help of risk measures. The KBC risk framework provides an overview of the risk measures in use within KBC, both regulatory and internally defined, for its specific scope.

Setting & cascading risk appetite

KBC's tolerance for risk is captured via the notion of 'risk appetite'. The risk appetite expresses – both qualitatively and quantitatively – how much and what kind of risk we want to take and within which boundaries it should be managed.

The ability to accept risk (risk-taking capacity) is limited by financial constraints (available capital, liquidity, borrowing capacity, earnings-generating capacity, etc.), non-financial constraints (strategic ability, skills, legal constraints, etc.) and regulatory restrictions (e.g., regulatory floors on capital and liquidity ratios). The willingness to accept risk depends on the interests of the various stakeholders. A key component in defining risk appetite is therefore an understanding of the expectations of the organisation's key stakeholders.

Risk appetite is made explicit via the 'risk appetite statement' (RAS), which is decided at both group and local level. The RAS reflects the view of the Board of Directors and top management on risk-taking in general and on the acceptable level and composition of risks, ensuring coherence with the desired return. The statement is built on risk appetite objectives that are directly linked to the corporate strategy and provides a qualitative description of KBC's playing field. The high-level risk appetite objectives are further detailed in a set of qualitative and quantitative statements for each of the different risk types. The long-term risk appetite is expressed as being High, Medium or Low and is monitored based on a set of risk measures for which risk thresholds are defined. Lastly, risk appetite is translated into risk-type-specific group limits/targets, which are further cascaded down to the entities.

Although risk appetite is expressed on a three-year horizon, specific risks such as climate risk will impact KBC mostly in the medium to longer term. As of this year, the risk appetite statement therefore also signals potential climate change challenges beyond three years, to trigger and steer the strategic debate on whether, for example, more mitigating actions are needed.

Risk analysis, reporting & follow-up

Risk analysis and reporting aim to give transparency on risk-taking by providing management with a comprehensive, forward-looking and ex-post view on how the risk profile evolved and in which context the group operates.

Internal and external reports are prepared for the various stakeholders. As management is expected to take relevant action based on the risk analysis and risk reporting, it is essential that the proposed actions are tailored to the relevant stakeholders.

Stress testing

Stress testing is an important process that supports the decision-making process by simulating the potential negative impact of specific events and/or movements in risk factors on KBC's (financial) condition. Stress tests range from plausible to exceptional and even extreme events or scenarios. In addition to all regulatory imposed stress tests, KBC actively uses internal stress testing as a key risk management tool.

> *More information on risk management can be found in our Risk Report, which is available at www.kbc.com.*

Credit risk

Managing credit risk

Credit risk is the risk related to non-payment or non-performance by a contracting party, due to that party's insolvency or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country.

Credit risk is managed across the group based on strict governance rules and procedures set out in the KBC Credit Risk Management Framework. The Credit Risk Competence Centre situated within the Group Credit Risk Department (GCRD) designs the Credit Risk Management Framework (CRMF) and its underlying building blocks. GCRD ensures the adequacy of the CRMF, as well as compliance with legal and regulatory requirements via group-wide credit risk standards. This is done in close cooperation with the local CROs and local risk departments, which are responsible for the local implementation of the CRMF. Business entities are consulted for those areas of the CRMF that impact business processes and/or governance.

The CRMF is reviewed annually to ensure its relevance and effectiveness going forward. It contains a clear delineation of responsibilities and accountabilities, both at local and group level, between the business in the first line (including credit departments), credit risk departments and internal audit. Credit decisions are made following independent advice and based on acceptance and review processes that consider client knowledge and model-generated output. Material credit decisions are advised and taken at group level within the GCRD.

The building blocks for managing credit risk

- Risk identification: a vital part of the credit risk identification process is capturing credit risk signals, both at transactional and portfolio level. Both the internal and external environment are scanned for events or developments that have already occurred or could occur and which directly or indirectly have or could have a significant impact on credit quality. Risk signals provide an overview of the identified risk and outline the possible impact for KBC and, if possible, propose remedial actions.

  The appropriate risk management committees are periodically informed of relevant signals or observations. Risk signals that are considered material are reported to the Executive Committee. In addition, thematic and sectoral deep dives are performed to gain further insights into credit risk.

  New and upcoming prudential (capital) credit risk regulation, product or client-specific regulation and legislation is followed up at group or local level to ensure that amended or new regulations are promptly implemented in policy and instructions.

  A specific risk identification process is the leading indicator process designed to identify emerging credit risks that could lead to impairment. The main objective is to have a reliable estimate of impairment for the current quarter at an early stage, thus avoiding surprises. It is part of the quarterly reporting round on loan and bond impairment.

  Another specific process is the Climate Risk Impact Map which identifies the climate risk drivers that are the most material for credit risk, both in banking and insurance (investment) activities.

- Risk measurement: credit risk measurement involves a quantitative expression of a credit risk on a portfolio of instruments/exposures by applying a model or methodology. A minimum group-wide set of credit risk measurements is defined and can be complemented with local measurements.

  Central to this is the risk class, with a ranking being made based on the Probability of Default (PD) and the Loss Given Default (LGD). The latter reflects the estimated loss that would be incurred if an obligor were to default. In order to determine the risk class, we have developed various rating models for measuring how creditworthy borrowers are and for estimating the expected loss of various types of transactions. A number of uniform models throughout the group (models for governments, banks, large companies, etc.) are in place, while others have been designed for specific geographic markets (SMEs, private individuals, etc.) or types of transaction. We use the same internal rating scale throughout the group.

  We use the output generated by these models to split the non-defaulted loan portfolio into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD. We assign PD 10 to PD 12 to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD 11 or PD 12. 'Defaulted' status is fully aligned with the 'non-performing' and 'impaired' statuses. Obligors in PD classes 10, 11 and 12 are therefore referred to as 'defaulted' and 'impaired'. Likewise, 'performing' status is fully aligned with the 'non-defaulted' and 'non-impaired' statuses.

  Impairment losses are recorded according to IFRS 9 requirements (calculated on a lifetime expected credit loss (ECL) basis for defaulted borrowers and on a 12-month or lifetime ECL basis for non-defaulted borrowers, depending on whether there has been a significant increase in credit risk and a corresponding shift from 'Stage 1' to 'Stage 2'). Specific collective IFRS 9 models are used for this purpose, except for material defaulted borrowers, which are assessed individually to estimate ECL.

  Together with 'probability of default' and 'exposure at default', measures such as 'expected loss' and 'loss given default' form the building blocks for calculating the regulatory capital requirements for credit risk, as KBC has opted to use the Internal Ratings-Based (IRB) approach. By the end of 2022, the main group entities and some smaller entities had adopted the IRB Advanced approach, apart from United Bulgarian Bank (UBB) and Raiffeisenbank Bulgaria (now KBC Bank Bulgaria) in

Bulgaria (both Standardised approach) and ČSOB in Slovakia (IRB Foundation approach). 'Non-material' entities will continue to adopt the Standardised approach.

- Setting and cascading risk appetite: the KBC Risk Appetite Statement makes explicit the amount of credit risk KBC is able and willing to accept in pursuit of its strategic objectives. Credit risk appetite is made tangible by assigning credit risk limits and early warning levels to a limited set of credit risk (signal) indicators, which are valid for one year.

  Primary credit risk limits are decided by the Board of Directors or the Executive Committee. These entail limits on Expected Loss (EL), Stressed Credit Loss and Credit Risk Weighted Asset (RWA) – and for new home loan production – Loan-to-Value (LTV) and Debt-Service-To-Income (DSTI). These limits are supplemented by a portfolio limit system (PLS) framework to constrain concentration risk on counterparty groups or authorities and other credit risk limits set at group or local level that include sector and activity limits and limits on risks, such as counterparty credit risk for professional transactions or issuer risk.

  The risk playing field is also determined by group-wide risk boundaries defined in Credit Risk Standards, which aim to align risk management of specific credit-risk-related topics throughout the group by defining restrictions and/or recommendations.
- Risk analysis, monitoring, reporting and follow up: the credit portfolio is analysed on a continuous basis. In addition to portfolio analyses performed by business, the local and group credit risk departments analyse the credit risk profile of the loan portfolio in order to obtain an independent view of the evolution of credit risk. Results of the analyses are reported to the appropriate risk committees. It is the responsibility of both line management and the risk committees to respond, i.e. to keep or bring risks in line with the risk appetite. Corrective action plans can be taken to avoid (further) credit risk, reduce it (mitigation), transfer the risk or accept it.
- Stress testing: stress testing is a core component of sound credit risk management and is performed at local and group level.

Shift from the coronavirus pandemic to Russia/Ukraine conflict and energy crisis impact on credit risk

Since the start of the coronavirus pandemic at the beginning of 2020, several initiatives have been taken to monitor and manage the ensuing credit risks. In early 2022, the impact of the pandemic subsided and hence the Covid restrictions were phased out. However, the start of the Russia-Ukraine conflict in February and the associated disruption of worldwide energy markets presented new challenges for credit risk management.

The Russia-Ukraine conflict has an impact on KBC's credit portfolio through different drivers. Besides the relatively limited direct impact through exposure to counterparties based in Russia, Ukraine and Belarus, there is also an indirect impact. There may be indirect exposure to clients with material activity in or dependence towards the countries involved in the conflict. As the likelihood of major Russian gas supply cut-offs increased (or materialised for certain countries), indirect exposure can also be to clients' vulnerability to disruptions in the Russian oil or gas supply or to the additional pressure on previously already soaring energy/commodity prices and inflation in general.

For private individuals, soaring energy bills and inflationary pressures on prices for other goods and services affect their credit repayment capacity. If not alleviated, this would result in payment problems with home loans and consumer finance facilities. For businesses, the strong increase in energy costs has – in energy-intensive sectors – negatively impacted profit margins and cash buffers, unless the cost increases could be built into sales prices. The evolution in energy markets has resulted in some industrial companies shutting down production facilities (e.g., in fertilisers and aluminium production) as production had become loss-making.

These impacts, in turn, lead to disruptions in other industries, while the resulting (temporary) unemployment put further financial strain on individuals already affected by soaring energy bills. In addition, private individuals may adjust their consumption patterns away from discretionary spending, which has the potential to imperil some sectors due to reduced demand.

The European Commission and national governments have put in place initiatives to mitigate the impact of soaring energy prices on the economy and on the financial standing of businesses and private individuals. While these measures are having an effect and may involve the participation of lenders in financial concessions or forbearance measures, a response resulting in full mitigation is not believed to be forthcoming. Also, the budgetary room for governments to intervene to any significant extent has been reduced, as the management of the coronavirus crisis has already eaten into their financial buffers and reserves.

Based on traditional credit risk metrics (such as forbearances, arrears, and PD deterioration) a deterioration in credit quality was not (yet) visible in the KBC portfolios at the end of 2022. However, an uptick in downgrades and defaults is expected in 2023. (note: we estimate the credit cost ratio for 2023 at 20-25 basis points, still below the through-the-cycle credit cost ratio of 25-30 basis points).

Credit risk management actions have been taken to anticipate, measure, mitigate and manage the above emerging risks. Accordingly, portfolios are being monitored more closely, sensitivity analysis on energy costs has been pursued, origination processes have been adjusted (e.g., to reflect increased living expenses for home loans) and watchlists have been established.

Finally, since the Russian invasion of Ukraine, impairment management overlays have been booked for the geopolitical and emerging risks and vulnerable portfolios and sub-portfolios have been earmarked for increased risk. For related figures, including the phasing out of the overlay for the coronavirus crisis, we refer to Note 1.4 in the Consolidated Annual Accounts.

Credit risk exposure in the banking activities arising from lending and investing

Credit risk arises in both the banking and insurance activities of the group. As regards the banking activities, the main source of credit risk is the bank's loan portfolio. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities are included in the investment portfolio if they are issued by companies or banks. Government bonds are not included in the investment portfolio. Furthermore, the table does not take into account the credit risk related to the trading book (issuer risk) and the counterparty credit risk related to derivative transactions. We describe these items separately below.

The loan and investment portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section.

For more information, please refer to the 'Glossary of financial ratios and terms'.

Loan and investment portfolio, banking

Total loan portfolio	31-12-2022	31-12-2021
Total loan portfolio (in billions of EUR)		
Amount outstanding and undrawn	259	237
Amount outstanding	206	188
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)[1]		
Belgium[2]	63%	63%
Czech Republic	19%	19%
International Markets (including Ireland in 2021)	14%	17%
Group Centre (including Ireland in 2022)	5%	1%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)[1]		
Private individuals	*43%*	44%
Finance and insurance	*6%*	6%
Governments	*3%*	3%
Corporates	*48%*	47%
Services	*10%*	*10%*
Distribution	*8%*	*8%*
Real estate	*6%*	*6%*
Building and construction	*4%*	*4%*
Agriculture, farming, fishing	*3%*	*3%*
Automotive	*2%*	*2%*
Other (sectors < 3%)	*14%*	*14%*
Total	100%	100%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)[1] [3]		
Belgium	*53%*	*54%*
Czech Republic	*18%*	*18%*
Slovakia	*6%*	*6%*
Hungary	*4%*	*4%*
Bulgaria	*5%*	*2%*
Rest of Western Europe (including Ireland)	11%	7%
Rest of Central and Eastern Europe	0%	0%
North America	1%	1%
Asia	1%	1%
Other	1%	1%
Total	100%	100%
Loan portfolio breakdown by risk class (as a % of the outstanding portfolio, based on internal rating scale)[1]		
Unimpaired		
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	*25%*	*25%*
PD 2 (0.10% – 0.20%)	*13%*	*13%*
PD 3 (0.20% – 0.40%)	*13%*	*17%*
PD 4 (0.40% – 0.80%)	*18%*	*13%*
PD 5 (0.80% – 1.60%)	*15%*	*13%*
PD 6 (1.60% – 3.20%)	*8%*	*8%*
PD 7 (3.20% – 6.40%)	*4%*	*4%*
PD 8 (6.40% – 12.80%)	*1%*	*2%*
PD 9 (highest risk, ≥ 12.80%)	*1%*	*1%*
Unrated	*0%*	*1%*
Impaired		
PD 10	*1.0%*	*1.4%*
PD 11	*0.3%*	*0.6%*
PD 12	*0.8%*	*1.0%*
Total	100%	100%
Loan portfolio breakdown by IFRS 9 ECL Stage[4] (as a % of the outstanding portfolio)[1] [7]		
Stage 1 (no significant increase in credit risk since initial recognition)	78%	83%
Stage 2 (significant increase in credit risk since initial recognition – not credit impaired) incl. POCI[5]	20%	14%
Stage 3 (significant increase in credit risk since initial recognition – credit impaired) incl. POCI[5]	2%	3%
Total	100%	100%

Impaired loan portfolio	31/12/2022	31/12/2021
Impaired loans (PD 10 + 11 + 12; in millions of EUR or %)		
Impaired loans[6]	4 350	5 454
Of which more than 90 days past due	2 289	2 884
Impaired loans by business unit (as a % of the impaired loan portfolio)[1]		
Belgium[2]	57%	48%
Czech Republic	15%	12%
International Markets (including Ireland in 2021)	13%	33%
Ireland	-	*23%*
Slovakia	*3%*	*3%*
Hungary	*3%*	*3%*
Bulgaria	*6%*	*4%*
Group Centre (including Ireland in 2022)	15%	8%
Total	100%	100%
Impaired loans by sector (as a % of impaired loan portfolio)[1]		
Private individuals	21%	34%
Distribution	19%	16%
Real estate	11%	9%
Services	10%	11%
Building and construction	7%	4%
Automotive	5%	5%
Agriculture, farming, fishing	4%	3%
Hotels, bars & restaurants	3%	3%
Food Producers	2%	2%
Other (sectors <2%)	18%	14%
Total	100%	100%
Loan loss impairment (in millions of EUR)		
Impairment for Stage 1 portfolio	134	127
Impairment for Stage 2 portfolio, incl. POCI[5] (cured)	694	559
Impairment for Stage 3 portfolio, incl. POCI[5] (still impaired)	2 048	2 569
Of which impairment for impaired loans that are more than 90 days past due	*1 547*	*1 905*
Credit cost ratio		
Belgium Business Unit[2]	0.03%	-0.26%
Czech Republic Business Unit	0.13%	-0.42%
International Markets Business Unit (including Ireland in 2021)	0.31%	0.36%
Ireland	-	*1.43%*
Slovakia	*0.17%*	*-0.16%*
Hungary	*0.42%*	*-0.34%*
Bulgaria	*0.43%*	*-0.06%*
Group Centre (including Ireland in 2022)	-0.04%	0.28%
Total	0.08%	-0.18%
Impaired loans ratio		
Belgium Business Unit[2]	1.9%	2.2%
Czech Republic Business Unit	1.7%	1.8%
International Markets Business Unit (including Ireland in 2021)	1.9%	5.7%
Ireland	-	*12.0%*
Slovakia	*1.2%*	*1.6%*
Hungary	*2.0%*	*2.1%*
Bulgaria	*2.8%*	*5.3%*
Group Centre (including Ireland in 2022)	6.6%	21.5%
Total	2.1%	2.9%
Of which more than 90 days past due	*1.1%*	*1.5%*
Coverage ratio		
Loan loss impairment / impaired loans	47%	47%
Of which more than 90 days past due	*68%*	*66%*
Loan loss impairment / impaired loans (excl. mortgage loans)	50%	51%
Of which more than 90 days past due	*71%*	*73%*

[1] Unaudited figures.

[2] Also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia (with a total outstanding portfolio of 7 billion euros at year-end 2022).

[3] A more detailed breakdown by country is available in KBC's quarterly reports (at www.kbc.com).

[4] For more information on stages, see Note 1.2 of the 'Consolidated financial statements' section.

[5] Purchased or originated credit impaired assets; gross amounts, as opposed to net amounts in the accounting treatment.

[6] Figures differ from those appearing in Note 4.2 of the 'Consolidated financial statements' section, due to differences in scope. The 1 104-million-euro decrease between 2022 and 2021 breaks down as follows: -98 million euros at the Belgium Business Unit, +4 million euros in the Czech Republic, -32 million euros in Slovakia, +11 million euros in Hungary , +42 million euros in Bulgaria (+149 million euros of which due to the consolidation of Raiffeisenbank Bulgaria), -1 025 million euros in Ireland (largely due to the sale of the largest part of the non-performing portfolio in 1Q2022) and -6 million euros for the rest.

[7] Figures as at 31 December 2021 before impact of the management overlay (for more information, see Note 4.2.1 of the 'Consolidated financial statements' section).

The 'Loan portfolio breakdown by IFRS 9 ECL Stage (as a % of the outstanding portfolio)' and 'Loan loss impairment' sub-sections in the above table have been broken down further as follows:

Loan portfolio breakdown by IFRS 9 ECL stage[1]	Stage 1	Stage 2	Stage 3	Total 31-12-2022	Stage 1	Stage 2	Stage 3	Total 31-12-2021
Loan portfolio by country/business unit								
Belgium	48.1%	13.4%	1.2%	62.7%	51.1%	10.9%	1.4%	63.4%
Czech Republic	15.2%	3.1%	0.3%	18.6%	17.0%	1.5%	0.3%	18.8%
International Markets (including Ireland in 2021)	10.6%	3.1%	0.3%	13.9%	14.6%	1.3%	0.9%	16.8%
Ireland	-	-	-	-	*4.6%*	*0.3%*	*0.7%*	*5.6%*
Slovakia	*4.5%*	*1.1%*	*0.1%*	*5.6%*	*4.8%*	*0.5%*	*0.1%*	*5.4%*
Hungary	*2.3%*	*1.2%*	*0.1%*	*3.7%*	*3.3%*	*0.2%*	*0.1%*	*3.5%*
Bulgaria	*3.7%*	*0.8%*	*0.1%*	*4.7%*	*2.0%*	*0.2%*	*0.1%*	*2.3%*
Group Centre (including Ireland in 2021)	4.1%	0.3%	0.3%	4.7%	0.8%	0.0%	0.2%	1.0%
Total	78.0%	19.9%	2.1%	100.0%	83.5%	13.6%	2.9%	100.0%
Loan portfolio by sector								
Private individuals	*37.5%*	*5.2%*	*0.4%*	*43.2%*	40.1%	3.3%	1.0%	44.4%
Finance and insurance	*5.6%*	*0.2%*	*0.0%*	*5.9%*	5.8%	0.2%	0.0%	6.0%
Governments	*2.8%*	*0.2%*	*0.0%*	*3.1%*	2.7%	0.1%	0.0%	2.8%
Corporates	32.1%	14.2%	1.6%	47.9%	34.9%	10.0%	1.9%	46.8%
Total	78.0%	19.9%	2.1%	100.0%	83.5%	13.6%	2.9%	100.0%
Loan portfolio by risk class								
PD 1–4	61.4%	6.1%	-	67.5%	62.3%	5.1%	-	67.4%
PD 5–9	16.6%	13.8%	-	30.4%	21.2%	8.5%	-	29.7%
PD 10–12	-	-	2.1%	2.1%	-	-	2.9%	2.9%
Total	78.0%	19.9%	2.1%	100.0%	83.5%	13.6%	2.9%	100.0%
Total (in millions of EUR)	160 412	40 958	4 350	205 720	157 264	25 683	5 454	188 400

[1] Figures as at 31 December 2021 before impact of the management overlay (for more information, see Note 4.2.1 of the 'Consolidated financial statements' section).

Impairment broken down by IFRS 9 ECL Stage	Stage 1	Stage 2	Stage 3	31-12-2022 Total	Stage 1	Stage 2	Stage 3	31-12-2021 Total
Impairment by country/business unit								
Belgium	1.8%	9.7%	34.4%	45.9%	1.7%	8.5%	34.0%	44.2%
Czech Republic	1.3%	6.7%	10.2%	18.1%	1.1%	3.9%	9.8%	14.8%
International Markets (including Ireland in 2021)	1.4%	6.9%	9.5%	17.8%	1.1%	4.7%	23.9%	29.7%
Ireland	-	-	-	-	*0.1%*	*1.0%*	*16.7%*	*17.8%*
Slovakia	*0.4%*	*2.8%*	*2.7%*	*5.9%*	*0.5%*	*1.9%*	*3.0%*	*5.4%*
Hungary	*0.3%*	*2.1%*	*1.9%*	*4.3%*	*0.3%*	*1.4%*	*1.6%*	*3.3%*
Bulgaria	*0.7%*	*1.9%*	*4.9%*	*7.5%*	*0.2%*	*0.5%*	*2.6%*	*3.2%*
Group Centre (including Ireland in 2021)	0.2%	0.8%	17.1%	18.2%	0.0%	0.1%	11.2%	11.3%
Total	4.7%	24.1%	71.2%	100.0%	3.9%	17.2%	78.9%	100.0%
Impairment by sector								
Private individuals	1.3%	7.8%	12.8%	21.9%	0.8%	4.5%	23.5%	28.8%
Finance and insurance	0.2%	0.1%	1.6%	2.0%	0.1%	0.1%	1.1%	1.3%
Governments	0.0%	0.0%	0.3%	0.4%	0.0%	0.0%	0.2%	0.3%
Corporates	3.2%	16.1%	56.4%	75.7%	2.9%	12.6%	54.1%	69.5%
Total	4.7%	24.1%	71.2%	100.0%	3.9%	17.2%	78.9%	100.0%
Impairment by risk class								
PD 1–4	1.4%	1.9%	-	3.3%	0.7%	1.8%	-	2.6%
PD 5–9	3.3%	22.3%	-	25.5%	3.2%	15.4%	-	18.5%
PD 10–12	-	-	71.2%	71.2%	-	-	78.9%	78.9%
Total	4.7%	24.1%	71.2%	100.0%	3.9%	17.2%	78.9%	100.0%
Total (in millions of EUR)	134	694	2 048	2 875	127	559	2 569	3 255

Acquisition of Raiffeisenbank Bulgaria and pending sale of the remaining Irish portfolio

Two major scope events occurred in 2022 (for a detailed explanation, see Note 6.6 of the 'Consolidated financial statements' section):

- In 2022, KBC finalised the acquisition of Raiffeisenbank Bulgaria (meanwhile renamed KBC Bank Bulgaria). Consequently, the loan portfolio of that entity is included in the 2022 group portfolio figures in this section. The table below provides selected data for KBC Bank Bulgaria separately.
- In 2022, KBC Bank Ireland finalised the sale of a portfolio of non-performing mortgage loans. This is already reflected in the group portfolio figures in this section. KBC Bank Ireland also entered into a legally binding agreement regarding the sale of substantially all of its performing loans and the remaining portfolio of non-performing mortgage loans, but as at year-end 2022, the latter agreement had not yet been finalised. Consequently, these loans remained included in the 2022 group portfolio figures in this section. The table below provides selected data for this portfolio.

Loan and investment portfolio 31-12-2022*	Remaining KBC Bank Ireland Portfolio (pending sale)	Newly acquired Raiffeisenbank Bulgaria
Included in the 2022 loan portfolio figures in this chapter?	Yes	Yes
Total loan portfolio (amount outstanding; in millions of EUR)	8 132	4 526
Breakdown by counterparty sector (as a % of the outstanding portfolio)		
Retail	99%	39%
Of which mortgages	*98%*	*19%*
SME	1%	16%
Corporations	0%	45%
Breakdown by country (as a % of the outstanding portfolio)		
Ireland	100%	0%
Bulgaria	0%	93%
Other	0%	7%
Impaired loans (PD 10 + 11 +12; in millions of EUR)	230	118
Credit cost ratio	-0.07%	-0.03%
Impaired loans ratio	2.8%	2.6%
Coverage ratio	55%	64%

* More details can be found in the 4Q2022 quarterly report, on www.kbc.com

Forbearance measures

Forbearance measures consist of concessions towards a borrower facing, or about to face, financial difficulties. They may involve lowering or postponing interest or fee payments, extending the term of the loan to ease the repayment schedule, capitalising arrears, declaring a moratorium or providing debt forgiveness.

A client with a loan qualifying as forborne will in general be assigned a PD class that is worse than before the forbearance measure was granted, given the increased risk of default. When that is the case, the client's unlikeliness to pay is also assessed (according to specific 'unlikely to pay' criteria). In accordance with IFRS 9 requirements, a facility tagged as 'forborne' is allocated to 'Stage 2' (if the client/facility is classified as 'non-defaulted') or to 'Stage 3' (if the client/facility is classified as 'defaulted').

KBC applies criteria that are consistent with the corresponding EBA standards to move forborne exposures from 'defaulted' to 'non-defaulted' status and to remove the forbearance status. If a client/facility has been assigned 'defaulted' status (before or at the time forbearance measures are granted), the client/forborne facility (depending on whether defaulted status is assigned at client or facility level) must remain defaulted for at least one year. Only upon strict conditions can the client/facility be reclassified as 'non-defaulted'. A forborne facility with a 'non-defaulted' status will be tagged as 'forborne' for at least two years after the forbearance measure has been granted, or after the client/facility becomes non-defaulted, and can only be removed when strict extra criteria have been met (non-defaulted, regular payments, etc.). As a forbearance measure constitutes an objective indicator (i.e. impairment trigger) that requires assessing whether impairment is needed, all forbearance measures are subject to an impairment test.

On-balance-sheet exposures with forbearance measures: gross carrying value (in millions of EUR)	Opening balance	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments	Write-offs	Other[1]	Closing balance
2022							
Total	3 681	668	-1088	-436	-16	129	2 939
Of which KBC Bank Ireland	*16*	*0*	*0*	*-6*	*0*	*0*	*11*
2021							
Total	4 158	1 692	-371	-670	-28	-1 100	3 681
Of which KBC Bank Ireland	*1 417*	*76*	*0*	*-251*	*0*	-1 226	*16*

On-balance-sheet exposures with forbearance measures: Impairment (in millions of EUR	Opening balance	Existing impairment on loans which have become forborne	Decrease in impairment because loans are no longer forborne	Increase in impairment on forborne loans	Decrease in impairment on forborne loans	Other[2]	Closing balance
2022							
Total	445	197	-171	52	-118	22	428
Of which KBC Bank Ireland	*15*	*0*	*0*	*0*	*-6*	*0*	*9*
2021							
Total	645	154	-68	266	-164	-388	445
Of which KBC Bank Ireland	*251*	*23*	*0*	*170*	*-69*	*-360*	*15*

[1] Includes foreign-exchange effects for loans granted in currencies other than the local currency, changes in the drawn/undrawn portion of facilities, increases in the gross carrying value of existing forborne loans and additions or disposals through business combinations. For Ireland: the planned sale of loans at KBC Ireland resulted in a shift to the 'Non-current assets held for sale and disposal groups' balance sheet item because we consider all IFRS 5 conditions to have been met.

[2] Includes the use of impairment in respect of write-offs and additions or disposals through business combinations.

Forborne loans	As a % of the outstanding portfolio	Breakdown by PD class (as a % of the entity's portfolio of forborne loans)			
		PD 1–8	PD 9	PD 10 (impaired, less than 90 days past due)	PD 11–12 (impaired, 90 days and more past due)
31-12-2022					
Total	2%	39%	15%	33%	13%
Of which KBC Bank Ireland	4%	0%	49%	29%	22%
By client segment[1]					
Private individuals[2]	1%	45%	17%	26%	12%
SMEs	2%	44%	11%	34%	12%
Corporations[3]	2%	31%	16%	37%	16%
31-12-2021					
Total	3%	39%	12%	33%	16%
Of which KBC Bank Ireland	12%	0%	25%	41%	34%
By client segment[1]					
Private individuals[2]	2%	23%	17%	35%	25%
SMEs	3%	57%	8%	27%	8%
Corporations[3]	3%	44%	9%	35%	13%

[1] Unaudited.

[2] 90% of the forborne loans total relates to mortgage loans in 2022 (95% in 2021).

[3] 26% of the forborne loans relates to commercial real estate loans in 2022 (27% in 2021).

Other credit risks

Trading book securities. These securities carry an issuer risk (potential loss should the issuer default). We measure exposure to this type of risk on the basis of the market value of the securities. Issuer risk is curtailed through the use of limits both per issuer and per rating category.

Government securities in the investment portfolio of banking entities. We measure exposure to governments in terms of nominal value and book value. Such exposure relates mainly to EU states. We have put in place limiting caps for both non-core and core country sovereign bond exposure. Details on the exposure of the combined banking and insurance activities to government bonds are provided in a separate section below.

Counterparty credit risk of derivatives transactions. The amounts shown in the table below are the group's pre-settlement risks, which are measured using the internal model method for interest rate and foreign exchange derivatives in the Belgium Business Unit. For inflation, equity and commodity derivatives, pre-settlement risks are calculated as the sum of the (positive) current replacement value ('mark-to-market' value) of a transaction and the applicable add-on. This calculation is also used for measuring pre-settlement risks for interest rate and foreign exchange derivatives in the other business units.

Risks are curtailed by setting limits per counterparty. We also use close-out netting and collateral techniques. Financial collateral is only taken into account if the assets concerned are considered eligible risk mitigants for regulatory capital calculations.

Other credit exposure (in billions of EUR)	31-12-2022	31-12-2021
Issuer risk[1]	0.03	0.02
Counterparty credit risk of derivatives transactions[2]	3.9	4.4

[1] Excluding a nominative list of central governments, and all exposure to EU institutions and multilateral development banks.

[2] After deduction of collateral received and netting benefits.

Regulatory capital

The regulatory capital requirements for credit risk increased to 6 799 million euros at the end of 2022 from 6 455 million euros at the end of 2021, driven largely by the acquisition of Raiffeisenbank Bulgaria, volume growth and asset quality changes of portfolios in the core countries. For more details, please see the 'Credit risk' section in KBC's Risk Report, which is available at www.kbc.com.

Market risk in non-trading activities

Managing market non trading risk

The management of ALM risk at KBC is the responsibility of the Executive Committee, supported by the CRO Services Management Committee and the Asset and Liability Committee (ALCO). The Executive Committee decides on the non-trading market risk framework, which sets out specific risk guidance.

With the risk function, the ALM Council – chaired by the Treasury CRO – aims to establish, facilitate, promote and support the solid and efficient integration of all tasks assigned to the local and group risk departments that are accountable for monitoring non-trading market risk. The Council acts as a management meeting of the group-wide Extended Competence Centre for ALM & Liquidity Risk.

Market risk is the risk related to changes in the level or in the volatility of market prices. The process of managing our structural exposure to market risks in the non-trading activities includes interest rate risk, gap risk, basis risk, option risk (such as prepayment risk), currency risk, equity price risk, real estate price risk, credit spread risk and inflation risk. 'Structural exposure' encompasses all exposure inherent in our commercial activity or in our long-term positions (banking and insurance). Trading activities are therefore not included. This process is also known as Asset/Liability Management (ALM).

The building blocks for managing market risk in non-trading activities

- Risk identification: market risk related to non-trading exposures arises from:
  - mismatches in the banking activities linked to the branch network's acquisition of working funds and the use of those funds (via lending, among other things);
  - mismatches in the insurance activities between liabilities in the non-life and life businesses and the cover for these liabilities present in the investment portfolios held for this purpose;
  - the risks associated with holding an investment portfolio for the purpose of reinvesting shareholders' equity (the so-called strategic position);
  - the structural currency exposure stemming from the activities abroad (investments in foreign currency, results posted at branches or subsidiaries abroad, foreign exchange risk linked to the currency mismatch between the insurer's liabilities and its investments).

  The following tools are used in the risk identification process for the market risk non-trading: the New and Active Products Process (NAPP), the Climate Risk Impact Map, the risk scan, the risk signal and early warning process, the parameter reviews and materiality assessments based on in-depth analysis and deep dives.
- Risk measurements: Group Risk and the local risk departments measure ALM risks and flag current and future risk positions. A common rulebook, which supplements the framework for technical aspects, and a shared group measurement infrastructure ensure that these risks are measured consistently throughout the group. This includes a broad range of risk measurement methods such as:
  - Basis-Point-Value (BPV) for interest rate risk;
  - gap analysis for interest rate risk, gap risk and inflation risk;
  - economic sensitivities for currency risk, equity price risk and real estate price risk;
  - net interest income simulations over a multi-year period which are used in budgeting and risk processes.
- Setting risk appetite: limits cover all material risks faced by the ALM function: interest rate risk, equity risk, real estate risk and foreign exchange risk for the consolidated entities are approved by the Board of Directors and limits for each local entity are approved by the Executive Committee.

  The treasury departments, acting as the first line of defence, measure and manage interest rate risk on a playing field defined by the risk appetite and the limits. They take into account measurement of prepayment and other option risks in the banking book and manage a balanced investment portfolio. Management of the positions implies that the treasury function uses derivatives to hedge against imbalances, due to interest rate and foreign exchange risks. To avoid profit and loss volatility that would result from the different accounting treatment of balance sheet investment items and derivatives, hedge accounting techniques are widely applied.
- Risk analysis, response and follow-up: besides regulatory required reporting, structural reporting to the ALCO is performed. The reporting process includes a sign-off process to ensure data accuracy.
- Stress testing: a balanced stress testing programme is prepared on a yearly basis and reported on a quarterly basis. This includes:
  - the back-testing of prepayments;
  - net interest income simulations performed under a variety of market scenarios for interest rate risk. Net interest income impact and sensitivities are also used to measure basis risk;
  - capital sensitivities arising from banking book positions that impact available regulatory capital (e.g., fair value through other comprehensive income) are used for spread risk, interest rate risk and equity risk.

Impact of geopolitical and emerging risks on non-trading market risk

After the markets had learned to live with the aftermath of the coronavirus crisis, they were shocked by the Russian aggression against Ukraine. Although our Central Europe subsidiaries share some borders with Ukraine, KBC had limited investments in the belligerent countries and it did not materially impact the banking books.

However, the increase in inflation and interest rates, which were already observed prior to the invasion, accelerated beyond expectations, fundamentally changing the challenges faced by the treasury department. The quest for decent returns on investments has been replaced by renewed risks for outflows. Moreover, credits sold in times of high interest rates bear a larger prepayment risk. Tested scenarios showed the risk is material, but manageable. At the end, the solid and well-balanced structure of our banking books, as well as a prudent approach in the management of non-maturity deposits, allowed KBC to contain the risks and keep the balance sheet healthy.

The different sub-risk types, including more details and figures, are set out below.

Interest rate risk and gap risk

The main technique used to measure interest rate risks is the 10 BPV method, which measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire swap curve (negative figures indicate a decrease in the value of the portfolio). We also use other techniques such as gap analysis, the duration approach, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective).

Impact of a parallel 10-basis-point increase in the swap[1] curve for the KBC Bank

Impact on value[2] (in millions of EUR)	2022	2021
Total	-36	-69

[1] In accordance with market standards, sensitivity figures are based on a risk-free curve (swap curve).

[2] Full market value, regardless of accounting classification or impairment rules.

We manage the ALM interest rate positions of the banking entities via a system of market-oriented internal pricing for products with a fixed maturity date, and via a replicating portfolio technique for products without a fixed maturity date (e.g., current and savings accounts).

The bank takes interest rate positions mainly through government bonds, with a view to acquiring interest income, both in a bond portfolio used for reinvesting equity and in a bond portfolio financed with short-term funds and deposits. The table shows the bank's exposure to interest rate risk in terms of 10 BPV.

Swap BPV (10 basis points) of the ALM book*

(in millions of EUR)	2022	2021
Average for 1Q	-75	-65
Average for 2Q	-66	-64
Average for 3Q	-70	-60
Average for 4Q	-36	-69
As at 31 December	-36	-69
Maximum in year	-75	-69
Minimum in year	-36	-60

* Unaudited figures, except for those 'As at 31 December'.

In line with European Banking Authority guidelines, we conduct an outlier stress test at regular intervals by applying six different scenarios to the banking books (material currencies). The worst-case scenario is set off against tier-1 capital. For the banking book at KBC group level, this risk came to -3% of tier-1 capital at year-end 2022. This -3% is well below the 15% tier-1 threshold, which is monitored by the European Central Bank.

The following table shows the interest sensitivity gap of the ALM banking book. To determine the sensitivity gap, we break down the carrying value of assets (positive amount) and liabilities (negative amount) according to either the contractual repricing date or the maturity date, whichever is earlier, in order to obtain the length of time for which interest rates are fixed. We include derivative financial instruments, mainly to reduce exposure to interest rate movements, on the basis of their notional amount and repricing date.

Interest sensitivity gap of the ALM book (including derivatives) (in millions of EUR)	≤ 1 month	1–3 months	3–12 months	1–5 years	5–10 years	> 10 years	Non-interest-bearing	Total
31-12-2022	-24 177	11 472	-10 910	7 621	6 314	21	9 659	0
31-12-2021	1 745	-12 310	-8 919	5 529	5 687	1 104	7 164	0

* Please note that the ‘Non-interest bearing’ bucket includes Cash at Central Banks and non-maturity deposits that are kept overnight. For 2022 this amounted in total to +27.8 billion euros and for 2021 this was +20.6 billion euros. In case allocated to the “<1 month bucket” we come to an overall positive gap in the first month.

The interest sensitivity gap shows our overall position in interest rate risk. Generally, assets reprice over a longer term than liabilities, which means that KBC’s net interest income benefits from a normal (upward-sloping) yield curve. The economic value of the KBC Bank group is sensitive primarily to movements at the long-term end of the yield curve.

An analysis of net interest income is performed by measuring the impact of different interest rate scenarios over a three-year period. For the banking activities, the analysis shows for the most likely scenario some limited improvement in Net Interest Income for the next two years under the most probable scenario, followed by a greater positive effect.

Credit spread risk

We manage the credit spread risk for, inter alia, the sovereign portfolio by monitoring the extent to which the value of the sovereign bonds would change if credit spreads were to go up by 100 basis points across the entire curve.

Exposure to sovereign bonds at year-end 2022, carrying value[1] (in millions of EUR)

	At amortised cost	At fair value through other comprehensive income (FVOCI)	Held for trading	Total	For comparison purposes: total at year-end 2021	Economic impact of +100 basis points[3]
KBC core countries						
Belgium	6 721	257	230	7 209	*8 849*	-283
Czech Republic	10 775	625	1 159	12 558	*11 382*	-565
Hungary	2 259	86	98	2 443	*2 890*	-71
Slovakia	3 039	83	17	3 139	*3 220*	-146
Bulgaria	1 706	364	13	2 083	*1 425*	-72
Other countries						
France	3 407	112	25	3 544	*4 438*	-109
Spain	1 736	335	0	2 071	*2 160*	-60
Ireland	1 016	86	0	1 102	*1 202*	-44
Poland	838	17	9	864	*1 091*	-22
Italy	250	484	0	734	*748*	-18
US	1 558	15	0	1 573	*1 319*	-55
Rest[2]	5 469	505	98	6 073	*3 898*	-285
Total carrying value	38 774	2 970	1 650	43 393	*42 620*	-
Total nominal value	39 599	3 113	1 794	44 505	*41 711*	-

[1] The table excludes exposure to some supranational entities not considered as sovereigns, such as European Investment Bank or European Investment Fund. No material impairment on the government bonds in portfolio.

[2] Sum of countries whose individual exposure is less than 1 billion euros at year-end 2022.

[3] Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure. Only a portion of this impact is reflected in profit or loss and/or equity. Figures relate to non-trading positions in sovereign bonds for the banking and insurance businesses (impact on trading book exposure was quite limited and amounted to 14 million euros, including supranational bonds, at year-end 2022).

Revaluation reserve at fair value through other comprehensive income (FVOCI) at year-end 2022: the carrying value of the total government bond portfolio measured at FVOCI incorporated a revaluation reserve of -0.2 billion euros, before tax (-31 million euros for Czech Republic, -31 million euros for Hungary, -21 million euros for Italy, -18 million euros for France, and -90 million euros for the other countries combined).

In addition to the sovereign portfolio, the KBC group holds a non-sovereign bond portfolio (banks, corporations, supranational bodies).

Exposure to non-sovereign bonds at year-end, by rating: economic impact of +100 basis points (in millions of EUR)	31-12-2022	31-12-2021
Bonds rated AAA	-84	-88
Bonds rated AA+, AA, AA-	-61	-51
Bonds rated A+, A, A-	-15	-18
Bonds rated BBB+, BBB, BBB-	-6	-9
Non-investment grade and non-rated bonds	-17	-25
Total carrying value (excluding trading portfolio)	6 157	4 830

Equity risk

KBC Bank and KBC Asset Management hold smaller equity portfolios. More information on total non-trading equity exposures is provided below.

Equity portfolio of the KBC Bank (breakdown by sector, in %)	31-12-2022	31-12-2021
Financials	69%	68%
Consumer non-cyclical	0%	0%
Communication	0%	0%
Energy	0%	0%
Industrials	12%	10%
Utilities	0%	0%
Consumer cyclical	4%	4%
Materials	0%	0%
Other and not specified	14%	17%
Total	100%	100%
In billions of EUR	0.22	0.26
of which unlisted	0.21	0.26

Impact of a 25% drop in equity prices, impact on value (in millions of EUR)	2022	2021
Total	-55	-64

Non-trading equity exposure	Net realised gains (in income statement)		Net unrealised gains on year-end exposure (in equity)	
(in millions of EUR)	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Total	-	-	12	29

Real estate risk

The groups' real estate businesses hold a limited real estate investment portfolio. KBC Insurance also holds a diversified real estate portfolio, which is held as an investment for non-life reserves and long-term life activities. The real estate exposure is viewed as a long-term hedge against inflation risks and as a way of optimising the risk/return profile of these portfolios.

Impact of a 25% drop in real estate prices, impact on value (in millions of EUR)	2022	2021
Total	-94	-97

Inflation risk

Inflation can impact a financial company indirectly in many ways, for instance via changes in interest rates or operational costs. Inflation in general therefor is not easily quantifiable as a market risk concept. However, certain financial products or instruments have a direct link with inflation and their value is directly impacted by a change in market expectations. KBC Bank is using indexed bonds as an opportunity to diversify its asset portfolio.

The banking business holds a 600-million-euro portfolio of indexed bonds. Aside of this, we are not exposed in a measurable way to inflation risk.

Foreign exchange risk

We pursue a prudent policy as regards our structural currency exposure. Material foreign exchange exposures in the ALM books of banking entities with a trading book are transferred via internal deals to the trading book, where they are managed within the allocated trading limits. The foreign exchange exposure of banking entities without a trading book and of insurance and other entities has to be hedged, if material. However, non-euro-denominated equity holdings in the investment portfolio are not required to be hedged, as foreign exchange volatility is considered part of the investment return.

KBC focuses on stabilising the common equity ratio against foreign exchange fluctuations.

Impact of a 10% decrease in currency value*

(in millions of EUR)	31-12-2022	31-12-2021
CZK	-231	-243
HUF	-100	-107
BGN	-96	-42
USD	-1	3

* Exposure for currencies where the impact exceeds 10 million euros

Hedge accounting

Assets and liabilities management uses derivatives to mitigate interest rate and foreign exchange risks. The aim of hedge accounting is to reduce the volatility in P&L resulting from the use of these derivatives.

KBC decided not to apply hedge accounting to credit and equity risks. When the necessary criteria are met, it is applied to remove the accounting mismatch between the hedging instrument and the hedged item. For more information about hedge accounting, please see 'Notes on the accounting policies' in the 'Consolidated financial statements' section.

Risk categories applying to hedge accounting

Interest rates

Hedging derivatives are used to mitigate an interest rate risk that arises from a difference in the interest rate profile of assets and their funding liabilities. The hedge accounting status of a hedge can be associated with either the asset or the liability item.

Interest rate derivatives can be designated as:

- Hedges of the fair value of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is also recognised in profit or loss.
- Hedges of the cashflow of recognised assets and liabilities which are either certain or highly probable forecasted transactions. The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in the cashflow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

KBC uses macro hedge accounting strategies for homogeneous portfolios of smaller items, where the frequency of occurrence or the relatively small size of the average operation renders the one-to-one relationship sub-optimal. This is the case for inter alia mortgages, loans to SMEs or customer deposits. Macro hedge strategies may be dynamic and undergo frequent changes based on balancing the portfolio ('open portfolio hedge'), among other things.

The micro hedge designation is used when large individual assets or liabilities are hedged. Typical assets are large corporate loans and bond acquisitions for which the credit spread profile is relevant. Liabilities can include KBC's own issues or specific long-term facilities offered by a central bank. Micro hedges are either fair-value or cashflow based.

Foreign exchange

KBC has strategic investments denominated in non-euro currencies. The net asset value of significant participations is partly funded in the local currency by deposits and foreign exchange derivatives, to ensure stability of the CET1 ratio. By using hedges of net investments in foreign operations, the foreign exchange component is reported in equity until realisation (unwinding of funding due to liquidation, dividend payments or other decreases in net asset value).

KBC also has a limited portfolio of foreign-currency-denominated bonds that are funded through euro proceeds. These bonds are hedged by cross-currency interest rate swaps to create a synthetic EUR fixed-rate interest income. Cashflow hedge accounting (microhedge) is performed to mitigate foreign exchange volatility.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, as well as through periodic prospective and retrospective effectiveness assessments, to ensure that a relevant relationship between the hedged item and the hedging instrument exists and remains valid.

Effectiveness testing

For interest rates, several prospective and retrospective tests are performed to ensure the relationship between the hedged item and the hedging instrument qualifies for the hedge accounting strategy.

Prospective tests are mostly based either on a sensitivity analysis (verifying if the basis point value of the hedged portfolio relative to the hedging instrument stays within the 80-125% interval) or volume tests (if the principal amount of hedge-eligible items exceeds the notional volume of hedging instruments expected to be repriced or repaid in each specified time bucket).

For macro cashflow hedges, extensive forward-looking analyses assess the sufficient likelihood that the future volume of hedged items will largely cover the volume of hedging instruments. A hedge ratio – measuring the proportion of a portfolio that is hedged by derivatives – is calculated for each hedging strategy.

The retrospective effectiveness test of the hedge relationship is periodically carried out by comparing the change in fair value of the portfolio of hedging instruments relative to the change in fair value of the hedged eligible items imputable to the hedged risk over a given period (the ratio of fair value changes remains within the 80-125% interval).

For foreign exchange hedging, effectiveness is ensured by adjusting the sum of the nominal amount of the funding deals and foreign exchange derivatives to the targeted hedge amount of the strategic participations. For foreign-currency-denominated bonds swapped into euro, the start date, maturity date and coupon dates are also matched.

Sources of hedge ineffectiveness

Ineffectiveness for interest rate swaps may occur due to:

- differences in relevant terms between the hedged item and the hedging instrument (it can include discrepancies in interest curves and in periodicity);
- a reduction in volume of the hedged item that would fall under the volume of hedging instruments for any time bucket;
- the credit value adjustment on the interest rate swap not being matched by the loan. However, hedging swaps are fully collateralised or traded through clearing houses and the credit value adjustment is limited.

Regarding the hedge of the net investment in foreign currency, the interest rate component from the hedging instruments can be a source of inefficiency. The counterparty risk on the hedging instrument, even if collateralised, can also be a source of inefficiency.

Discontinuation of hedge accounting

Hedge accounting strategies failing the effectiveness tests are discontinued. A de-designated hedging instrument can be re-designated in a new hedge relationship. Effective hedge accounting strategies may also be discontinued for technical or strategic reasons. Any impact on profit and loss arising from hedge ineffectiveness and discontinuation is reported to the ALCO.

Capital sensitivity to market movements

Available capital is impacted when the market is stressed. Stress can be triggered by a number of market parameters, including by swap rates or bond spreads that increase or by equity prices that fall. At KBC, we use this capital sensitivity as a common denominator to measure the vulnerability of the banking book to different market risk shocks. Common equity tier-1 (CET1) capital is sensitive to a parallel increase in bond spreads. This sensitivity is caused by investments in sovereign and corporate bonds whose spread component has not been hedged. The loss in available capital in the event of a fall in equity prices is caused primarily by positions in pension funds that would be hit by such a shock.

CET1 sensitivity to main market drivers KBC Bank (as % points of CET1 ratio)	31-12-2022	31-12-2021
+100-basis-point parallel shift in interest rates	-0.1%	0.3%
+100-basis-point parallel shift in spread	-0.1%	-0.2%
-25% in equity prices	-0.1%	-0.3%

Regulatory capital

Regulatory capital for non-trading market activities totalled 22 million euros. It is used to cover foreign exchange exposures only, as KBC does not have any commodity exposures. In line with regulations, other types of non-trading market risk are covered through pillar II assessments.

Non-financial risks

Operational risk

Managing operational risk

Operational risk is the risk of inadequate or failed internal processes, people and systems or from sudden man-made or natural external events.

The Extended Competence Centre for Operational Risk, which consists of risk experts at both group and local level, cooperates with other expert functions covering the nine operational sub-types: Information Technology risk, Information Security risk, Business Continuity risk, Process risk, Outsourcing and Third-Party risk, Model risk, Legal risk, Fraud risk, and Personal and Physical Security risk. KBC's approach is perfectly aligned with the Basel requirements for Operational Resilience and the EU Digital Operational Resilience Act (DORA).

The building blocks for managing operational risks

- Risk identification: includes following up on legislation, using the New and Active Products Process (NAPP), the Climate Risk Impact Map indicating the climate risks that might materialise and potentially impact operational risk, performing risk scans to identify and analyse risks, analysing key risk indicators, performing independent control monitoring activities, root cause analysis of near misses and losses and other risk events. A structured, process-based repository of Group Key Risks and related mitigating Group Key Control Objectives (GKCs) is in place to set top-down minimum standards for the risk and control environment. Self-assessments are performed by the first line of defence. GKCs are defined for all groupwide end-to-end processes and are designed to manage key operational risk types. A review process is in place to keep the repository in line with new or emerging operational risk types. Entities translate these GKCs into their operational process environment and supplement them with additional, local operational controls, if necessary. Dynamic trigger-based risk assessments are in place, based on the continuous screening of both internal and external risk events.
- Risk measurement: unified group metrics and scales are in place to define and support not only the underpinning of the risk profile of an entity, but also individual operational risk levels in the processes. Group-wide tools are used by the three lines of defence to support the core activities of operational risk management. In addition, a group-wide uniform scale is used to express the overall internal control state of each process in each material entity and the overall internal control state of the entity. The group-wide automated data-driven risk measurement of processes, resulting in Internal Control Statement (ICS) process scores, being determined on the following indicators:
    - The control maturity reflecting the effectiveness of Group Key Controls and the Zero Tolerance 'Blacklisted Companies';
    - The number of outstanding action plans and audit recommendations (incl. risk acceptances);
    - Losses (and legal claims);
    - Process-specific indicators for Outsourcing and the New and Active Products Process (NAPP).

  An annual stress test is performed to assess the adequacy of pillar 1 operational risk capital
- Setting and cascading risk appetite: the risk appetites for operational risk overall and for the nine operational risk sub-types individually are set in line with the overall requirements as defined in the Enterprise Risk Management Framework.
- Risk analysis, reporting and follow-up: a uniform approach – strongly based on first line of defence accountability (business side) and challenges by the second line of defence (risk, fraud, legal and other experts) and assurance by the third line of defence (internal audit) – is in place with risk-based follow-up at both local and group level. Minimum standards for the operational risk management reporting process are defined. Structural reporting to the Group Internal Control Committee (GICC) is performed on a quarterly basis. Regular reporting and follow-up is presented in the Integrated Risk Report (IRR) which is brought to the Executive Committee, the Risk & Compliance Committee and the Board of Directors. The quality of the internal control environment and related risk profile is reported to KBC's senior management and to the NBB, the FSMA and the ECB via the annual Internal Control Statement.
- Stress testing: operational risk scenarios or potential events are considered in the context of risk-type-specific or integrated stress tests.

The broad spectrum of operational risks is categorised into a number of sub-risk types, in accordance with Basel requirements and industry practice. Specific attention was paid to the top sub-risk types set out below.

Information risk management

Information risk management encompasses the risks of information security, information technology and business continuity management, the latter including crisis management. Information security risk is one of the most material risks that financial institutions face these days.

The mission of KBC's Competence Centre for Information Risk Management (IRM) is to help protect KBC against threats to data and information, such as loss of integrity, loss of confidentiality and unplanned availability. It supports local risk and teams acting as the first line of defence for information risk management. The competence centre includes an internationally recognised and certified Group Cyber Emergency & Response Team (CERT).

Information Security and IT risks are structurally reported to the Group Internal Control Committee (GICC) and the Global IT Committee (GITCO). The GICC supports the Group Executive Committee in the domain of strengthening the quality and effectiveness of KBC's internal control system The GITCO serves as the governance structure to ensure alignment on Information Security and IT strategy across the KBC group.

- Risk identification: involves regular follow-up on legislation, for example the EU Digital Operational Resilience Act (DORA), as well as managing our KBC group standards, guidelines and control framework. On top of that, regular proactive scanning of the environment is performed in order to identify external or internal cyber trends which could negatively impact our company in a direct or indirect way. These are also known as risk signals and are reported to the Risk & Compliance Committee (RCC), which informs the Board of Directors (BoD) via the Integrated Risk Report, and to the Group Internal Control Committee (GICC). Within the New and Active Products Process (NAPP), all information security and IT-related risks are to be identified and analysed by the first line of defence, which is advised by the second line of defence, and discussed as part of the NAPP approval.
- Risk measurement: the entities' risk profiles, as well as their Internal Control Statement (ICS) scores, for the Information Security, Information Technology and Business Continuity Management processes are determined based on the following indicators:
  - The 'maturity indicator' measures the effectiveness of our Group Key Controls;
  - The 'risk indicator' measures the timely mitigation of known risks caused by deficiencies in our control environment;
  - For the Information Security process, a 'new requirements' indicator has also been added, which measures the progress on the implementation of additional controls required to anticipate future risks.

  Metrics have been defined at the Group Key Control level to underpin control effectiveness with facts and figures. Examples include, but are not limited to asset management statistics, employee phishing campaign click rates, website vulnerability patching speeds and other metrics related to threats to KBC clients and companies.
- Setting and cascading risk appetite: the risk appetite for information technology, information security and BCM risk is set in line with the overall requirements as defined in our Enterprise Risk Management Framework and is overseen by the Group Internal Control Committee (GICC) and is approved by the Executive Committee and the Board of Directors
- Risk analysis, reporting and follow-up: Information Security and Information Technology risks are assessed by the three lines of defence and continuously monitored via a group-wide detailed risk assessment tool. The status of Information Risk Management is frequently reported to internal as well as external stakeholders.
- Stress testing enables KBC entities to deal with local cyber crises and handle major incidents. To assure that Information Security and Information Technology risks are effectively controlled, a number of challenges are performed throughout the group on a regular basis, such as ethical hacking exercises, technical Cyber Resilience & Readiness Testing, detailed investigations, employee phishing tests, crisis simulations and other incident drills.

Outsourcing risk management

Regulatory requirements regarding follow up, measurement and reporting of outsourcing risk have increased over the years. As contracting external service providers is an essential part of operational processes and intragroup outsourcing is an important aspect of the KBC strategy, the need to focus on outsourcing risk remains a key element of the group-wide risk management at KBC.

To ensure robust management of its outsourcing processes and risks, KBC has put in place a group-wide outsourcing framework, which comprises a group-wide Outsourcing Policy and group-wide Outsourcing Risk Standards. Both policy and standards are supported by first and second lines of defence guidance to ensure a standardised approach, in compliance with the EBA Guidelines on Outsourcing, throughout the whole of the KBC group.

Key control objectives are in place to adequately mitigate risks arising from either external or internal outsourcing during the full life cycle of a service provider, from selection and pre-contractual stages to renewal, termination and exit strategies. Qualitative risk governance of KBC outsourced activities is ensured by regular risk assessments, their frequency being defined by the criticality of the outsourced activity.

Model risk management

KBC's data-driven strategy is powered by an expanding set of advanced models. AI-based models are becoming an increasingly common sight across business domains (banking, insurance, asset management).

In line with the internal model risk management standards, all such models are centrally inventoried on a dedicated platform, periodically assessed for their risks and labelled accordingly. This labelling takes into account model uncertainty, model impact and materiality as well as the strength and maturity of controls applied to the model. The resulting labels allow KBC to manage its model risk profile, define priorities and establish action plans.

Business continuity management including crisis management

To ensure availability of critical services, KBC has business continuity management process in place. This ensures regular business impact analysis is performed and recovery time objectives are defined and implemented.

The BCM process is a mature process within the group, with a focus on both prevention and response. Crisis prevention focuses on reducing the probability of a crisis, while crisis response focuses on the effective and efficient handling of a crisis should one occur. To enable this, practical scenarios called runbooks are available on how to handle an ongoing crisis.

Impact of geopolitical and emerging risks on operational risk management

In 2022, the coronavirus pandemic caused minimal operational impact. In all entities of the group a new way of working, including teleworking, marked an end to the special coronavirus policies and a return to normal operations. The initial close monitoring of operational risks related to the coronavirus reverted back to business as usual. During monthly Business Continuity Management (BCM) status checks, the potential impact of the coronavirus continues to be monitored. In 2022, no major issues, losses or incidents related to the pandemic occurred.

Since the beginning of 2022, American and European institutions have warned us about an increased risk of disruptive cyber-attacks on critical infrastructure and institutions such as telecoms, energy, financial markets infrastructure, etc., following the outbreak of the war between Russia and Ukraine.

During the second half of 2022, we observed an increased number and variety of cyber-attacks (e.g., DDoS and password spraying) targeting KBC entities and other financial institutions. A minority of these attacks can be attributed to increased cyber activity in the context of the Ukraine-Russia conflict. However, these attacks had limited impact on the targeted KBC entities and our clients and no significant losses were incurred.

KBC Group's Information Security and IT department as well as the local entities remain vigilant, with constant monitoring procedures in place. Several actions were initiated to further mitigate the risk, such as:

an assessment of possible risks related to IT vendors with exposure towards the countries involved in the war;

limiting access to the KBC network from countries involved in the war.

Measures are continuously evaluated, prompting additional actions as needed (e.g., a revision of the preventative standards and the investments in new tools to enhance KBC's protection against this increasing threat).

Compliance risk

Compliance risk is the risk of non-conformity or sanctions due to failure to comply with laws and regulations presenting an integrity dimension, and with internal policies and codes of conduct reflecting the institution's own values, as defined in the Group Compliance Framework. It includes conduct risk, i.e. the current or prospective risk of losses arising from inappropriate supply of products and services, including cases of wilful or negligent misconduct.

The Compliance function's role is twofold: on the one hand, it provides advice from an independent viewpoint on the interpretation of laws and regulations pertaining to the domains it covers. This preventive role has come about through Group Compliance Rules that define minimum requirements for the entire group, the provision of procedures and instructions, tailored training courses, daily advice and independent opinions in the New and Active Products Process, information on new regulatory developments to the governance bodies and support of group strategy, and the implementation of legal and regulatory requirements by the various businesses concerned.

On the other hand – as the second line of defence – it carries out risk-based monitoring to ensure the adequacy of the internal control system. More specifically, monitoring allows it to verify whether legal and regulatory requirements are being correctly implemented in the compliance domains. It also aims to ensure the effectiveness and efficiency of the controls performed by the first line of defence. Moreover, quality controls are performed in the main group entities to assure the Board of Directors that the compliance risk is being properly assessed.

Since 2020, significant efforts have been concentrated on the scalable and future-proof features of the Compliance function. This was achieved by simplifying more processes, fostering group-wide cooperation among the teams and through automation and Artificial Intelligence. Hence, as a first step, a common integrated platform to enhance the management of money laundering – on both the 'Know Your Customer' and the transactions sides – has been developed and will be rolled out in Belgium and at the Central European entities. Based on modelling and machine learning it allows, among other things, improved detection of unusual behaviours. Resources were doubled in Belgium, enabling a strong reinforcement of the Compliance Monitoring Programme. Group Fraud Management Framework coordination has been developed and is expected to achieve full maturity by 2023, while benefiting at the same time from developments in Artificial Intelligence.

The values defended by the group and the key requirements are set out in detail in the Integrity Policy. They are complemented by a content-based strategy and by backward and forward-looking, qualitative and quantitative key risk and performance indicators to better underpin the risk profile of the organisation and to reflect the ultimate aim of conforming to the letter and spirit of the law.

The prevention of money laundering and terrorism financing, including embargoes, has been a top priority for the Compliance function during the last three years and will continue to be prioritised in 2023. It is an area where knowledge of the client (Know Your Customer (KYC)), updating their profiles and monitoring transactions (Know Your Transaction (KYT)) are essential. Efforts are continuously made to adapt the organisation to a constantly changing regulatory environment, particularly with regard to clients who present an increased risk and for whom additional information is required. A Financial Crime Unit was set-up to enhance synergies between AML (Anti Money Laundering), embargoes and Fraud. The Compliance function is also closely following the EU developments at the level of the new AML Authority (AMLA) and regulatory provisions expected in 2024.

It goes without saying that the interests of the client come first. Given this position, the control functions ensure that, under the New and Active Products Process, the launch of any new products conforms with the many legal and regulatory provisions in place, such as MiFID II, the Insurance Distribution Directive (IDD) and other local and EU Regulations, as well as being in line with KBC's values. In 2022, particular attention was devoted to sustainable investments/ESG (Environmental, Social and Governance) characteristics in MiFID and IDD as well as to the sustainable finance strategy. These efforts will be pursued in 2023.

Data protection aspects remain central to maximising conformity with GDPR. Since 2020, Kate, the voice personal assistant, has gained maturity and can increasingly facilitate the everyday lives of our clients. Efforts in 2021 and 2022 were largely concentrated on Cloud developments, taking into account the consequences of Schrems II (transfer of data to third countries) while maintaining the right balance between the regulatory requirements in place and the technological developments inherent in a data-driven strategy now and going forward.

Regulatory capital requirements

When calculating operational risk (including compliance risk) capital, we use the Standardised approach under Basel III. Operational risk capital at KBC group level totalled 975 million euros at the end of 2022, compared to 920 million euros at the end of 2021. This increase of 5.9% originates from the acquisition of Raiffeisenbank Bulgaria (24 million euros) and a higher total income.

Reputational risk

Reputation is a valuable asset in business and this certainly applies to the financial services industry, which thrives to a large extent on trust. Reputational risk is mostly a secondary risk since it is usually connected to – and materialises together with – another risk. To manage reputational risk, we remain focused on sustainable and profitable growth and promote a strong corporate culture that encourages responsible behaviour, including social and environmental responsibilities. We put the clients' interests at the heart of what we do and foster trust by treating the client fairly and honestly.

Reputational risk is the risk arising from the loss of confidence by, or negative perception on the part of, stakeholders (such as KBC employees and representatives, clients and non-clients, shareholders, investors, financial analysts, rating agencies, the local community in which it operates, etc.) – be it accurate or not – that can adversely affect a company's ability to maintain existing, or establish new, business and client relationships, and to have continued access to sources of funding.

The Reputational Risk Management Framework describes how we manage reputational risk. Proactive and re-active management of reputational risk is the responsibility of business, supported by specialist units (including Group Communication, Investor Relations and Group Compliance).

Business environment and strategic risks

To prepare for and adequately address changes in the external environment and manage strategic risk, we have robust and effective strategic processes in place to identify both risks (e.g., the Risk Scan) and opportunities (e.g., by drafting a trend book) and to translate these into the KBC strategy and innovation roadmaps which are regularly reviewed.

Business environment risk is the risk arising from changes in external factors (the macroeconomic environment, regulations, client behaviour, competitive landscape, socio-demographic environment, climate, etc.) that impact the demand for and/or profitability of our products and services. Strategic risk is the risk caused by not taking a strategic decision, by taking a strategic decision that does not have the intended effect or by not adequately implementing strategic decisions.

The Corporate strategy 'Differently: the next level' is KBC's strategic answer to deal with changes in the business environment such as changing client behaviour, financial distintermediation, increasing digitalisation, and climate change. The strategy further enhances KBC's competitive position by creating a digital-first, data-driven bank-insurer+ (see the 'Our strategy' section).

Business environment risks are assessed as part of the strategic planning process, which starts with a risk scan that identifies the top financial and non-financial risks. These risks are quantified both in likely scenarios and in several stress scenarios. Exposure to the identified business environment risks is also monitored on an ongoing basis by means of risk signals which are reported to top management (e.g., risks emerging from the Russian-Ukrainian conflict and the ensuing energy and other supply-side disruptions were quickly picked up via risk signals and translated into action plans).

The general business environment risks (relating to the macroeconomic situation, competition, regulations, etc.) are also described in the 'Our business model' section.

Market risk in trading activities

Managing market trading risk

Market risk is the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices, e.g., interest rates, exchange rates and equity or commodity prices. KBC's market risk in trading activities comes from the mismatch that occurs between the portfolio arising from our bespoke client transactions and the more market-standard hedges carried out in the financial markets.

The Competence Centre for Trading Market Risk is primarily responsible for defining the Trading Market Risk Management Framework. This framework elaborates on specific suitable measures, methods, tools, the control processes to be implemented, organisational aspects, IT systems, matters regarding information/communication, and the associated governance for market risk in the group's trading books. The focus of our trading activities is on interest-rate instruments, while activity on the foreign exchange markets and in relation to equity has traditionally been limited. These activities are carried out by our dealing rooms in Belgium, the Czech Republic, Hungary, Bulgaria and Slovakia, as well as via a minor presence in the UK and Asia. Wherever possible and practical, the residual trading positions of our foreign entities are systematically transferred to KBC Bank NV, reflecting that the group's trading activity is managed centrally both from a business and a risk management perspective. Consequently, KBC Bank NV holds about 98% of the trading-book-related regulatory capital of KBC Bank Consolidated.

The building blocks for managing market trading risk

- Risk identification: the risk function analyses the results of value and risk calculations, market developments, industry trends, new modelling insights, changes in regulations, etc. and draws up advice for the Group Markets Committee (GMC) with a view to changing or refining measurement methods, limits, hedging methods or positions. Furthermore, before a new or changed dealing room product or activity can be introduced, the risk function screens whether the risk aspects are correctly and sufficiently covered and provides risk advice that includes powers of veto and is part of the NAPP. Also, to identify climate risk drivers that are most material for trading market risk, an annual Climate Risk Impact Map is drafted and presented to the GMC.
- Risk measurement: ownership of the definitions used for the group-wide measurement of trading market risk lies with the risk function. We measure risk via a number of parameters including nominal positions, concentrations, BPV, the so-called 'greeks' and scenario analysis. However, the primary tool we use for measuring and monitoring market risk exposures in the trading book is the Historical Value-at-risk (HVaR) method. VaR is defined as an estimate of the amount of economic value that might be lost on a given portfolio due to market risk over a defined holding period, with a given confidence level. We use the historical simulation method, which does not have to rely on assumptions regarding the distribution of price fluctuations or correlations, but is based on patterns of experience over the previous two years. Our HVaR model is used for both Management HVaR and for the calculation of regulatory capital. Regulatory HVaR is calculated using the relevant CRD IV standards (99% one-sided confidence interval, ten-day holding period). Management HVaR uses the same standards, except that a one-day holding period is used, as this is more intuitive for senior management and is also in line with P&L reporting, day-to-day management, stop losses and back-testing.
- Setting and cascading risk appetite: the risk appetite for market risk in trading activities is set in line with the overall requirements as defined in our overarching risk management framework and is overseen by the GMC via a risk limit framework consisting of a hierarchy of limits and early warning indicators. These are defined down to desk level and, in addition to HVaR, include a series of secondary limits, with equity concentration limits, FX concentration limits and basis-point-value limits for interest rate risk and basis risk. The specific risk associated with a particular issuer or country is also subject to concentration limits. There are also scenario analysis limits and – where deemed appropriate – stress scenario limits involving multiple shifts of underlying risk factors.
- Risk analysis, monitoring, reporting and follow-up: in addition to the more proactive elements described under 'Risk identification', this involves compiling the necessary external and internal reports, issuing advice on business proposals, and monitoring and advising on the risks attached to the positions. We monitor and follow up the risks attached to the positions on a daily basis by means of the risk limit framework. Another important aspect of this building block is prudent valuation. We perform a daily independent middle-office valuation of front-office positions. Whenever the independent nature or the reliability of the valuation process is not guaranteed, we perform a monthly parameter review. Where applicable, we make adjustments to the fair value to reflect close-out costs, mark-to-model-related value adjustments, counterparty risk and liquidity risk. Risk monitoring is also carried out via internal assessments and a large variety of controls, including parameter reviews, daily reconciliation processes, analyses of the material impact of proxies and other periodic controls to ensure sound risk management. The GMC, which meets every month, receives an extensive Core Report as well as periodic and ad hoc memos and reports. The GMC also receives a dashboard halfway between the monthly meetings whose frequency is increased (up to daily, if needed) depending on market circumstances. The Executive Committee ratifies the minutes of the GMC meetings and also receives market-risk-related information and risk signals in its monthly Integrated Risk Report.
- Stress testing: in addition to the risk limit framework, we conduct extensive stress tests on our positions on a weekly basis. Whereas the HVaR model captures potential losses under normal market conditions, stress tests show the impact of exceptional circumstances and events with a low degree of probability. The historical and hypothetical stress-test scenarios

incorporate both market risk and the liquidity aspects of disruptions in the market. The stress tests are discussed at GMC meetings to enable the members to gain an insight into potential weaknesses in the positions held by the group. During 2022, our review of the stress tests (as regards their mix and checking that they remain up-to-date and relevant) resulted in the recalibration of the tenor basis shifts and the cross currency basis shifts used in our interest rate hypothetical stress tests with no other changes deemed necessary. For more details about stress testing, please refer to the relevant sub-section of the 'Market risk management' section in KBC's Risk Report, which is available at www.kbc.com.

Impact of geopolitical and emerging risks on trading market risk

The high volatility and nervousness in the markets, amidst geopolitical tensions, high inflation figures, recession fears and the uncertainties surrounding the timing and extent of central banks' monetary tightening, has persisted throughout 2022. Although this increased market activity and volatility has been conducive to the dealing room P&L, even the small mismatches and residual positions arising from the inexact (macro) hedging of the positions resulting from facilitating clients led to increased P&L volatility. Notwithstanding the actions taken by the dealing room to lower P&L volatility, market risk RWAs for trading activities at year-end 2022 were approximately 16% higher than at year-end 2021 due to the market turmoil increasing the market risk RWA derived from our Approved Internal Model (please refer to KBC's Risk Report, available at www.kbc.com for more information). However, KBC's low risk appetite for market risk in trading activities is illustrated by the fact that, despite this increase, the 2022 market risk RWA for trading activities remained at about 3% of KBC Bank Consolidated's total RWA.

Risk analysis and quantification

The table below shows the Management HVaR (99% confidence interval, one-day holding period, historical simulation) for the residual trading positions at all the dealing rooms of KBC Bank Consolidated that can be modelled by HVaR.

Market risk (Management HVaR) (in millions of EUR)	2022	2021
Average for 1Q	8	8
Average for 2Q	9	8
Average for 3Q	10	7
Average for 4Q	9	7
As at 31 December	7	7
Maximum in year	12	11
Minimum in year	6	4

A breakdown of the risk factors (averaged over the full year) in KBC's HVaR model is shown in the table below. Please note that the equity risk stems from the equity desk, as well as from KBC Securities.

Breakdown by risk factor of trading HVaR (Management HVaR; in millions of EUR)	Average for 2022	Average for 2021
Interest rate risk	8.6	7.6
FX risk	1.3	1.1
FX options risk	0.3	0.2
Equity risk	0.8	0.9
Diversification effect	-2.1	-2.3
Total HVaR	8.9	7.5

We test the reliability of the VaR model daily via a back-test, which compares the one-day VaR figure to daily P&L figures. This is done at the top level and can be drilled down to the different entities, desks and even to trader account level. For more details about back-testing, please refer to the relevant sub-section of the 'Market risk management' section in KBC's Risk Report, which is available at www.kbc.com.

We have provided an overview of the derivative products under Note 4.8 of the 'Consolidated financial statements' section.

Regulatory capital

The vast majority of regulatory capital requirements are calculated using our Approved Internal Model which, in addition to HVaR, uses SVaR, which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress.

The period of stress is calibrated at least once a year (checked monthly to ensure the period is still valid) by determining which 250-day period between 2006 and the (then) present day produces the severest losses for the relevant positions. Business lines not included in the internal model calculations are measured according to the Standardised approach.

For more details about regulatory capital and how it developed between 2021 and 2022, please refer to KBC's Risk Report (available at www.kbc.com) which includes a breakdown of regulatory capital requirements for KBC Bank Consolidated's market risk per risk type.

Liquidity risk

Managing liquidity risk

Liquidity risk is the risk that an organisation will be unable to meet its liabilities and obligations as they come due, without incurring higher-than-expected costs.

The principal objective of our liquidity management is to be able to fund the group and to enable the core business activities of the group to continue to generate revenue, even under adverse circumstances.
The Group and Local Treasury functions act as the first line of defence and are responsible for KBC's overall liquidity and funding management. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing). These policies ensure that local management has an incentive to work towards a sound funding profile. The Group Treasury function also actively monitors its collateral on a group-wide basis. The Risk function is the second line of defence. Given the specifics of the Treasury domain and in support of the Group CRO, a dedicated Treasury CRO was appointed who is accountable for the Treasury activities. The group-wide Extended Competence Centre for ALM & Liquidity Risk is in turn responsible for installing the principles for liquidity risk management, which are laid down in a group-wide Liquidity Risk Management Framework that defines the risk playing field.

The building blocks for managing liquidity risk

- Risk identification: the NAPP process, the climate risk impact map, the risk scan, stress testing and materiality assessments are important tools used for risk identification. An annual assessment of key risk drivers impacting liquidity is performed as well. When relevant, risk signals are presented in Treasury Risk Reports and Integrated Risk Reports.
- Risk measurement: identified liquidity risks are measured by means of both regulatory metrics such as the Liquidity Coverage Ratio (LCR, which stood at 152%) and the Net Stable Funding Ratio (NSFR, which stood at 136%), and internal metrics on, for example, the funding mix and concentration and the composition of the liquid asset buffer. In the maturity analysis table below, KBC's structural liquidity risk is illustrated by grouping the assets and liabilities according to the remaining term to maturity (using the contractual maturity date). The difference between the cash inflows and outflows is referred to as the 'net funding gap'.
- Setting and cascading risk appetite: the Board of Directors sets the overall risk appetite objective for liquidity in close cooperation with the Executive Committee. The Group Asset and Liability Committee (GALCO) then translates this risk appetite for liquidity into liquidity risk measures and sets the limits for these measures.
- Risk analysis, reporting and follow-up: to mitigate day-to-day liquidity risk, group-wide trends in funding liquidity and funding needs are monitored continuously by the Group Treasury function. A Liquidity Contingency Plan drafted by the Group Treasury function is in place to address possible liquidity crisis situations and is tested at least annually.
- Stress testing: liquidity stress tests assess KBC's liquidity contingency risk by measuring how the liquidity buffer of the group's bank and insurance entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows and liquidity inflows resulting from actions to increase liquidity. The liquidity buffer has to be sufficient to cover liquidity needs over (i) a period that is required to restore market confidence in the group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. This information is fed into the Liquidity Contingency Plan.

Moreover, KBC has an Internal Liquidity Adequacy Assessment Process (ILAAP) in place to ensure it has robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring liquidity risk and funding positions over all appropriate time horizons, in order to maintain adequate levels of liquidity buffers.

Impact of geopolitical and emerging risks on liquidity risk

Stressed or extreme market conditions can be triggered by crises such as the coronavirus pandemic or the Russian-Ukrainian conflict. KBC's liquidity position has been able to withstand these stresses and remains very strong.

KBC participated in the targeted longer-term refinancing operation (TLTRO) in 2020 and 2021 for 24.5 billion euros, further supporting its LCR and NSFR figures. In 2022 KBC made a first partial repayment.

Maturity analysis

Liquidity risk (excluding intercompany deals)[1] [2] (in billions of EUR)	<= 1 month	1–3 months	3–12 months	1–5 years	> 5 years	On demand	Not defined	Total
31-12-2022								
Total inflows	6	12	20	82	115	53	34	322
Total outflows	38	20	29	24	5	178	29	322
Professional funding	6	0	20	5	0	4	0	36
Customer funding	19	9	8	12	3	174	0	226
Debt certificates	8	11	1	7	1	0	0	28
Other	4	0	0	0	0	0	29	33
Liquidity gap (excl. undrawn commitments)	-32	-8	-9	58	111	-125	5	0
Undrawn commitments	-	-	-	-	-	-	-47	-47
Financial guarantees	-	-	-	-	-	-	-11	-11
Net funding gap (incl. undrawn commitments)	-32	-8	-9	58	111	-125	-53	-58
31-12-2021								
Total inflows	7	10	23	75	101	43	44	303
Total outflows	20	19	10	41	4	178	31	303
Professional funding	7	1	3	24	0	6	0	41
Customer funding	5	11	3	10	2	172	0	203
Debt certificates	4	7	4	6	2	0	0	24
Other	4	0	0	0	0	0	31	35
Liquidity gap (excl. undrawn commitments)	-13	-9	13	34	96	-135	13	0
Undrawn commitments	-	-	-	-	-	-	-43	-43
Financial guarantees	-	-	-	-	-	-	-10	-10
Net funding gap (incl. undrawn commitments)	-13	-9	13	34	96	-135	-41	-54

[1] Cashflows exclude interest rate flows consistent with internal and regulatory liquidity reporting. Inflows/outflows that arise from margin calls posted/received for MtM positions in derivatives are reported in the 'Not defined' bucket. 'Professional funding' includes all deposits from credit institutions and investment firms, as well as all repos. Instruments are classified on the basis of their first callable date. Some instruments are reported at fair value (on a discounted basis), whereas others are reported on an undiscounted basis (in order to reconcile them with Note 4.1 of the 'Consolidated financial statements' section). Due to the uncertain nature of the maturity profile of undrawn commitments and financial guarantees, these instruments are reported in the 'Not defined' bucket. The 'Other' category under 'Total outflows' contains own equity, short positions, provisions for risks and charges, tax liabilities and other liabilities.
[2] Figures in consolidated balance sheet differ from the ones shown here. Reason is that the planned sale of the activities of KBC Bank Ireland resulted in a shift to the balance sheet 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 while the funding mix is showing the economic positions, including KBC Ireland at year-end.

Note this structural liquidity gap does not include the concept of a Liquid Asset Buffer (i.e. the fact that KBC can monetise its liquid bonds at all times via repo or pledging). Rather, cash generating capacity from bonds is in this table only visible at final maturity of the bond. As a result, the net funding gaps shown in the first buckets in the table are a clear overestimation of the risk as in practice KBC would monetise its Liquid Asset Buffer (96 bln EUR at end of year 2022 of which 49 bln EUR unencumbered central bank eligible assets and the remainder cash & withdrawable Central Bank receivables) for addressing these net outflows.

Funding information

We have a strong retail/mid-cap deposit base in our core markets, resulting in a stable funding mix. A significant portion of the funding is attracted from core customer segments and markets.

Funding mix[5]	Information	31-12-2022	31-12-2021
Funding from customers[1]	Demand deposits, term deposits, savings deposits, other deposits, savings certificates and debt issues placed in the network	80%	80%
Debt issues placed with institutional investors	IFIMA debt issues, covered bonds[3], tier-2 issues, KBC Group NV senior debt	6%	7%
Net unsecured interbank funding	Including TLTRO[4]	7%	12%
Net secured funding[2]	Repo financing	-3%	-9%
Certificates of deposit	–	3%	2%
Total equity	Including AT1 issues	6%	7%
Total		100%	100%
in billions of EUR		282	254

[1] Some 83% of this funding relates to private individuals and SMEs (year-end 2022).

[2] Negative on account of KBC carrying out more reverse repo transactions than repo transactions.

Liquid asset buffer

At year-end 2022, the KBC group had 49 billion euros' worth of unencumbered central bank eligible assets, 40 billion euros of which in the form of liquid government bonds (81%). The remaining available liquid assets were mainly covered bonds (14%). Most of the liquid assets are expressed in our home market currencies. The funding from non-wholesale markets was accounted for by stable funding from core customer segments in our core markets.

Climate-related and other ESG risks

ESG risks are the risks of (current or prospective) Environmental, Social or (corporate) Governance factors impacting KBC, either directly or via its counterparties and exposures:

- Environmental risk is the risk arising from climate change (climate risk) or from other environmental degradation such as biodiversity loss, scarcity of fresh water, (air, water and soil) pollution and waste.
- Social risk is the risk arising from changing expectations about relationships with employees, suppliers, clients and communities e.g., labour and workforce considerations, human rights and poverty, community impact, client relationships, etc.
- Governance risk is the risk arising from changing expectations concerning corporate governance, anti-corruption & anti-bribery, and transparency

Environmental, Social and Governance (ESG) risks are being gradually embedded in the KBC Risk Management Framework and in our risk management processes.

ESG risks are identified in our risk taxonomy as key risks related to KBC's business environment. ESG risks are considered as key drivers of the external environment which manifest themselves through (all) other traditional risk areas, such as credit risk, technical insurance risk, market risk, operational and reputational risk. As such, we do not consider ESG as standalone risk types.

Within the industry, risk assessment methodologies are more advanced for climate risk compared to some other ESG risk areas.
With regard to environmental risks, KBC also initially focused on the integration of climate risk within all risk management frameworks and processes, but is increasingly taking steps towards the integration of these risks (such as biodiversity loss, water stress, pollution and waste risk) into its processes, for example by strictly adhering to KBC's Biodiversity Policy (see 'Setting and cascading risk appetite'), by considering environmental risks in our loan/review origination process and by reporting on environmental risks to the Board of Directors as part of our regular risk reporting.
Considering social and governance risks, several Compliance domains as described in KBC's Compliance Charter closely link with social and governance risks (e.g., Corporate Governance, Conduct, Embargo, Investor protection, Data protection, Ethics & Fraud, Consumer protection and anti-money laundering). Within our operational risk management processes, controls are in place for managing cyber risk, model risk (e.g., avoiding bias in models, ensuring ethical AI), business continuity (e.g., ensuring continuity of services to customers), legal risk, personal and physical security risk (with respect to personnel and clients). More details are provided in 'Non-financial risks' in this section.

Climate risk has been reconfirmed as a top risk for KBC since 2018. Following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for climate and other environmental risks, we differentiate between:

- transition risks: risks arising from disruptions and shifts associated with the transition to a low-carbon, climate-resilient or environmentally sustainable economy which include policy changes, legal changes, technological changes/progress or behavioural changes;
- physical risks: risks related to potential financial implications from physical phenomena associated with both climate or environmental trends (chronic) such as changing weather patterns, rising sea levels, increasing temperatures, biodiversity loss, resource scarcity, reduced water availability, etc. and extreme weather events (acute) including storms, floods, fires, heatwaves or droughts that may disrupt operations, value chains or damage property.

KBC approaches climate risk from a double materiality perspective, concentrating on both:

- financial materiality (outside-in view), looking at the impact of climate change on our business. Transition risks, for example, can lead to sudden repricing of assets, market volatility and credit losses resulting from financing obsolete (brown) technology or infrastructure, impacting lending and investment portfolios, whereas physical risks can increase the value of our assets or collateral;
- environmental and social materiality (inside-out view), looking at our business' impact on the climate. In that regard, by signing the Collective Commitment to Climate Action (CCCA) in 2019, we stated publicly that we want to play a leading role and be a significant lever in the process of transitioning to a more sustainable society and a low-carbon economy, including by committing to aligning our portfolios and business strategy with the Paris Agreement to keep global warming below 2°C while striving for a target of 1.5°C. As a CCCA signatory, we published our Climate Report in September 2022 including stringent decarbonisation targets for the relevant priority sectors covering the majority of our lending portfolio.

For a full elaboration on how we manage climate and other ESG risks, we refer to our Risk Report, which is available at www.kbc.com.

Governance

KBC's risk management approach is supported by solid risk governance:

- The management of climate-related risks is fully embedded in our existing Risk Management Governance.
- Within our Audit Framework, ESG risks are covered in multiple audit tracks.
- Risk is part of the core team of the Sustainable Finance Programme, which focuses on integrating climate-related matters throughout the group.
- The senior general managers of Group Risk and Group Credit Risk are members of the Sustainable Finance Programme Steering Committee as well as the Sustainable Finance Data & Metrics Steering Committee and the Risk Function is also represented on the Internal Sustainability Board.
- The Board of Directors, the Risk & Compliance Committee and the Executive Committee are the prime recipients of the various outputs of the main risk management processes.
- As strong embeddedness in the local organisation is a key requirement, a similar governance is in place in each of KBC's core countries, with local general sustainability managers having been appointed and local risk functions taking active part in locally established sustainability committees.
- Sustainability has been integrated into the remuneration systems for our employees and especially our senior management.

For more details on sustainability governance, see 'Our Role in society' and 'Focus on climate' in the 'Report of the Board of Directors' section.

Risk identification

We use a variety of approaches to identify ESG risks. We continuously scan the internal and external environment for new and emerging risks we are exposed to in the short term (1 to 3 year horizon), in the medium term (4 to 10 year horizon) and in the long term (beyond 10 year horizon). By doing so, we also incorporate a forward-looking perspective.

To ensure proactive risk identification, we have taken the following initiatives:

- Climate risk, Cyber risk, Compliance risks (including Anti-Money Laundering, GDPR and Embargo) and Conduct risk have, for some years, been identified as top risks by the Group Executive Committee and Board of Directors.
- ESG risk signals are regularly reported to the Group Executive Committee, the Risk & Compliance Committee and the Board of Directors, via the Integrated Risk Report.
- Since 2020, strategic sectoral projects (so-called 'White Papers') are set up, with a focus on our credit business, advisory services and insurance activities, for eight carbon-intensive industrial sectors and three product lines (see 'Focus on climate' in the 'Report of the Board of Directors' section). The White Papers clearly analyse the challenges and technological developments of each sector and business line including the relevant European and local regulations and action plans, their impact on KBC's portfolios in terms of climate-related risks and opportunities, which reporting metrics can be used to steer these portfolios and so on. They also provide an initial outline of possible risk-mitigating measures, commercial policy adjustments and how we can steer the portfolio in line with the Paris Agreement (e.g., through decarbonisation targets).
- Sustainability and climate-related policies are taken into account when deciding on new products or services. Particular attention is devoted to the adequate 'green' labelling of newly developed products, aligned with regulatory frameworks such as the EU Taxonomy and the International Capital Markets Association (ICMA) Green Bond framework.
- Substantial progress was made in 2022 regarding physical risk assessments for our loan portfolios. As flood risk is deemed to be one of the most prominent physical risks within KBC's portfolios, we performed a flood risk assessment in line with the UNEP FI methodology on various home loans and corporate/SME portfolios which are naturally more sensitive to evolutions in flood risk.
- A sector-based environmental and social (E&S) sectoral heat map is implemented into the loan origination and review processes as a screening tool to identify hot spots in terms of E&S risks in the corporate and SME loan book. Based on this heat map, a sectoral E&S risk portfolio monitoring report is prepared, giving management insight into the overall E&S riskiness of KBC's industrial loan portfolio. Additionally, in order to support business, credit advisors and decision makers in assessing environmental and social risks during loan origination, KBC has implemented the ESG Assessment Guide in the loan origination/review process (including several credit acceptance criteria). For the full Corporate and SME segment, the client's governance aspects (e.g., organisational structure, ethical considerations, past controversies, etc.) are also part of this due diligence process.
- For larger credit files, an Internal Carbon Price (ICP) tool is used to understand and assess the financial impact of greenhouse gas-intensive companies. Further steps are taken to identify other activities in which the use of ICP would be relevant.
- Client dialogues are an essential part of KBC's approach to better understanding how business clients deal with sustainability challenges and to supporting them in this transition.
- In 2021, KBC developed a Climate Risk Impact Map. This annual risk identification process aims to identify, for different time horizons and different climate scenarios, the most material climate risk drivers impacting KBC's businesses and portfolios. For more details on methodology and results, we refer to our Risk Report. Since 2022, the conclusions of the Climate Risk

Impact Map have been fed into our risk management processes. An extended elaboration on the Climate Risk Impact Map and its results are included in the 2022 Risk Report, which is available at www.kbc.com.

- We took several initiatives to further increase ESG risk awareness, for example by following up on new and changing regulations through a Sustainable Finance Legal Working Group, by regularly reporting on ESG risk signals to senior management and by organising internal communication and training for (risk) staff and management.

Risk measurement

We make use of a series of methodologies to strengthen our ability to identify, measure and analyse climate-related risks for our lending and investment activities. These provide further insights into the impact of climate change on our business model, as well as the impact of our activities on the environment. Integrating these methodologies enables us to gradually improve credit underwriting and investment policies, and supports us in engaging with our clients.

- The Paris Agreement Capital Transition Assessment (PACTA) methodology helps us to determine whether the companies in our loan portfolio are following a transition path in line with targets set by various climate transition scenarios. The scope of the 2022 PACTA exercise covers carbon-intensive activities within the steel, automotive, shipping, aviation, power, oil & gas, coal and cement sectors. Its results confirm that, within the industrial loan portfolio, KBC only has limited exposure to companies that contribute the most to global CO2 emissions in line with the existing activity scope of PACTA: KBC's granted exposure in the scope of PACTA amounts to only 3.2% of the total industrial loan book (excluding loans to SMEs, private persons, financial institutions, insurance companies and authorities).
- KBC Asset Management assesses the carbon footprint of investment products it offers using TRUCOST data and methodology. This methodology is also used to analyse KBC Insurance's investment book and KBC's Pension Funds.
- In 2021 and 2022 we rolled out the UNEP FI transition risk assessment methodology to highly climate-relevant sectors and their relevant sub-segments, covering a similar scope as the White Paper exercises. After selecting six different climate scenarios, we assessed the impact of a transition to a low-carbon economy by estimating how the portfolios' Expected Loss (EL) could potentially change if these scenarios were to materialise. The analyses' results highlighted the need for client interaction in the (sub-)sectors deemed most vulnerable to the low-carbon transition, so as to gain a better understanding of how these (sub-)sectors are mitigating the transition risks they are exposed to. The exercise's results still serve as important input for several climate-related processes, such as the Climate Risk Impact Map and the White Paper exercises. More information on the original assessment is available in the 2021 Risk Report at www.kbc.com.
- In 2022, for the fourth consecutive year, we calculated the financed emissions of our loan portfolios using the Partnership for Carbon Accounting Financials (PCAF) methodology. As in 2021, we used PCAF to calculate the associated financed emissions of our entire loan portfolio.
- For more details on the above-mentioned measurement methodologies, please refer to our Risk Report and Sustainability Report, which are available at www.kbc.com.

The results and insights gained from these methodological tracks are valuable for identifying hot spots in KBC's loan portfolio, as input for target setting and climate risk stress testing and for initiating policy adjustments, where necessary. They are also part of KBC's efforts to further integrate climate risk into its credit assessment processes and modelling (including expected credit losses). Management has the ability to overrule the expected credit losses and to capture events that are not part of the financial assessment, such as the growing insights into ESG and climate-related risks.

Setting & cascading risk appetite

KBC's Risk Appetite Statement evolves in sync with changes in the internal and external context and the strategic ambitions. KBC's risk appetite covers all material risks that KBC is exposed to, with particular attention for risks which dominate the external environment now and in the future. Given the increased importance KBC assigns to climate risk, a specific risk appetite objective is included in KBC's Risk Appetite Statement, covering both perspectives of 'double materiality'.

> *KBC is committed to embedding climate and environmental impacts into its decision-making, products and processes with the aim of contributing positively to society and safeguarding KBC's long-term sustainability.*

Other objectives also address other ESG themes, including:

- promoting a strong corporate culture which encourages responsible behaviour and is supported by a promotion and remuneration policy with a sustainable and long-term view;
- aiming to attract, develop and retain high-quality and committed staff;
- promoting strong Corporate Governance and Risk & Compliance Management and taking into account the internal and external context as key drivers to enhance the organisation's resilience and to create value.

To be less vulnerable to changes in the external environment – including climate change – we pursue diversity and flexibility in our business mix, client segments, distribution channels and geographies, where we refrain from focusing on short-term gains at the expense of long-term stability. We manage volatility of net results by defining a solid risk management framework and risk appetite to ensure financial and operational resilience in the short, medium and long term.

The high-level risk appetite objectives are further specified for a number of risk types:

- From a credit risk perspective, KBC aims to limit the adverse impact of its activities on the environment and society and to stimulate positive impact, based on a responsible lending culture, the principles of which are laid out in the Credit Risk Standard on Sustainable and Responsible Lending. In line with its updated climate-related ambitions, KBC Group has defined targets to reduce future exposures to non-sustainable activities, while facilitating the transition towards a sustainable economy by providing financing to its clients for this purpose. The credit risk playing field is made tangible through Credit Risk Standards and group-wide policies that impose restrictions and recommendations with regard to credit risk.
- All treasury investment decisions are taken in line with the single binding framework, which defines the screening criteria for responsible investments.
- KBC has the ambition to keep its operational risk under control and to be well prepared for a variety of crises, including those with a climate risk driver, in order to avoid disruption of services and to be maximally protected against cybercrime. Integrity, availability and confidentiality of our company data and the data of our clients is of utmost importance.
- To manage reputational risks, KBC promotes a strong corporate culture that encourages responsible behaviour throughout the entire organisation, including in terms of social and environmental responsibility.
- To manage our compliance risks, we aim to comply with laws and regulations in the Compliance domains as determined by KBC's Compliance Charter, taking particular account of conduct risk and the integrity dimension.

KBC's risk appetite is supported by policies and sustainability targets (see 'Our role in society' in the 'Report of the Board of Directors' section). In our policies for sustainable and responsible lending, insurance, advisory services and investments, for instance, we identify controversial activities with respect to the environment (including climate and biodiversity), human rights, business ethics and sensitive/controversial societal issues. These are economic activities we are not willing to finance, insure or advise on (such as activities related to thermal coal) or which we are willing to finance only under strict conditions (such as biomass technologies, production of palm oil, etc.).

When integrating climate risk reflections into our risk appetite process, we not only focus on short-term impacts, but also take extended time horizons into consideration. Potential short-, medium- and long-term impacts as identified in the Climate Risk Impact Map (see 'Risk identification') provide input for our risk appetite discussions so that (early) warning signals can be given in case of expected material impacts (for all time horizons) with the aim of steering the strategic debate and initiating risk-mitigation actions in a timely manner (e.g., making policy adjustments or setting additional targets and limits).

Our first interim Climate Report further details KBC's commitment, decarbonisation targets in our role as a CCCA signatory. These ensure that our banking portfolios and business strategy are aligned with the Paris Agreement to keep global warming well below 2°C.

Risk analysis, reporting & follow-up

Indicators for climate-related risks and opportunities are integrated into the KBC Sustainability Dashboard and allow us to monitor progress in the implementation of our sustainability strategy and to make adjustments when necessary.

The Board of Directors, the Risk & Compliance Committee and the Executive Committee are the prime recipients of the main risk management reports (e.g., ICAAP/ILAAP, Integrated Risk Reporting, Risk Appetite, etc.). Given that ESG risks are already well integrated into ICAAP/ILAAP and related analyses, these risks are extensively addressed in these reports.

The growing attention for the management of environmental, social and governance (ESG) risk is also reflected in several legislative initiatives. For banks under ECB remit (such as KBC), for instance, supervisory requirements are formulated in the ECB guide on climate-related and environmental risks. In 2022, the ECB assessed our approach towards the expectations outlined in the guide, and the progress made on our implementation plans to reach full compliance, by means of the 2022 ECB thematic review of climate-related and environmental risk management practices. This review built further on the 2021 Questionnaires and made use of deep dives on our climate-related and environmental risk strategies, as well as governance and risk management frameworks and processes.

Since data are important to further monitor and steer our portfolios, to set targets and to be able to meet the various regulatory requirements (e.g., from EU Taxonomy disclosure regulation, EBA Pillar 3 requirements, Corporate Sustainability Reporting Directive (CSRD)), a dedicated Data and Metrics Project within the Sustainable Finance Programme is coordinating the data collection in all of our core countries. As of this year, the EBA templates on Pillar 3 disclosures on ESG-risk are included in the Risk Report, where a full overview of these templates can be found.

Stress testing

Climate transition and physical risk as well as social risk drivers have already been integrated into several internal stress test exercises (e.g., in reverse stress testing and the ICAAP stress test). Additionally, KBC participated in the ECB Climate Stress Test. It can be concluded from the stress tests performed that, although climate risk is an increasingly prominent risk driver for KBC and the economy as a whole, there is no immediate threat to our capital and liquidity buffers. Although profitability can be impacted under the more severe climate-related stress scenarios, these would not bring KBC’s profitability below adequate levels either. More information on the performed stress tests can be found in our Risk Report.

Climate stress test exercises and usage of climate scenarios will continue to be gradually enhanced following new insights from, for instance, our internal climate risk map (see ‘Risk identification’) or other methodological tracks which will help us to better translate the impact of climate pathways to financial parameters.

Environmental data is provided in various parts of the ‘Our strategy’ section. EU Taxonomy information is provided under the heading ‘Focus on climate risks’.

How do me manage our capital?

Capital Management is a key management process relating to all decisions on the level and composition of our capital. It aims to achieve the best possible balance between regulatory requirements, rating agencies' views, market expectations and management ambitions.

Solvency at KBC Bank

We report the solvency of the bank based on IFRS data and according to the rules imposed by the regulator. For KBC Bank, this implies that we calculate our solvency ratios based on CRR/CRD IV.

CRR/CRD implements the Basel rules in Europe and is updated from time to time. When new requirements are implemented, a transitional period during which these rules are gradually phased-in may be allowed. Since 30 June 2020, KBC has been using the transitional provision relating to IFRS 9, which makes it possible to add back a portion of the increased impairment charges to common equity capital (CET1) when provisions unexpectedly rise due to a worsening macroeconomic outlook, during the transitional period until 31 December 2024.

KBC Bank is subject to minimum solvency ratios.

The minimum solvency ratios required under CRR/CRD IV are 4.5% for the common equity tier-1 (CET1) ratio, 6% for the tier-1 capital ratio and 8% for the total capital ratio (i.e. pillar 1 minimum ratios).

As a result of its supervisory review and evaluation process (SREP), the competent supervisory authority (in KBC's case, the ECB) can require that higher minimum ratios be maintained (= pillar 2 requirements) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. Following the SREP for 2022, the ECB formally notified KBC of its decision to maintain the pillar 2 requirement (P2R) at 1.75% CET1 and the pillar 2 guidance (P2G) at 1% CET1.

The overall capital requirement for KBC is not only determined by the ECB, but also by the decisions of the local competent authorities in its core markets.

For Belgian systemic financial institutions, the NBB had already announced its systemic capital buffers at an earlier date. For KBC Bank, this means that an additional capital buffer of 1.5% of CET1 is required. The announced countercyclical buffer rates in the countries where KBC's relevant credit exposures are located, correspond to a countercyclical buffer at KBC bank level of 0.86% (situation as known on 31 December 2022), up from 0.50% in 2021 .

As of 1st May 2022, the National Bank of Belgium (NBB) introduced a sectorial systemic risk buffer. This replaces the former risk-weighted assets (RWA) add-on for exposures secured by residential real estate in Belgium and is to be held by all banks that apply the Internal Ratings Based approach (IRB). The amount of the CET1 capital buffer corresponds to 9% of the RWA for the exposures secured by residential real estate in Belgium, which corresponds to 0.21% of total RWA for KBC Bank consolidated.

In total, this brings the fully loaded CET1 capital requirement to 11.32% (4.5% (pillar 1) + 1.75% (P2R) + 2.5% (conservation buffer) + 1.5% (buffer for other systemically important banks) +0.21% sectoral systemic risk buffer + 0.86% (countercyclical buffer), with an additional P2G of 1% consolidated at KBC Bank level.

Based on the banking regulation package (CRR/CRD) profit can be included in CET1 capital only after the profit appropriation decision by the final decision body, for KBC Bank 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 does not include a maximum, ECB requires to use a 100% pay-out to determine the foreseeable dividend. Consequently, KBC Bank 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 will be recognised in the transitional CET1 of the 1st quarter 2023, which is reported after the General Meeting.

As from 31-12-2021 onwards, the fully loaded figures immediately reflect the interim or annual profit, taking into account our Dividend Policy and/or any dividend proposal/decision by the Board of Directors.

The difference between the fully loaded total own funds (17 164 million euros; profit and dividend re. 2022 is included) and the transitional own funds (17 516 million euros; profit and dividend re. 2022 is not included) as at 31-12-2022 is explained by the net result for 2022 (2 197 million euros), the interim dividend paid in August (-1 503 million), the proposed final dividend (-1 194 million euros) and the impact of the IFRS 9 transitional measures and IRB excess/shortfall (147 million euros).

The fully loaded CET1 ratio dropped from 15.7% as at 31-12-2021 to 13.7% as at 31-12-2022, explained by the acquisition of KBC Bank Bulgaria (-1.0% pt.), organic RWA growth (-0.3% pt.), 116% pay-out ratio 2022 profit (-0.4% pt.), FVOCI (-0,2% pt.) and NPL backstop (-0.1% pt.).

Solvency KBC Bank CRR / CRD (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)	**17 164**	**17 516**	**18 318**	**17 964**
Tier-1 capital	**15 202**	**15 749**	**16 415**	**16 210**
Common equity	**13 702**	**14 249**	**14 915**	**14 710**
Parent shareholders' equity (excluding minorities)	16 313	15 618	17 047	14 912
Intangible fixed assets, incl. deferred tax impact (-)	- 420	- 420	- 391	- 391
Goodwill on consolidation, incl. deferred tax impact (-)	- 1 326	- 1 326	- 894	- 894
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	936	936	1 108	1 108
Valuation diff. in fin. 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 (-)	- 1 194	0	- 1 483	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 (-)	- 56	- 56	0	0
IRB provision shortfall (-)	0	0	0	- 31
Deferred tax assets on losses carried forward (-)	- 162	- 162	- 219	- 219
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	**1 962**	**1 768**	**1 903**	**1 754**
IRB provision excess (+)	284	136	224	438
Transitional adjustments to T2	0	- 46	0	- 438
Subordinated liabilities	1 677	1 677	1 678	1 754
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Capital requirement				
Total weighted risk volume	**100 300**	**100 285**	**95 120**	**94 836**
Credit risk	85 003	84 988	80 971	80 687
Market risk	3 132	3 132	2 665	2 665
Operational risk	12 166	12 166	11 484	11 484
Solvency ratios				
Common equity ratio	13.66%	14.21%	15.68%	15.51%
Tier-1 ratio	15.16%	15.70%	17.26%	17.09%
CAD ratio	17.11%	17.47%	19.26%	18.94%
Capital buffer				
Common equity capital	13 702	14 249	14 915	14 710
Required pillar 2 capital (11,32% full; 10,92% transitional)	11 364	10 941	10 777	10 347
Capital buffer vs pillar 2 target	2 338	3 307	4 138	4 364

(1) Audited figures (excluding 'IRB provision shortfall' and 'Value adjustment due to requirements for prudent valuation').

(2) CRR ensures that prudent valuation is reflected in the calculation of available capital. This means that the fair value of all assets measured at fair value and impacting the available capital (by means of fair value changes in P&L or equity) need to be brought back to their prudent value. The difference between the fair value and the prudent value (also called the 'additional value adjustment' or AVA) must be deducted from the CET1 ratio.

Leverage ratio

At year-end 2022, our fully loaded leverage ratio at KBC Bank stood at 4.43% (see table below) due to higher total exposures. More details, including a description of the processes used to manage the risk of excessive leverage, can be found in KBC's Risk Report, which is available at www.kbc.com (the risk report has not been audited by the statutory auditor).

Leverage ratio (KBC Bank consolidated, CRD IV/CRR (Basel III)) 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	15 202	15 749	16 415	16 210
Total exposures	343 120	343 177	323 485	289 058
Total Assets	322 088	322 088	302 991	302 991
Transitional adjustment	0	57	0	617
Adjustment for derivatives	-3 014	-3 014	-1 644	-1 644
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 209	-2 209	-1 657	-1 688
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	22 778	22 778
Leverage ratio	4.43%	4.59%	5.07%	5.61%

ICAAP, ORSA and stress testing

Information is provided in KBC's Risk Report, available on www.kbc.com.

Corporate governance statement

Composition of the Board and its committees at year-end 2022*

Name	Position	Period served on the Board in 2022	Expiry date of current term of office	Board meetings attended	Non-executive directors	Share-holders' representatives	Independent directors	Members of the EC	AC	RCC
Number of meetings in 2022				10					7	9
DEBACKERE Koenraad	Chairman	Full year	2024	10	✓					
DEPICKERE Franky	Deputy Chairman of the Board	Full year	2023	10	✓	✓				9(c)
THIJS Johan	President of the Executive Committee	Full year	2025	10				✓(c)		
ANDRONOV Peter	Executive Director	Full year	2025	8				✓		
BLAZEK Aleš	Executive Director	8 months	2026	6				✓		
LUTS Erik	Executive Director	Full year	2025	9				✓		
MOUCHERON David	Executive Director	Full year	2025	9				✓		
POPELIER Luc	Executive Director	Full year	2025	10				✓		
VAN RIJSSEGHEM Christine	Executive Director	Full year	2026	10				✓		
ARISS Nabil	Independent Director	Full year	2025	10	✓		✓		7	9
CALLEWAERT Katelijn	Non-Executive Director	Full year	2025	10	✓	✓				
DE BECKER Sonja	Non-Executive Director	Full year	2024	10	✓	✓				
MAGNUSSON Bo	Independent Director	Full year	2024	10	✓		✓		7	9
PAPIRNIK Vladimira	Non-Executive Director	Full year	2023	10	✓					
REYES REVUELTA Alicia	Non-Executive Director	8 months	2026	8	✓					
WITTEMANS Marc	Non-Executive Director	Full year	2026	10	✓	✓			7(c)	

* John Hollows, who was director until 27 April 2022, attended four Board meetings.

Statutory auditor: PwC Bedrijfsrevisoren BV, represented by Damien Walgrave and Jeroen Bockaert.
Secretary to the Board of Directors: Wilfried Kupers.
Abbreviations: Board of Directors: Board; Executive Committee: EC; Audit Committee: AC; Risk & Compliance Committee: RCC
(c) Chairman of this committee

Changes in the composition of the Board in 2022

- Aleš Blažek was appointed as director for a term of four years and became executive director following his appointment as member of the EC. He is replacing John Hollows, whose term of office ended after he reached the age limit.
- Alicia Reyes Revuelta was appointed as director for a term of four years.
- Christine Van Rijsseghem and Marc Wittemans were re-appointed as directors for a new four-year term of office.
- Nabil Ariss was re-appointed as independent director for a term of office expiring on 19 December 2025.

Changes in the composition of the committees of the Board in 2022

The composition of the committees remained unchanged in 2022.

Proposed changes in the composition of the Board in 2022

- Katelijn Callewaert and Marc Wittemans will resign as directors with effect from the general meeting. The Board would like to express its gratitude for the contribution they have made to the KBC group over many years.
- On the advice of the Nomination Committee and subject to the supervisory authority's approval, the Board proposes that Marc De Ceuster and Liesbet Okkerse be appointed as directors for a four-year term of office.
- On the advice of the Nomination Committee, Franky Depickere and Vladimira Papirnik are nominated for reappointment as directors for a new four-year term of office, expiring after the general meeting in 2027.

Brief CV for the proposed new directors:

- Born in Brecht on 1 December 1962, Marc De Ceuster holds a Doctor's degree in Applied Economics and a Master's Degree in Law. He is Professor of Financial Economics at the University of Antwerp, where he teaches in the domains of Financial Economics, Derivative Financial Instruments and Risk Management. He has also published in several international journals. In the past, he held the position of part-time Director of Risk Management at Deloitte (2001-2005) and chaired the Policy Committee of the University of Antwerp Business School (2005-2008). Between 2009 and 2015, he served on the Board of Directors as observer for the Flemish Regional Government and subsequently as Director of KBC Group (and member of the Audit Committee and the Risk & Compliance Committee), and from 2018 to 2019 he was an independent director of Arkea Direct Bank. In late 2019, he joined the Board of Directors of Almancora Management Company as an independent director, where he first served as Chairman of the Audit Committee and then as Chairman of the Board of Directors, the Remuneration Committee and the Nomination Committee.
- Born in Lier on 1 November 1978, Liesbet Okkerse holds a PhD in Applied Economics (University of Antwerp). She started her academic career there as a researcher and assistant (2000-2007), before becoming a lecturer and postdoctoral researcher (2007-2009). Ms Okkerse has worked for the municipality of Zoersel since August 2009, initially as a financial expert before taking up the position of financial director (January 2010 to date). She has been a member of the Board of Directors of Cera Beheersmaatschappij and of Almancora Beheersmaatschappij since 2016. She became a member of the Board of Directors of KBC Group and KBC Insurance in 2019.

Composition of the EC (as at 31-12-2022)

The Executive Committee has seven members, viz. Johan Thijs (Group CEO/President of the EC), David Moucheron (CEO of the Belgium Business Unit), Aleš Blažek (CEO of the Czech Republic Business Unit), Erik Luts (Chief Innovation Officer), Peter Andronov (CEO of the International Market Business Unit), Luc Popelier (Chief Financial Officer) and Christine Van Rijsseghem (Chief Risk Officer).

Statutory auditor

The statutory auditor, PwC Bedrijfsrevisoren BV (PwC), was represented by Messrs Damien Walgrave and Jeroen Bockaert.

Main features of the internal control and risk management systems

Part 1: Description of the main features of the internal control and risk management systems at KBC

A clear strategy, organisational structure and division of responsibilities set the framework for the proper performance of business activities

We examine the strategy and organisational structure of the KBC group in the 'Our business model' and 'Our strategy' sections of this annual report.

The KBC group has a dual governance structure based on the Belgian model:

- The Board is responsible for defining general strategy and policy. It exercises all the responsibilities and activities reserved to it by law and – based on a proposal by the EC – decides on the overall risk appetite.
- The EC is responsible for the operational management of the company within the confines of the general strategy and policy approved by the Board. To assume its specific responsibility towards financial policy and risk management, the EC appoints a chief financial officer (CFO) and a chief risk officer (CRO) from among its ranks.

The Charter describes the respective responsibilities of both management bodies, their composition and activities, as well as the qualification requirements for their members. Their composition and activities are dealt with in more detail elsewhere in this section.

Corporate culture and integrity policy

Ethical behaviour and integrity are essential components of sound business practice. Honesty, integrity, transparency and confidentiality, together with sound risk management, are part of the strict ethical standards that KBC stands for – both in the letter and the spirit of the regulations. These principles are set out in the integrity policy, as well as in specific codes, procedures and codes of conduct, and are also incorporated into specific training courses and campaigns for staff. The main policy guidelines and codes of conduct are communicated in a transparent manner and can be found at www.kbc.com > Corporate Sustainability > Setting rules and policies.

One of the topics covered by the integrity policy is 'conduct risk', a concept that identifies the risk arising from the inappropriate provision of financial services. To address this matter, KBC has drawn up a comprehensive policy that includes prevention, monitoring and reporting. Extensive, group-wide communication campaigns and training courses on dealing with dilemmas ensure that the necessary awareness of this risk is in place. Managing conduct risk is crucial for safeguarding the interests of clients, especially in the areas of investor protection and insurance policyholder protection.

The integrity policy focuses primarily on the following areas, for which – where appropriate – specific group-wide compliance rules have been issued, i.e. for:

- preventing the financial system being used for laundering money and funding terrorism, observing embargoes, and preventing proliferation financing of weapons of mass destruction;
- preventing fiscal irregularities including special mechanisms and DAC 6;
- protecting investors;
- protecting privacy, including banking secrecy, privacy in electronic communication, confidentiality of information and the professional duty of discretion;
- fostering ethics;
- coordinating fraud prevention;
- protecting insurance policyholders;
- complying with anti-discrimination legislation;
- respecting rules on consumer protection: market practices, payment and lending services, complaints handling by companies, rules on SME funding and Payment Services Directive II;
- respecting the governance aspects of CRD IV and V, Solvency II and/or local laws, including the separation of duties between executive management and supervisory bodies, the functioning of committees, incompatibility of offices, sound remuneration policy, 'Fit & Proper' requirements, conflicts of interest, loans made to members of the EC and directors (and persons associated with them) and to shareholders with a significant participation, the provision of advice on outsourcing and sustainability regulations.

The integrity policy also maintains a strong and comprehensive focus on ethics and combating fraud:

- By running focused campaigns and training courses, KBC proactively ensures that this ethical attitude is ingrained in the DNA of each employee. The elements of this policy are firmly embedded in the 'KBC Group Ethics & Fraud Policy' and various other policy guidelines referred to in this section.
- Various departments such as Compliance, Inspection, Internal Audit – as well as KBC's business side – engage in the prevention and detection of fraud. For complex fraud cases and/or incidents with an impact at group level, investigations are conducted and/or coordinated by Group Compliance in its capacity as the group competence centre for fraud.
- The 'Policy for the Protection of Whistleblowers in the KBC group' ensures that employees and former employees or external parties who act in good faith to report fraud and gross malpractice are protected (see below).
- Inspired by the UK's Modern Slavery Act, KBC has published a 'Modern Slavery Act Statement' in which it resolves to combat every form of 'modern slavery' in its business activities.

The ‘Code of Conduct for KBC Group Employees’ is a generalised document based on a set of group values that outlines how all members of staff should conduct themselves. It forms the basis for developing more specialised codes of conduct for specific target groups and for drawing up policy guidelines at group level. It is also the source of inspiration for awareness-raising campaigns and training courses.

Combating corruption and bribery

KBC has pursued a zero-tolerance policy towards any and all forms of corruption for years and does not tolerate any exceptions to this policy.

The ‘KBC Anti-Corruption & Bribery Policy’ not only affirms KBC’s position in the fight against corruption, but is also geared towards preventing corruption in all its activities, including the activities carried out by KBC staff and by persons or entities who work for KBC or who represent KBC in any capacity.

Combating corruption and avoiding conflicts of interest, in general, are dealt with as part of both an authoritative training course and various digital training courses (*see also the table below*).

Another element of the Anti-Corruption & Bribery Policy is the ‘policy on gifts, donations and sponsorship’ through which KBC endeavours to protect its employees and the other parties involved by means of clear and unambiguous criteria that have been drawn up to foster transparent and reasonable behaviour. Gifts, donations, entertainment, invitations and/or sponsorship, whose equivalent value exceeds a certain sum (on an annual basis), must be reported to and approved by the competent executive committee/management level in advance. In 2022, eight reports of this kind were approved in Belgium. In Central Europe, too, gifts and donations above a certain value have to be reported. Seven such reports were approved in the Czech Republic and six in Hungary, but there were no reports in any of the other countries.

Anti-money laundering practices

Given that KBC does not want to be involved in any activity that could be considered as money laundering or the funding of terrorism, an anti-money laundering policy has been developed at group level. The aim of this policy is to establish a general framework for combating money laundering and the funding of terrorism (including proliferation financing of weapons of mass destruction and compliance with embargoes). Each group entity has developed its own AML programme based on group-wide compliance rules covering the minimum requirements, but also ensuring that there is scope to implement local legislation.

In order to properly identify all the risks, an annual risk assessment is carried out at all entities.

Training courses are provided at regular intervals to all employees, tied agents and their staff (*see the following table*).

Furthermore, employees, tied agents and their staff are expected to strictly follow established procedures and guidelines and to exercise due vigilance. This vigilance is promoted by applying a risk-based approach depending on a client’s risk classification when identifying clients and checking transactions. If in doubt or where they detect a suspicious transaction, they are required to report this to Compliance. .

An integrated, group-wide AI platform based on models and machine learning was developed to facilitate transaction monitoring and was rolled out in Belgium and in the Central European countries where the group operates.

Responsible taxpayer

The basic principle behind the KBC tax strategy is that KBC Group NV and all its entities must act as responsible taxpayers, basing themselves on professionally executed compliance with tax laws, legitimate tax planning and supported by valid business objectives that take precedence over tax considerations. KBC does not take aggressive tax positions simply because it wishes to safeguard its reputation as a responsible taxpayer, and it adheres to a strict tax risk management policy based on these principles. KBC staff are not allowed to provide clients with advice of a nature that might prompt them to commit tax fraud. Any tax advice or tax information provided must be legally correct and clearly worded. All of KBC’s tax returns and tax payments are filed correctly and on time. When conducting tax audits, full disclosure in line with prevailing local tax legislation is the guiding principle. KBC reacts in good time to all legislative changes by investing in the necessary IT systems and by adapting its tax processes to ensure they comply with the new rules. Proper governance is in place to follow up and monitor the KBC Tax Strategy. The policy on the prevention of fiscal irregularities is regularly updated and was brought into line with NBB’s instructions on special mechanisms, which were modified in 2021. KBC Group NV has the procedures in place that it needs to comply with the DAC 6 requirements. KBC meets all CRS and FATCA requirements.

Whistleblower policy

KBC updated its policy regarding whistleblowers while taking account of new European regulations on the protection of whistleblowers. It expects its employees, tied agents and their staff – when going about their work – to look out for signs of crime, any serious infringements of rules or regulations and other malpractice on the part of employees and clients. All KBC employees, tied agents and their staff have a basic moral duty – and the legal means – to report any suspicions of such conduct.

KBC facilitates anonymous reports and may also report directly and anonymously to the respective supervisors in their areas of competence.

KBC undertakes to protect the identity of whistleblowers and to protect them against any detrimental consequences of acting in good faith to voice their suspicions in the way set out in the internal rules. By doing so, KBC likewise protects and respects the rights of the person about whom concerns are reported. Group Compliance oversees how this policy is implemented in practice. In principle, the local compliance function is the entity where all the reports and files are centralised. It has to inform the Group Compliance's Ethics Unit about every whistleblowing file. The whistleblower policy is published internally and externally (available under 'Corporate Sustainability' at www.kbc.com).

In 2022, ten reports were received at group level: five from the Czech Republic, one from Hungary, two from Slovakia and two from Bulgaria. Further investigation has confirmed that, except for two cases, the other reports received were in fact whistleblower reports.

Data protection

The Internal Group Compliance rule on data protection sets out a strict privacy framework, which has to be observed as a minimum standard and implemented in every KBC Group entity. Each entity has appointed a data protection officer to inform and advise management and employees on their obligations in the field of privacy and data protection and to monitor compliance with regulations and policies relating to the protection of personal data.

We check the status of relevant topics through regular compliance monitoring programmes and use awareness campaigns and training to hold people's attention and ensure their knowledge remains up-to-date (*see also the table below*).

Given the importance of privacy and data protection, we keep our Executive Committee and the Risk and Compliance Committee of the Board of Directors informed through a quarterly report.

For more information about data protection and privacy, see 'The client is at the centre of our business culture' in the 'Our strategy' section of the KBC Group annual report.

Training courses completed, as % of the selected target audience, 2022	**Training on ethics, avoiding conflicts of interest and combating corruption**	**Anti-money laundering training**	**Data protection training**
Belgium (KBC Bank, KBC Insurance, KBC Securities, KBC Asset Management, tied insurance agents and their staff)	100%	90%	94%
Czech Republic (ČSOB Bank)	99%	99%	98%
Slovakia (ČSOB Bank)	99%	97%	98%
Hungary (K&H Bank)	99%	98%	98%
Bulgaria (UBB)	91%	99%	94%

The 'Three Lines of Defence' model arms KBC against risks that could prevent targets from being achieved

To arm itself against the risks that it is exposed to in achieving its mission, the EC – under its responsibility and the supervision of the Board – has implemented a multi-layered internal control system. This system is commonly known as the 'Three Lines of Defence' model.

1 The business side

The business operations side is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, that self-assessment of the business side is of a sufficiently high standard, that there is adequate awareness of risk and that sufficient priority/capacity is allocated to risk themes.

2 The Group risk and compliance functions, and – for certain matters – Finance, Legal and Tax, constitute the second line of defence

Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting KBC. In this way, they can oversee the control environment and the risks taken, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. To ensure that the risk function is respected, the Chief Risk Officers have a veto right, which can be used in the various committees where important decisions are made. The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the group, and supervise how they are applied.

Compliance is an independent function within the group, characterised by its specific status (as provided for by law and regulations and described in the Compliance Charter), its place in the organisation chart (hierarchically under the CRO with a functional reporting line to the President of the EC) and associated reporting lines (reporting to the RRC and even to the Board in certain cases). Its prime objective is to prevent KBC from running a compliance risk or from incurring loss/damage – regardless of its nature – due to non-compliance with applicable laws, regulations or internal rules that fall either within the scope of the compliance function or within the areas assigned to it by the EC. Hence, the compliance function devotes particular attention to adherence to the integrity policy.

3 As independent third line of defence, Internal Audit provides support to the EC, AC, RCC and the Board in monitoring the effectiveness and efficiency of the internal control and risk management system

Internal Audit provides reasonable assurance about whether the internal control and risk management system processes, including corporate governance, are effective and efficient. As independent third line of defence reporting to the AC, it performs risk-oriented audits to this end and ensures that policy measures and processes are in place and consistently applied within the group to guarantee the continuity of operations.

Responsibilities, features, organisational structure and reporting lines, scope, audit methodology, co-operation between internal audit departments of the KBC group, and outsourcing of internal audit activities are set out in the Audit Charter of KBC Group NV.

In accordance with international professional audit standards, an external entity screens the audit function on a regular basis (the last time this happened was in 2019). The results of that exercise were reported to the EC and the AC.

The AC and RCC play a central role in monitoring the internal control and risk management systems

Each year, the EC evaluates whether the internal control and risk management system is still compliant and reports its findings to the AC and RCC.

These committees supervise, on behalf of the Board, the integrity and effectiveness of the internal control measures and the risk management system set up under the EC, with the AC paying special attention to correct financial reporting. They also examine the procedures set up by the company to see whether they comply with the law and other regulations.

Their role, composition and activities, along with the qualifications of their members, are laid down in their respective charters, which are included under the Charter of KBC Group NV. More information on these committees is provided elsewhere in this section.

Part 2: Description of the main features of the internal control and risk management systems in relation to the financial reporting process

It is vitally important that timely, accurate and understandable financial reports are provided to both internal and external stakeholders. To ensure this is the case, the underlying process needs to be sufficiently robust.

Periodic reporting at company level is based on a documented accounting process. A manual on the accounting procedures and financial reporting process is available. Periodic financial statements are prepared directly from the general ledger. Bookkeeping accounts are examined to see whether they correspond to underlying inventories. The result of these controls can be demonstrated. Periodic financial statements are prepared in accordance with local accounting policies and periodic reports on own funds in accordance with the most recent National Bank of Belgium (NBB) resolutions.

The main affiliated companies have their own accounting and administrative organisation, as well as a set of procedures for internal financial controls. The consolidation process is explained in a descriptive document. The consolidation system and the consolidation process have been operational for some time and have numerous built-in consistency controls.

The consolidated financial statements are prepared in accordance with IFRS accounting policies that apply to all the companies included in the scope of consolidation. The relevant senior financial managers (CFOs) of the subsidiaries certify to the accuracy and completeness of the financial figures reported in accordance with group accounting policies. The Approval Committee, which is chaired by the general managers of Investor Relations and of Experts, Reporting & Accounting, monitors compliance with IFRS accounting policies and the completeness of IFRS disclosure requirements.

Pursuant to the Act of 25 April 2014 on the status and supervision of credit institutions, the EC of KBC Group NV evaluated the internal control system for the financial reporting process and prepared a report on its findings.

The group-wide roll-out of ‘fast close’ procedures, the monitoring of intercompany transactions within the group, and permanent follow-up of a number of indicators relating to risk, performance and quality (Key Risk Indicators and Key Performance Indicators) continually help raise the quality of both the accounting process and the financial reporting process.

The internal control of the accounting process has been based on Group Key Control Accounting and External Financial Reporting standards since 2006. These rules for managing the main risks attached to the accounting process involve the establishment and maintenance of accounting process architecture, the establishment and maintenance of accounting policies and accounting presentations, compliance with authorisation rules and the separation of responsibilities when transactions are registered in the accounts, and the establishment of appropriate first- and second-line account management.

The Challenger Framework (2012) and Data Management Framework (2015) define a solid governance structure and clearly describe the roles and responsibilities of the various players in the financial reporting process. The aim here is to radically reduce reporting risks by challenging input data and improving the analysis of – and therefore insight into – the reported figures.

Each year, when preparing the Internal Control Statement for the supervisory authorities, the legal entities have to assess themselves as to whether they comply with the Group Key Control Accounting and External Financial Reporting standards. The findings of this self-assessment are registered in the risk function's Group Risk Assessment Tool. Business process management (BPM) techniques are also applied, using process inventories, process descriptions (turtle diagrams) and analyses of the potential risks in the processes (Failure Mode & Effects Analysis (FMEA)), supplemented by the questionnaire completed by the CFOs. In this way, the CFOs formally confirm by substantiated means that all the defined roles and responsibilities relating to the end-to-end process for external financial reporting have been properly assumed within their entity. The veracity of this confirmation can be checked at any time by all the internal and external stakeholders involved.

KBC Group NV's Internal Audit function conducts an end-to-end audit of the accounting process and external financial reporting process at both company and consolidated level.

For details of the AC's supervisory work, see the preceding paragraphs.

Shareholder structure on 31 December 2022

The Act of 2 May 2007 concerning the disclosure of significant participations in issuers whose shares are admitted to trading on a regulated market and containing miscellaneous provisions, does not apply to KBC Bank because the securities it issues that carry voting rights are not included on a regulated market.

As far as the shareholder structure of KBC Bank NV at 31 December 2022 is concerned, all 995 371 469 shares were held by KBC Group NV.

Disclosure under Article 34 of the Belgian Royal Decree of 14 November 2007

Article 34 of the Belgian Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments admitted to trading on a regulated market, does not apply to KBC Bank because it has not permitted any securities carrying voting rights to be included on a regulated market for trading.

Additional information

- Acquisition of treasury shares: KBC Bank NV and its subsidiaries do not hold any treasury shares.
- Conflicts of interest that fell within the scope of Article 7:115, 7:116 or 7:117 of the CAC During financial year 2022, the Board's decision to grant discharge to the members of the EC – in implementation of Article 7:109, § 3 of the CAC – required the application of Article 7:115 of the CAC. The proposal was discussed at the Board meeting of 17 March 2022, the relevant minutes of which are provided below:

  It is explained that KBC Bank has a dual governance model, though hybrid as all members of the Executive Committee must also sit on the Board of Directors. Article 7:109, § 3 of the CCA provides that, after adoption of the annual accounts, the Board has to decide on granting discharge to the members of the Executive Committee. The Board has to describe the pecuniary consequences of the proposed decision and the justification for its decision.

  The Board recognises that there is a conflict of interest of a patrimonial nature, but that there is no patrimonial impact since the Board does not intend to bring a claim for damages against the Executive Committee and its members.

  The Board decides to grant discharge to the members of the Executive Committee.

  There were no conflicts of interest that required the application of Article 7:116 or 7:117 of the CAC.
- The Board worked out an arrangement regarding transactions and other contractual ties between the company (including its affiliated companies) and its directors, not covered by the conflict of interest rule set out in the Companies and Associations Code. It was incorporated into the Corporate Governance Charter of KBC Bank NV, which was in force until year-end 2022.
- Discharge to directors and to the statutory auditor: it will be requested at the General Meeting to grant discharge to the directors and auditor for the performance of their mandate in financial year 2022.
- At year-end 2022, the AC comprised the following members:
  - Marc Wittemans (non-executive director), who holds a Master's Degree in Applied Economics, and degrees in Fiscal Sciences and Actuarial Sciences. was Managing Director of MRBB CVBA, the holding company of the Boerenbond (farmers' union), until the end of August, and is the Chairman of the AC. [ ] (see CV above) will succeed him as Chairman of the AC with effect from the general meeting in 2023.
  - Nabil Ariss (independent director), who is a graduate of HEC Paris and the University of Chicago Booth School of Business. He has advised the boards of directors of companies, financial institutions and non-profit organisations on strategy, governance, organisation, business operations, mergers & acquisitions and business finance for more than 30 years, first at McKinsey then at J.P. Morgan, where he retired as Vice-Chairman. He is the founder of Fresnel1823, an independent business consultancy firm.

- Bo Magnusson (independent director), who is a graduate of the High School Social Science Programme and holds certificates in Accounting, Macroeconomics, Treasury Management and Financial & Risk Management. He held different positions at SEB (1982-2011), including in the areas of accounting and finance. During his career there, he was Head of the Retail Division (2005-2008), Deputy President and CEO (2008-2011) and Head of Group Staff & Business Support (2009-2011). He was Chairman of the boards of Carnegie Investment Bank AB (2012-2019), SBAB Bank AB (2013-2019), Norrporten AB (2013-2016), 4T Sverige AB (2012-2015), Deputy Chairman of the Board of Swedbank AB (2019-2022), and has been Chairman of the Board of FCG Group AB since 2022.

These members possess the requisite individual and collective expertise in the activities conducted by the bank and in the areas of accounting and/or auditing, based on their education and extensive business experience.

- At year-end 2022, the RCC comprised the following members:
  - Franky Depickere (non-executive director), who holds Master's Degrees in Trade & Finance (UFSIA Antwerp) and in Financial Management (VLEKHO Business School). He was internal auditor at CERA Bank and has held positions and offices in various financial institutions. He is currently Managing Director at Cera CV and KBC Ancora NV. Mr Depickere is the Chairman of the RCC.
  - Nabil Ariss (independent director).
  - Bo Magnusson (independent director).

  It can be concluded on the basis of the profiles and competences of the members that each individual member and the RCC as a whole possess the requisite skills and experience.
- The Remuneration Committee of KBC Group NV is also authorised to act in relation to KBC Bank NV. It advises the Board of Directors of KBC Group NV regarding the remuneration policy pursued at both KBC Group NV and KBC Bank NV. At year-end 2022, the Remuneration Committee comprised the following members: Koenraad Debackere (Chairman), Alicia Reyes Revuelta and Philippe Vlerick.
- The Nomination Committee of KBC Group NV is also authorised to act in relation to KBC Bank NV. At year-end 2022, the Nomination Committee was made up of Koenraad Debackere (Chairman), Philippe Vlerick, Franky Depickere, Sonja De Becker and Vladimira Papirnik.
- In compliance with the laws on the incompatibility of offices held by managers of credit institutions, the following is a list of the external offices held by the executive managers and directors of KBC Bank NV in other companies, with the exception of those offices performed in companies within the meaning of Article 27, §3, para. three of the Act of 22 March 1993.
- The external mandates of the non-executive members of the Board can be found at www.kbc.com, under Corporate Governance > Management > External mandates

Consolidated financial statements

Abbreviations used

- **AC** = amortised cost
- **OCI** = other comprehensive income
- **FVOCI** = fair value through other comprehensive income
- **FVPL** = fair value through profit or loss. Broken down into:
  - **MFVPL** = mandatorily measured at fair value through profit or loss (including held for trading (HFT))
  - **FVO** = fair value option (designated upon initial recognition at fair value through profit or loss)
- **POCI** = purchased or originated credit impaired assets

Consolidated income statement

(in millions of EUR)	Note	2022	2021
Net interest income	3.1	4 724	4 054
Interest income	*3.1*	*10 826*	*5 934*
Interest expense	*3.1*	*- 6 102*	*- 1 880*
Dividend income	3.2	19	14
Net result from financial instruments at fair value through profit or loss	3.3	320	32
Net realised result from debt instruments at fair value through OCI	3.4	- 6	8
Net fee and commission income	3.5	2 256	2 210
Fee and commission income	*3.5*	*2 942*	*2 831*
Fee and commission expense	*3.5*	*- 686*	*- 620*
Net other income	3.6	- 52	140
TOTAL INCOME		**7 261**	**6 457**
Operating expenses	3.8	- 4 308	- 3 905
Staff expenses	*3.8*	*- 1 860*	*- 1 816*
General administrative expenses	*3.8*	*- 2 185*	*- 1 836*
Depreciation and amortisation of fixed assets	*3.8*	*- 263*	*- 253*
Impairment	3.10	- 275	269
on financial assets at AC and at FVOCI	*3.10*	*- 155*	*329*
on goodwill	*3.10*	*- 5*	*- 7*
other	*3.10*	*- 115*	*- 53*
Share in results of associated companies and joint ventures	3.11	- 10	- 5
RESULT BEFORE TAX		**2 668**	**2 816**
Income tax expense	3.12	- 470	- 681
RESULT AFTER TAX		**2 197**	**2 135**
attributable to minority interests	-	0	0
attributable to equity holders of the parent	-	**2 197**	**2 135**

- We have dealt with the main items in the income statement in the 'Report of the Board of Directors' under the 'Our financial report' and 'Our business units' sections. The statutory auditor has not audited these sections.
- The breakdown of interest income and interest expense on financial instruments calculated using the effective interest rate method and on other financial instruments (not calculated using the effective interest rate method) is provided in Note 3.1.
- The impact of the most important acquisitions and disposals made in 2022 and 2021 is set out in Note 6.6.
- A change in presentation has affected interest income and interest expense, but not net interest income (see Note 3.1 for more information).

Consolidated statement of comprehensive income

(in millions of EUR)	2022	2021
RESULT AFTER TAX	**2 197**	**2 135**
attributable to minority interests	0	0
attributable to equity holders of the parent	2 197	2 135
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**- 78**	**213**
Net change in revaluation reserve (FVOCI debt instruments)	- 223	- 142
Fair value adjustments before tax	- 293	- 167
Deferred tax on fair value changes	64	31
Transfer from reserve to net result	5	- 6
Impairment	0	0
Net gains/losses on disposal	6	- 8
Deferred taxes on income	- 1	2
Net change in hedging reserve (cashflow hedges)	172	186
Fair value adjustments before tax	166	197
Deferred tax on fair value changes	- 55	- 62
Transfer from reserve to net result	61	52
Gross amount	80	66
Deferred taxes on income	- 19	- 15
Net change in translation differences	- 21	255
Gross amount	- 21	255
Deferred taxes on income	0	0
Hedge of net investments in foreign operations	- 4	- 84
Fair value adjustments before tax	- 65	- 113
Deferred tax on fair value changes	12	28
Transfer from reserve to net result	49	0
Gross amount	66	0
Deferred taxes on income	- 16	0
Net change in respect of associated companies and joint ventures	0	0
Gross amount	0	0
Deferred taxes on income	0	0
Other movements	- 2	- 2
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**184**	**184**
Net change in revaluation reserve (FVOCI equity instruments)	3	13
Fair value adjustments before tax	3	14
Deferred tax on fair value changes	0	- 1
Net change in defined benefit plans	180	173
Remeasurements	244	230
Deferred tax on remeasurements	- 64	- 57
Net change in own credit risk	1	- 2
Fair value adjustments before tax	1	- 2
Deferred tax on fair value changes	0	0
Net change in respect of associated companies and joint ventures	0	0
Remeasurements	0	0
Deferred tax on remeasurements	0	0
TOTAL COMPREHENSIVE INCOME	**2 304**	**2 532**
attributable to minority interests	0	0
attributable to equity holders of the parent	2 304	2 532

- Revaluation reserves in 2022: the net change in the ‘revaluation reserve (FVOCI debt instruments)’ came to -223 million euros, which was mainly accounted for by higher interest rates, related primarily to government bonds of European countries. The net change in the hedging reserve (cashflow hedge) of +172 million euros was mainly attributable to higher interest rates. The net change in defined benefit plans (+180 million euros) was accounted for by the impact of the higher discount rate applied to the liabilities, partly offset by the negative returns on plan assets and higher inflation. The net change in the ‘revaluation reserve (FVOCI equity instruments)’ was immaterial. The net change in translation differences (-21 million euros) was caused primarily by the depreciation of the Hungarian forint against the euro and the realisation of positive valuation differences in Czech koruna due to the dividend payout in the group, largely offset by the appreciation of the US dollar and the Czech koruna against the euro. The hedge of net investments in foreign operations (-4 million euros) was negatively impacted by the appreciation of the US dollar and the Czech koruna (only limited volumes of hedging instruments in Hungarian forint), largely offset by a reduced hedge in Czech koruna due to the dividend payout in the group.
- Revaluation reserves in 2021: The net change in the ‘revaluation reserve (FVOCI debt instruments)’ came to -142 million euros, which was mainly accounted for by higher interest rates, related primarily to government bonds of various European countries. The net change in the hedging reserve (cashflow hedge) rose by 186 million euros, due primarily to the general increase in interest rates. The net change in defined benefit plans (+173 million euros) related mainly to higher discount rates applied to the liabilities and the positive returns on plan assets partly offset by a higher – and as of the third quarter of 2021 – market-based inflation curve. The net change in the ‘revaluation reserve (FVOCI equity instruments)’ (+13 million euros) was limited. The net change in translation differences (+255 million euros) was caused primarily by the appreciation of the Czech koruna against the euro, partly offset by the hedge of net investments in foreign operations (-84 million euros). The hedging policy of foreign exchange participations has been aimed at stabilising the group capital ratio (and not the parent shareholders’ equity).

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	-	51 385	40 602
Financial assets	4.0	259 824	246 157
Amortised cost	*4.0*	*246 553*	*231 707*
Fair value through OCI	*4.0*	*3 584*	*4 741*
Fair value through profit or loss	*4.0*	*9 160*	*9 434*
of which held for trading	*4.0*	*8 493*	*8 850*
Hedging derivatives	*4.0*	*528*	*274*
Profit/loss on positions in portfolios hedged against interest rate risk	-	-4 335	- 436
Tax assets	5.2	1 069	1 189
Current tax assets	*5.2*	*124*	*133*
Deferred tax assets	*5.2*	*944*	*1 056*
Non-current assets held for sale and disposal groups	5.11	8 054	10 001
Investments in associated companies and joint ventures	5.3	33	38
Property, equipment and investment property	5.4	3 181	3 202
Goodwill and other intangible assets	5.5	1 916	1 396
Other assets	5.1	960	843
TOTAL ASSETS		**322 088**	**302 991**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	301 525	278 993
Amortised cost	*4.0*	*290 586*	*269 288*
Fair value through profit or loss	*4.0*	*10 369*	*8 611*
of which held for trading	*4.0*	*9 164*	*7 299*
Hedging derivatives	*4.0*	*570*	*1 093*
Profit/loss on positions in portfolios hedged against interest rate risk	-	-1 443	- 863
Tax liabilities	5.2	178	85
Current tax liabilities	*5.2*	*132*	*44*
Deferred tax liabilies	*5.2*	*47*	*41*
Liabilities associated with disposal groups	5.11	2 020	4 262
Provisions for risks and charges	5.7	416	278
Other liabilities	5.8	1 579	1 691
TOTAL LIABILITIES		304 275	284 445
Total equity	5.10	17 813	18 547
Parent shareholders' equity	5.10	16 313	17 047
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests	-	0	0
TOTAL LIABILITIES AND EQUITY		**322 088**	**302 991**

- The impact of the most important acquisitions and disposals made in 2022 and 2021 is set out in Note 6.6.
- The increase in the balance sheet total in 2022 was also largely attributable to higher outstanding repos, demand deposits and time deposits, resulting in higher cash balances with central banks and higher loans and advances to customers. These were cancelled out in part by a higher loss on positions in portfolios hedged against interest rate risk (on both assets and liabilities) due to the substantial interest rate hikes in 2022 and lower positions in credit institutions and investment firms (on the liabilities side mainly due to the repayment of part of the amount borrowed under TLTRO III (-9.1 billion euros; see Note 4.1)).

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 share-holders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
2022									
Balance at the end of the previous period	9 732	2 066	0	6 224	- 976	17 047	1 500	0	18 547
Net result for the period	0	0	0	2 197	0	2 197	0	0	2 197
Other comprehensive income for the period	0	0	0	- 2	108	107	0	0	107
Subtotal	0	0	0	2 196	108	2 304	0	0	2 304
Dividends	0	0	0	-2 986	0	-2 986	0	0	-2 986
Coupon on AT1	0	0	0	- 52	0	- 52	0	0	- 52
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	20	- 20	0	0	0	0
Impact business combinations	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	- 823	89	- 734	0	0	- 734
Balance at the end of the period	9 732	2 066	0	5 401	- 887	16 313	1 500	0	17 813
2021									
Balance at the end of the previous period	9 732	2 066	0	4 146	- 1 378	14 567	1 500	0	16 067
Net result for the period	0	0	0	2 135	0	2 135	0	0	2 135
Other comprehensive income for the period	0	0	0	- 2	399	397	0	0	397
Subtotal	0	0	0	2 133	399	2 532	0	0	2 532
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 52	0	- 52	0	0	- 52
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 3	3	0	0	0	0
Impact business combinations	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	2 077	402	2 480	0	0	2 480
Balance at the end of the period	9 732	2 066	0	6 224	- 976	17 047	1 500	0	18 547

- An explanation of the changes in the revaluation reserves is provided under 'Consolidated statement of comprehensive income'.
- For information on the shareholder structure, see the 'Report of the Board of Directors' in the 'Corporate governance statement' section.
- For information on capital increases, additional tier-1 instruments, treasury share buybacks and the number of shares, see Note 5.10.
- The 'Dividends' item in 2021 was nil: in line with the relevant ECB recommendations, and given the sufficient liquidity in KBC Group NV, no gross dividend was paid for financial year 2020. The 'Dividends' item in 2022 (2 986 million euros) includes the final dividend for financial year 2021 of 1 483 million euros, paid in May 2022, and an interim dividend of 1 503 million euros, paid in August 2022).
- We will propose to the General Meeting of Shareholders of 26 April 2023 a dividend of 2 697 million euros related to 2022, comprising the interim dividend of 1 503 million euros, paid in August 2022, and a final dividend of 1 194 million euros, payable in May 2023. See also 'We aim to achieve our ambitions within a stringent risk management framework' in the 'Report of the Board of Directors' section.

(in millions of EUR)	31-12-2022	31-12-2021	01-01-2021
Revaluation reserve (FVOCI debt instruments)	- 147	77	218
Revaluation reserve (FVOCI equity instruments)	8	24	8
Hedging reserve (cashflow hedges)	- 936	- 1 108	- 1 294
Translation differences	- 137	- 116	- 371
Hedge of net investments in foreign operations	75	78	163
Remeasurement of defined benefit plans	250	70	- 103
Own credit risk through OCI	0	- 1	1
Total revaluation reserves	**- 887**	**- 976**	**- 1 378**

Consolidated cashflow statement

(in millions of EUR)	Note[1]	2022	2021
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	2 668	2 816
Adjustments for non-cash items in profit & loss		2 560	797
Result before tax from discontinued operations	Consolidated income statement	0	0
Depreciation, impairment and amortisation of property, plant and equipment, intangible fixed assets, investment property and securities	3.10, 4.2, 5.4, 5.5	397	328
Profit/Loss on the disposal of investments	-	- 12	- 29
Change in impairment on loans and advances	3.10	155	- 329
Change in other provisions	5.7	156	4
Other unrealised gains/losses	-	1 854	818
Income from associated companies and joint ventures	3.11	10	5
Cashflows from operating profit before tax and before changes in operating assets and liabilities	-	5 227	3 613
Changes in operating assets (excluding cash and cash equivalents)		- 10 035	- 6 312
Financial assets at amortised cost (excluding debt securities)	4.1	- 12 949	- 6 778
Financial assets at fair value through OCI	4.1	1 008	1 052
Financial assets at fair value through profit or loss	4.1	305	- 266
of which financial assets held for trading	*4.1*	*431*	*- 91*
Hedging derivatives	4.1	- 247	- 113
Operating assets associated with disposal groups, and other assets	-	1 849	- 206
Changes in operating liabilities (excluding cash and cash equivalents)		15 789	14 053
Financial liabilities at amortised cost	4.1	16 440	14 432
Financial liabilities at fair value through profit or loss	4.1	1 836	115
of which financial liabilities held for trading	*4.1*	*1 822*	*177*
Hedging derivatives	4.1	- 358	- 33
Operating liabilities associated with disposal groups and other liabilities	-	- 2 129	- 462
Income taxes paid	3.12	- 408	- 349
Net cash from or used in operating activities		10 573	11 006
INVESTING ACTIVITIES			
Purchase of debt securities at amortised cost	4.1	- 12 573	- 6 234
Proceeds from the repayment of debt securities at amortised cost	4.1	9 071	9 171
Acquisition of a subsidiary or a business unit, including cash acquired (including increases in percentage interest held)	6.6	- 42	0
Proceeds from the disposal of a subsidiary or business unit, including cash disposed of (including decreases in percentage interest held)		0	0
Purchase of shares in associated companies and joint ventures	-	- 5	- 18
Proceeds from the disposal of shares in associated companies and joint ventures	-	0	0
Dividends received from associated companies and joint ventures	-	0	0
Purchase of investment property	5.4	- 71	- 5
Proceeds from the sale of investment property	5.4	13	17
Purchase of intangible fixed assets (excluding goodwill)	5.5	- 201	- 196
Proceeds from the sale of intangible fixed assets (excluding goodwill)	5.5	1	3
Purchase of property, plant and equipment	5.4	- 543	- 581
Proceeds from the sale of property, plant and equipment	5.4	242	289
Net cash from or used in investing activities		- 4 106	2 444

(in millions of EUR)	Note[1]	2022	2021
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Cons. statement of changes in equity	0	0
Issue or repayment of promissory notes and other debt securities	4.1	- 1 579	- 1 892
Proceeds from or repayment of subordinated liabilities	4.1	1 584	2 904
Proceeds from the issuance of share capital	Cons. statement of changes in equity	0	0
Issue of additional tier-1 instruments	Cons. statement of changes in equity	0	0
Dividends paid	Cons. statement of changes in equity	- 2 986	0
Coupon additional Tier-1 instruments		- 52	- 52
Net cash from or used in financing activities		- 3 034	960
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		3 434	14 410
Cash and cash equivalents at the beginning of the period		63 502	47 749
Effects of exchange rate changes on opening cash and cash equivalents		503	1 343
Cash and cash equivalents at the end of the period		67 439	63 502
ADDITIONAL INFORMATION			
Interest paid[2]	3.1	- 6 102	- 1 880
Interest received[2]	3.1	10 826	5 934
Dividends received (including equity method)	3.2, 5.3	19	14
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	51 385	40 602
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1 236	3 145
Reverse repos with credit institutions and investment firms at not more than three months	4.1	19 903	24 450
Deposits from banks repayable on demand	4.1	- 5 086	- 4 695
Cash and cash equivalents belonging to disposal groups		0	0
Total		67 439	63 502
of which not available		*0*	*0*

[1] The notes referred to do not always contain the exact same amounts as those included in the cashflow statement, as - among other things - adjustments have been made to take account of acquisitions or disposals of subsidiaries, as set out in IAS 7.
[2] 'Interest paid' and 'Interest received' in this overview are the equivalent of the 'Interest expense' and 'Interest income' items in the consolidated income statement. Given the large number of underlying contracts that generate interest expense and interest income, it would take an exceptional administrative effort to establish actual cashflows. Moreover, it is reasonable to assume that actual cashflows for a bank-insurance company do not differ much from the accrued interest expense and accrued interest income, as most rate products pay interest regularly within the year.

- KBC uses the indirect method to report on cashflows from operating activities.
- Net cash from or used in operating activities:
  - In 2022, this item included the realised result combined with strong deposit growth (mainly customer deposits) and repos, partly offset by a growing home loan and term loan portfolio and repayment of part of the amount borrowed under TLTRO III;
  - In 2021, this item included strong deposit growth, TLTRO III (with an additional drawdown of 2.5 billion euros), as well as the realised result.
- Net cash from or used in investing activities:
  - In 2022, this item included additional investments in debt securities at amortised cost, as well as -42 million euros related to the acquisition of the Bulgarian operations of Raiffeisenbank (now renamed KBC Bank Bulgaria);
  - In 2021, this item included investments in debt securities at amortised cost that had reached maturity, partly offset by new investments.
- Net cash from or used in financing activities:
  - In 2022, this item included the dividend payout (-3.0 billion euros), the issue or repayment of promissory notes and other debt securities. KBC Ifima, ČSOB Czech Republic and KBC Bank NV accounted for the bulk of the figure for 2022, which related primarily to redemptions. This item also included the proceeds from or repayment of subordinated liabilities. KBC Bank NV accounted for the bulk of the figure for 2022, which related primarily to instruments issued (4.1 billion euros) and redemptions (2.8 billion euros);
  - In 2021, this item included the issue or repayment of promissory notes and other debt securities. KBC Ifima, ČSOB Czech Republic and KBC Bank NV accounted for the bulk of the figure for 2021, which related primarily to redemptions. This item also included the proceeds from or repayment of subordinated liabilities. KBC Bank NV accounted for the bulk of the figure for 2021, which related primarily to instruments issued (3.7 billion euros) and redemptions (0.8 billion euros).

1.0 Notes on the accounting policies

Note 1.1: Statement of compliance

- The consolidated financial statements of KBC Bank NV, including all the notes, were authorised for issue on 16 March 2023 by the Board of Directors. They have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS') and present one year of comparative information. All amounts are shown in millions of euros and rounded to the million (unless otherwise stated).
- No new IFRS standards became effective on 1 January 2022 that have significant consequences for KBC.
- The following IFRS standards were issued but not yet effective in 2022. KBC will apply these standards when they become mandatory.
  - IFRS 17: no impact on KBC Bank.
  - Amendments to IAS 1 Presentation of Financial Statements: the amended IAS 1 requires that companies provide information about material accounting policies rather than a list of their main accounting policies. KBC will apply this amendment when it becomes mandatory, i.e. in the 2023 Annual Report.
  - Other: the IASB has 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.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.

Note 1.2: Summary of significant accounting policies

General / Basic principle

The general accounting principles of KBC Bank NV ('KBC') are based on the International Financial Reporting Standards (IFRS), as adopted by the European Union, and on the IFRS Framework. The financial statements of KBC are prepared based on the going concern assumption. It presents each material class of similar items separately. Dissimilar items are presented separately unless they are immaterial, and items are only offset when explicitly required or permitted by the relevant IFRS.

Financial assets

KBC has applied all the requirements of IFRS 9 since 1 January 2018, except for hedge accounting transactions, which continue to be accounted for in accordance with IAS 39.

Financial assets – recognition and derecognition

Recognition: financial assets and liabilities are recognised in the balance sheet when KBC becomes party to the contractual provisions of the instruments. Regular-way purchases or sales of financial assets are recognised using settlement date accounting. All financial assets – except those measured at fair value through profit or loss – are measured initially at fair value plus transaction costs directly attributable to their acquisition.

Derecognition and modification: KBC derecognises a financial asset when the contractual cashflows from the asset expire or when KBC transfers its rights to receive contractual cashflows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. If the terms and conditions change during the term of a financial asset, KBC assesses whether the new terms are substantially different from the original ones and whether the changes indicate that the rights to the cashflows from the instrument have expired. If it is concluded that the terms are substantially different, the transaction is accounted for as a financial asset derecognition, which means that the existing financial asset is removed from the balance sheet and that a new financial asset is recognised based on the revised terms. Conversely, when KBC assesses that the terms are not substantially different, the transaction is accounted for as a financial asset modification.

Write-offs: KBC writes off the gross carrying value of financial assets (or the part of the gross carrying value) deemed uncollectable. This means that there is no reasonable expectation that KBC will recover any interest or principal in a timely manner. The timing of write-offs depends on several factors, including the portfolio, the existence and type of collateral, the settlement process in each jurisdiction, and local legislation. If a loan is uncollectable, the gross carrying value is written off directly against the corresponding impairment. Recoveries of amounts previously written off are recognised as reversals of impairments in the income statement. KBC differentiates between write-offs for financial reporting purposes (which are still subject to credit enforcement activities) and debt forgiveness. The latter entails the forfeiture of the legal right to recover all or part of the debt outstanding to the client.

Classification of equity instruments and debt instruments

On initial recognition of a financial asset, KBC first assesses the contractual terms of the instrument in order to classify it as an equity instrument or a debt instrument. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets. To satisfy this condition, KBC checks that the instrument does not include a contractual obligation requiring the issuer to deliver cash or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer. Any instruments that do not meet the criteria to qualify as equity instruments are classified as debt instruments by KBC, with the exception of derivatives.

Classification and measurement – debt instruments

If KBC concludes that a financial asset is a debt instrument, then – upon initial recognition – it can be classified in one of the following categories:

- Measured at fair value through profit or loss (FVPL);
    - Mandatorily measured at fair value through profit or loss (MFVPL) – this category includes held-for-trading instruments (HFT);
    - Designated upon initial recognition at fair value through profit or loss (FVO);
- Measured at fair value through other comprehensive income (FVOCI);
- Measured at amortised cost (AC).

Debt instruments have to be classified in the FVPL category where (i) they are not held within a business model whose objective is to hold assets in order to collect contractual cashflows or within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets or, alternatively, (ii) they are held within a business model but, on specified dates, the contractual terms of the instrument give rise to cashflows that are not solely payments of principal and interest on the principal amount outstanding.

Furthermore, KBC may in some cases – on initial recognition – irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at fair value (FVO) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated to be measured at FVO:

- the asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated to be measured at FVO:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
- the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model is assessed to determine whether debt instruments should be measured at AC or FVOCI. In performing the assessment, KBC reviews at portfolio level the objective of the business model in which an asset is held because this best reflects how the business is managed and how information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and how those policies operate in practice (in particular, whether management's strategy focuses on earning contractual interest income, maintaining a specific interest rate profile, matching the duration of the financial assets to that of the liabilities that fund those assets, or realising cashflows through the sale of the assets);
- how the performance of the portfolio is evaluated and reported to KBC's Executive Committee and Board of Directors;
- the risks that affect the performance of the business model (and the financial assets held within that model) and how those risks are managed;
- how managers of the business are rewarded (for instance, whether remuneration is based on the fair value of the assets managed or the contractual cashflows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and KBC's expectations of future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how KBC's stated objective for managing the financial assets is achieved and how cashflows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVPL, because they are neither held for collecting contractual cashflows, nor held for both collecting contractual cashflows and selling financial assets.

Assessment whether contractual cashflows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. In assessing whether contractual cashflows are solely payments of principal and interest, KBC considers the contractual terms of the instrument, which entails assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that the instrument would not meet this condition.

In making the assessment, KBC considers:

- contingent events that could change the amount and timing of cashflows;
- leverage features;
- prepayment and extension terms;
- terms that limit KBC's claim to cashflows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g., periodic resets of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition except in a period after KBC changes its business model for managing financial assets, which can occur when KBC begins or ceases to perform an activity that is significant to its operations (e.g., when KBC acquires, disposes of, or terminates a business line). Reclassification takes place from the start of the reporting period immediately following the change.

Classification and measurement – equity instruments

Financial equity instruments are classified in one of the following categories:

- mandatorily measured at fair value through profit or loss (MFVPL) – only includes equity instruments held for trading (HFT);
- equity instruments elected to be measured at fair value through other comprehensive income (FVOCI);

In the banking business, there is a rebuttable presumption that all equity instruments are to be regarded as FVOCI if held for neither trading nor a contingent consideration in a business combination to which IFRS 3 applies. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis, which is interpreted by KBC as a share-by-share basis. Equity instruments categorised as FVOCI are subsequently measured at fair value, with all value changes recognised in other comprehensive income and without any recycling into the income statement, even when the investment is disposed of. The only exception applies to dividend income, which is recognised in the income statement under ‘Dividend income’.

Classification and measurement – derivatives (trading and hedging)

KBC can recognise derivative instruments either for trading purposes or as hedging derivatives. They can be accounted for as assets or liabilities depending on their current market value.

Trading derivatives

Derivatives are always measured at fair value and KBC draws distinctions as follows:

- Derivatives that are held with the intent of hedging, but for which hedge accounting cannot be or is not applied (economic hedges): hedging instruments can be acquired with the intention of economically hedging an external exposure but without applying hedge accounting. The interest component of these derivatives is recognised under ‘Net interest income’, while all other fair value changes are recognised under ‘Net result from financial instruments at fair value through profit or loss’.
- Derivatives held with no intent of hedging (trading derivatives): KBC entities can also contract derivatives without any intention to hedge a position economically. Such activity can relate to closing or selling an external position in the near term or for short-term profit-taking purposes. All fair value changes (including interest) on such derivatives are recognised under ‘Net result from financial instruments at fair value through profit or loss’.

Hedging derivatives

Hedging derivatives are derivatives that are specifically designated in a hedge relationship. The process for accounting such derivatives is detailed in ‘Hedge accounting’.

Financial assets – impairment

Definition of default

KBC defines defaulted financial assets in the same way as the definition for internal risk management purposes and in line with the guidance and standards of financial industry regulators. A financial asset is considered in default if any of the following conditions is fulfilled:

- there is a significant deterioration in creditworthiness;
- the asset is flagged as non-accrual;
- the asset is forborne and meets the default criteria in accordance with the internal policies for forbearance (for example, when an additional forbearance measure is extended to a forborne asset that did not reach default status within two years of the first forbearance measure being granted, or when a forborne asset becomes more than 30 days past due within the two-year period);
- KBC has filed for the borrower’s bankruptcy;
- the counterparty has filed for bankruptcy or sought similar protection measures;
- the credit facility granted to the client has been terminated.

KBC applies a backstop for facilities whose status is '90 days or more past due'. In this context, a backstop is used as a final control to ensure that all the assets that should have been designated as defaulted are properly identified.

Expected credit loss model (ECL model) – general

The ECL model is used to measure impairment of financial assets.

The scope of the ECL model is based on how financial assets are classified. The model is applicable to the following financial assets:

- Financial assets measured at AC and at FVOCI;
- Loan commitments and financial guarantees;
- Finance lease receivables;
- Trade and other receivables.

No ECLs are calculated for investments in equity instruments.

Financial assets that are in scope of the ECL model carry impairment in an amount equal to the lifetime ECL if the credit risk increases significantly after initial recognition. Otherwise, the loss allowance is equal to the 12-month ECL (see below for more information on the significant increase in credit risk).

To distinguish the various stages with regard to quantifying ECL, KBC uses the internationally accepted terminology for 'Stage 1', 'Stage 2' and 'Stage 3' financial assets.

Unless they are already credit impaired, all financial assets are classified in 'Stage 1' at the time of initial recognition and 12-month ECL is recognised. Once a significant increase in credit risk occurs after initial recognition, the asset is moved into 'Stage 2' and lifetime ECL is recognised. Once an asset meets the definition of default, it is moved into 'Stage 3'.

For trade receivables, IFRS 9 allows for a practical expedient. The ECL for trade receivables can be measured in an amount equal to their lifetime ECL. KBC applies this practical expedient to trade and other receivables.

Impairment gains and losses on financial assets are recognised under the 'Impairment' heading in the income statement.

Financial assets that are measured at AC are presented in the balance sheet at their net carrying value, which is the gross carrying value less impairment. Debt instruments measured at FVOCI are presented in the balance sheet at their carrying value, which is their fair value on the reporting date. The adjustment for the ECL is recognised as a reclassification adjustment between the income statement and OCI.

Significant increase in credit risk since initial recognition

In accordance with the ECL model, financial assets attract lifetime ECL once their credit risk increases significantly after initial recognition. Therefore, the assessment of a significant increase in credit risk is important for the staging of financial assets. The assessment of a significant increase in credit risk is a relative assessment based on the credit risk that was assigned upon initial recognition. This is a multi-factor assessment and, therefore, KBC has developed a multi-tier approach.

Multi-tier approach (MTA) – bond portfolio

For the bond portfolio, the MTA consists of three tiers:

- Low-credit exception: 12-month ECL is always recognised for bonds if they have a low credit risk on the reporting date (i.e. 'Stage 1'). KBC uses this exception for investment grade bonds.
- Internal rating: [only applicable if the first tier criterion is not met] this is a relative assessment that compares the probability of default (PD) upon initial recognition to that on the reporting date. KBC does the assessment at facility level for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.
- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first two tiers of the MTA. Examples of idiosyncratic events are unexpected developments in the macroeconomic environment (e.g., due to the coronavirus crisis), uncertainties about geopolitical events (e.g., as a result of the war in Ukraine) and the secondary impact of material defaults (e.g., on the suppliers, clients and employees of a defaulted company).

If none of these triggers results in a move into 'Stage 2', the bond remains in 'Stage 1'. A financial asset is considered as 'Stage 3' as soon as it meets the definition of default. The MTA is symmetrical, i.e. credit that has been moved into 'Stage 2' or 'Stage 3' can revert to 'Stage 1' or 'Stage 2' if the tier criterion that triggered the migration is not met on a subsequent reporting date.

Loan portfolio

For the loan portfolio, KBC uses a five-tier approach. This MTA is a waterfall approach (i.e. if assessing the first tier does not result in a move into 'Stage 2', the second tier is assessed, and so on). In the end, if all tiers are assessed without triggering a migration to 'Stage 2', the financial asset remains in 'Stage 1'.

- Internal rating: this rating is used as the main criterion for assessing an increase in credit risk. It is a relative assessment that compares the PD upon initial recognition to that on the reporting date. KBC does the assessment at the level of the facility (i.e. contract) for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.
- Forbearance: forborne financial assets are always considered as 'Stage 2' unless they are already defaulted, in which case they are moved into 'Stage 3'.
- Days past due: KBC uses the backstop defined in the directive. A financial asset that is more than 30 days past due is moved into 'Stage 2'.
- Internal rating backstop: KBC uses an absolute level of PD as a backstop for financial assets that have to be moved into 'Stage 2'. This backstop corresponds to the highest PD (i.e. PD 9 based on KBC's internal rating) before a financial asset is considered defaulted.
- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first four tiers of the MTA (see above for a number of examples).

A financial asset is considered as 'Stage 3' as soon as it meets the definition of default. The MTA is symmetrical, i.e. credit that has been moved into 'Stage 2' or 'Stage 3' can revert to 'Stage 1' or 'Stage 2' if the tier criterion that triggered the migration is not met on the reporting date.

Measurement of ECL

ECL is calculated as the product of probability of default (PD), estimated exposure at default (EAD) and loss given default (LGD).

ECL is calculated to reflect:

- an unbiased, probability-weighted amount;
- the time value of money; and
- information about past events, current conditions and forecast economic conditions.

Lifetime ECL represents the sum of ECL over the lifetime of the financial asset discounted at the original effective interest rate.

The 12-month ECL represents the portion of lifetime ECL resulting from a default in the 12-month period after the reporting date.

KBC uses specific IFRS 9 models for PD, EAD and LGD in order to calculate ECL. As much as possible and to promote efficiency, KBC uses modelling techniques similar to those developed for prudential purposes (i.e. Basel models). More information on the credit risk models developed by KBC is provided in the 'Internal Modelling' section of the Risk Report at www.kbc.com. That said, KBC ensures that the Basel models are adapted so they comply with IFRS 9:

- KBC removes the conservatism that is required by the regulator for Basel models;
- KBC adjusts how macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a 'point-in-time' estimate rather than one that is 'through the cycle' (as required by the regulator);
- KBC applies forward-looking macroeconomic information in the models.

As regards loans that are in default, the ECL is also calculated as the product of the PD, EAD and LGD. In this specific case, however, the PD is set at 100%, the EAD is known given the default status and the LGD takes into account the net present value of the (un)recoverable amount.

KBC uses the IRB and Standardised models to assign the Basel PD, which then serves as input for IFRS 9 ECL calculations and staging. If there is no Basel PD model with a similar scope to the IFRS 9 model, the long-term observed default rate is used as the PD for all facilities in the portfolio. For low default portfolios, there may have been no or only a small number of defaults in the period being considered, in which case the PD is determined based on expert input and external ratings.

KBC considers forward-looking information in the calculation of ECL via macroeconomic variables and based on management's assessment of any idiosyncratic events. KBC's Chief Economist develops three different macroeconomic scenarios (base-case, up and down) for all the KBC Core Countries and sets a corresponding probability for each scenario. On a quarterly basis, KBC updates the economic scenarios and attributed weightings to be used for the ECL calculation according to the input of the Chief Economist. The incorporation of the macroeconomic variables included in these scenarios in the PD, EAD and LGD components of the ECL calculation is based on statistical correlation in historical datasets.

The maximum period for measurement of ECL is the maximum contractual period (including extensions), except for specific financial assets that include a drawn and an undrawn amount available on demand, and KBC's contractual ability to request repayment of the drawn amount and cancel the undrawn commitment does not limit the exposure to credit risk to the contractual period. Only for such assets can a measurement period extend beyond the contractual period.

Purchased or originated credit impaired (POCI) assets

KBC defines POCI assets as financial assets in scope of the IFRS 9 impairment standard that are already defaulted at origination (i.e. they then meet the definition of default). POCI assets are initially recognised at an amount net of impairment and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods, any changes to the lifetime ECL are recognised in the income statement. Favourable changes are recognised as an impairment gain, even if the lifetime ECL on the reporting date is lower than the lifetime ECL at origination.

Significant judgements and uncertainties

Calculating ECL (and the significant increase in credit risk since initial recognition) requires significant judgement of various aspects, including the borrowers' financial position and repayment capabilities, the value and recoverability of collateral, projections and macroeconomic information. KBC applies a neutral, bias-free approach when dealing with uncertainties and making decisions based on significant judgements.

Cash, cash balances with central banks and other demand deposits with credit institutions

'Cash' comprises cash on hand and demand deposits, e.g., cheques, petty cash and cash balances at central and other banks.

Financial liabilities

Financial instruments or their component parts are classified on initial recognition as liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments. A financial instrument is classified as a liability if:

- KBC has a contractual obligation to deliver cash or another financial asset to the holder or to exchange another financial instrument with the holder under conditions that are potentially unfavourable to KBC; or
- KBC has a contractual obligation to settle the financial instrument in a variable number of its own shares.

A financial instrument is classified as an equity instrument when neither condition is met. In that case, it is accounted for in the way set out under 'Equity'.

Financial liabilities – recognition and derecognition

KBC recognises a financial liability when it becomes party to the contractual provisions of the relevant instrument. This is typically the date when the consideration in the form of cash or some other financial asset is received. Upon initial recognition, the financial liability is recognised at fair value less transaction costs directly attributable to issuance of the instrument, except for financial liabilities at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, i.e. the obligation specified in the contract is discharged or cancelled, or it expires. KBC can also derecognise the financial liability and recognise a new one where an exchange takes place between KBC and the lenders of the financial liability, each with substantially different terms, or if there are substantial modifications to the terms of the existing financial liabilities. In assessing whether terms differ, KBC compares the discounted present value of cashflows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, and the discounted present value of the remaining cashflows of the original financial liability. If the difference is 10% or more, KBC derecognises the original financial liability and recognises a new one. Where the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Financial liabilities – classification and measurement

KBC classifies recognised financial liabilities in three different categories, as provided for by IFRS 9:

- Financial liabilities held for trading (HFT). Held-for-trading liabilities are those incurred principally for generating a profit from short-term fluctuations in price or dealer's margin. A liability also qualifies as a trading liability if it belongs to a portfolio of financial instruments held for trading separately by the trading desk and for which there is a recent pattern of short-term profit-taking. Held-for-trading liabilities can include derivatives, short positions in debt and equity instruments, time deposits and debt certificates. Derivative liabilities are split by KBC into trading and hedging derivatives as in the case of derivative assets. Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting period, derivative liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.
- Financial liabilities designated by the entity as liabilities at fair value through profit or loss upon initial recognition (FVO). Under IFRS 9, a financial liability or group of financial liabilities can be measured upon initial recognition at fair value, whereby fair value changes are recognised in the income statement except for fair value changes related to own credit risk, which are presented separately in OCI. The fair value designation is used by KBC for the following reasons:
    - managed on an FV basis: KBC designates a financial liability or a group of financial liabilities at fair value where it is managed and its performance is evaluated on a fair value basis. It is used to account for (unbundled) deposit components (i.e. financial liabilities that do not include a discretionary participation feature);
    - accounting mismatch: the fair value option can be used when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases;
    - hybrid instruments: a financial instrument is regarded as hybrid when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely-related embedded derivative from the host contract. In that case the entire hybrid instrument can be designated at fair value. This means that both the embedded derivative and the host contract are measured at fair value. KBC uses this option when structured products contain non-closely-related embedded derivatives, in which case both the host contract and the embedded derivative is measured at fair value.
- Financial liabilities measured at amortised cost (AC). KBC classifies most of its financial liabilities under this category, including those used to fund trading activities where no trading intent is present in them (e.g., issued bonds). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently, they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued but not yet paid are recorded under accruals and deferrals.

Financial liabilities – own credit risk

For financial liabilities designated at fair value, IFRS 9 requires the financial liability to be measured at fair value upon initial recognition. Any changes in fair value are subsequently recognised in the income statement, except for those relating to own credit risk, which are presented separately in OCI.

Accordingly, movements in the fair value of the liability are presented in different places: changes in own credit risk are presented in OCI and all other fair value changes are presented in the income statement under 'Net result from financial instruments at fair value through profit or loss'. Amounts recognised in OCI relating to own credit risk are not recycled to the income statement even if the liability is derecognised and the amounts realised. Although recycling is prohibited, KBC does transfer the amounts in OCI to retained earnings within equity upon derecognition. The only situation in which presentation of own credit risk in OCI is not applied is where this would create an accounting mismatch in the income statement. This could arise if there is a close economic relationship between the financial liability designated at fair value (for which the own credit risk is recognised in OCI), while all changes in fair value of the corresponding financial asset are measured and recognised at fair value through profit or loss. This is the case with unit-linked investment contracts, where changes in fair value of the liability position are fully offset by the asset position.

Financial liabilities – financial guarantee contract

A financial guarantee contract is one that requires KBC to make specified payments to reimburse holders for losses they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at fair value and is subsequently measured at the higher of (a) the amount determined in accordance with the impairment provisions of IFRS 9 (see 'Financial assets – impairment') and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition principle of IFRS 15.

Reverse repos and repos

A reverse repo is a transaction in which KBC purchases a financial asset and simultaneously enters into an agreement to sell the asset (or a similar asset) at a fixed price on a future date; this agreement is accounted for as a loan or advance, and the underlying asset is not recognised in the financial statements.

In a repo transaction, KBC sells a security and simultaneously agrees to repurchase it (or a substantially similar asset) at a fixed price on a future date. KBC continues to recognise the securities in their entirety because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and the financial liability is recognised for the obligation to pay the repurchase price.

Offsetting

KBC offsets and presents only a net amount of a financial asset and financial liability in its balance sheet if and only if (i) it currently has a legally enforceable right to set off the recognised amounts and (ii) it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value

KBC defines 'fair value' as 'the price that would be received for sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. An imbalance between supply and demand (e.g., fewer buyers than sellers, thereby forcing prices down) is not the same as a forced transaction or distress sale.

Market value adjustments are recognised on all positions that are measured at fair value, with fair value changes being reported in the income statement or in OCI. They relate to close-out costs, adjustments for less-liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk (credit value adjustment) and funding costs:

- Credit value adjustments (CVAs) are used when measuring derivatives to ensure that their market value is adjusted to reflect the credit risk of the counterparty. In making this adjustment, both the mark-to-market value of the contract and its expected future fair value are taken into account. These valuations are weighted based on the counterparty credit risk that is determined using a quoted credit default swap (CDS) spread, or, if there is no such spread, on the counterparty credit risk that is derived from bonds whose issuers are similar to the derivative counterparty in terms of rating, sector and geographical location. A debt value adjustment (DVA) is made for contracts where the counterparty is exposed to KBC. It is similar to a CVA, but the expected future negative fair value of the contracts is taken into consideration.
- A funding value adjustment (FVA) is a correction made to the fair value of uncollateralised derivatives in order to ensure that the (future) funding costs or income attached to entering into and hedging such instruments are factored in when measuring their value.

Hedge accounting

KBC has elected to apply the hedge accounting principles under IAS 39 (EU carve-out version). KBC designates certain derivatives held for risk management purposes, as well as certain non-derivative financial instruments, as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, KBC formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. KBC makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is/are expected to be highly effective in offsetting the changes in the fair value or cashflows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. KBC makes an assessment for a cashflow hedge of a forecast transaction of whether it is highly probable to occur and presents an exposure to variations in cashflows that could ultimately affect the income statement.

KBC uses the following hedge accounting techniques: cashflow hedges, fair value micro hedges, fair value hedges for a portfolio of interest rate risk, and hedges of net investments in foreign operations.

Cashflow hedges: if a derivative is designated as the hedging instrument in a hedge of the variability in cashflows attributable to a particular risk associated with a recognised asset, liability or highly probable forecast transaction that could affect the income statement, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve (cashflow hedge) within OCI. Any ineffective portion of changes in the fair value of a derivative is immediately recognised in the income statement under 'Net result from financial instruments at fair value through profit or loss'. The amount recognised in OCI is reclassified to the income statement (as a reclassification adjustment in the same period as the hedged cashflows affect the income statement) under 'Net interest income'. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cashflow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised under 'Net result from financial instruments at fair value through profit or loss' when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately recycled to the income statement under 'Net result from financial instruments at fair value through profit or loss'.

Fair value micro hedging: when a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability (portfolio of recognised assets or liabilities) or a firm commitment that could affect the income statement, changes in the fair value of the derivative are immediately recognised in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same item in the income statement as the hedged item). However, accrued interest income from interest rate swaps is recognised in 'Net interest income'. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to the point of discontinuation that is made to a hedged item for which the effective interest method is used is amortised to the income statement as part of the recalculated effective interest rate of the item over its remaining life or recognised directly when the hedged item is derecognised.

Fair value hedges for a portfolio of interest-rate risk (macro hedging): the EU's macro hedging carve-out means that a group of derivatives (or proportions of them) can be viewed in combination and jointly designated as a hedging instrument, and removes some of the limitations on fair value hedge accounting relating to hedging core deposits and underhedging strategies. Under the EU carve-out, hedge accounting may be applied to core deposits and will be ineffective only when the revised estimate of the amount of cashflows in scheduled time buckets falls below the designated amount of that bucket. KBC uses interest rate swaps to hedge the interest rate risk for a portfolio of loans and for a portfolio of retail deposits. Interest rate swaps are measured at fair value, with fair-value changes being reported in the income statement. Accrued interest income from interest rate swaps is recognised in 'Net Interest Income'. The hedged amount of loans is measured at fair value as well, with fair value changes being reported in the income statement. The fair value of the hedged amount is presented as a separate item on the assets or liabilities side of the balance sheet. If a hedge is ineffective, the cumulative fair value change in the hedged amount will be amortised to the income statement over the remaining lifetime of the hedged assets or will be immediately removed from the balance sheet if ineffectiveness is due to derecognition of the corresponding loans.

Hedge of net investments in foreign operations: when a derivative instrument or a non-derivative financial instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation having a different functional currency than the direct holding company of the foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in the hedging reserve (investment in foreign operation) in OCI. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the income statement. The amount recognised in OCI is reclassified to the income statement as a reclassification adjustment on disposal of the foreign operation (which includes a dividend distribution or capital decrease).

Leasing

All leases are required to be classified as either finance leases or operating leases. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.

This classification is crucial for positions as a lessor, but less important for positions as a lessee, since both classifications result in similar recognition and measurement of the lease on the balance sheet and in the income statement.

Equity

Equity represents the residual interest in KBC's total assets after deduction of all its liabilities (referred to as 'net assets') and encompasses all shares issued by KBC, reserves attributable to the holders of the shares and minority interests.

KBC classifies all issued financial instruments as equity or as a financial liability based on the substance of the contractual arrangements. The critical feature that distinguishes a financial liability from a share is whether KBC has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.

Minority interests represent the equity in a subsidiary that is not attributable to the holders of KBC shares. When the proportion of the equity held by the minority interests changes, KBC adjusts the carrying value of the controlling and minority interests to reflect changes in their relative interests in the consolidated companies. KBC recognises in equity any difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received, and allocates it to its controlling stake.

Employee benefits

Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences, performance-related cash awards and social security contributions, are recognised over the period in which the employees provide the corresponding services. The related expenses are presented in the income statement as ‘Operating expenses’ under the ‘Staff expenses’ heading.

Post-employment benefits

KBC offers its employees’ pension schemes in the form of defined contribution or defined benefit plans. Under the defined contribution plans, KBC’s statutory or constructive obligation is limited to the amount that it agrees to contribute to the fund. The amount of the post-employment benefit to be received by the employee is determined by the amount of the contributions paid by KBC and the employee him or herself into the post-employment benefit plan, as well as by the investment returns arising from those contributions. The actuarial risk is borne by the employee.

Conversely, under the defined benefit plans, KBC’s obligation is to provide the agreed benefits to current and former employees and, in substance, the actuarial risk and investment risk fall on KBC. This means that if, from an actuarial or investment viewpoint, things turn out worse than expected, KBC’s obligation may be increased.

In Belgium, defined contribution plans have a legally guaranteed minimum return and the actual return can be lower than the legally required return. In addition, these plans have defined benefit plan features and KBC treats them as defined benefit plans.

Liabilities under the defined benefit plans and the Belgian defined contribution plans (or pension liabilities) are included under ‘Other liabilities’ and relate to the obligations for retirement and survivor’s pensions, early retirement benefits and similar pensions and annuities.

The pension obligations for employees under the defined benefit plans are calculated using the projected-unit-credit method, with each period of service granting additional entitlement to pension benefits.

Actuarial valuations are performed every reporting period. The defined benefit liabilities are discounted using rates equivalent to the yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have a maturity similar to the related pension liabilities.

Changes in the net defined benefit liability/asset, apart from cash movements, are grouped into three main categories and recognised in operating expenses (service costs), interest expenses (net interest costs) and other comprehensive income (remeasurements).

Net fee and commission income

Most net fee and commission income falls under the scope of IFRS 15 (Revenue from Contracts with Customers), as it relates to the services that KBC provides to its clients and is outside the scope of other IFRS standards. For the recognition of revenue, KBC identifies the contract and defines the promises (performance obligations) in the transaction. Revenue is recognised only when KBC has satisfied the performance obligation.

The revenue presented under ‘Securities and asset management’ falls under the scope of IFRS 15 and, in principle, entails KBC keeping assets in a trust for the beneficiary (‘fund’) and being responsible for investing the amounts received from clients to their benefit. These transactions are straightforward, because KBC provides a series of distinct services which clients use at the same time when receiving the benefits. In return, KBC receives a monthly or quarterly management fee, which is calculated as a fixed percentage of the net asset value, or a subscription fee retained from the beneficiary. The fees do not include a variable component.

Revenue reported as ‘Margin on life insurance investment contracts without DPF’ represents the amount realised on investment contracts without a discretionary participation feature, i.e. a fixed percentage or fixed amount is withheld from the client’s payments, enabling the insurance company to cover its expenses.

Payment services, where KBC charges clients for certain current-account transactions, domestic or foreign payments, payment services provided through ATMs, etc., are usually settled when the actual transaction is carried out, enabling the relevant fee to be recognised directly at that time.

Government grants

Government grants are recognised when there is a reasonable assurance that the grant will be received and the conditions attached to it will be met. The grants are recognised in the income statement on a systematic basis to match the way that KBC recognises the expenses for which the grants are intended to compensate.

Levies

Public authorities can impose various levies on KBC. The size of the levies can depend on the amount of revenue (mainly interest income) generated by KBC, the amount of deposits accepted from clients, and the total balance sheet volume, including corrections based on certain, specific ratios. In accordance with IFRIC 21, levies are recognised when the obligating event that gives rise to recognition of the liability has occurred as stated in the relevant legislation. Depending on the obligating event, levies can be recognised at a single point in time or over time. Most of the levies imposed on KBC have to be recognised at a single point in time, which is mainly the beginning of the financial year. KBC recognises levies under 'Operating expenses'.

Income tax

Income tax consists of three items, namely taxes paid/payable over the reporting period, underprovisioning/overprovisioning in previous years, and changes in deferred tax assets/deferred tax liabilities. It is accounted for either in the income statement or in other comprehensive income, depending on where the items that triggered the tax are recorded. Income taxes that are initially accounted for in other comprehensive income and that relate to gains or losses that are subsequently recognised in the income statement are recycled to the income statement in the same period in which that item is accounted for in the income statement.

Deferred and current tax assets and liabilities are offset when there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax assets/liabilities

Current tax for the period is measured at the amount expected to be paid to or recovered from the tax authorities, using the rates of tax in effect during the reporting period.

Deferred tax assets/liabilities

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base. They are measured using the tax rates that are substantively enacted at the reporting date and expected to be in effect on realisation of the assets or settlement of the liabilities to which they relate and that reflect the tax consequences following from the manner in which the entity expects to recover or settle the carrying value of the underlying asset or liability at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, as well as for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. KBC calculates deferred tax assets for carry forward unused tax losses. When estimating the period over which tax losses can be set off against future taxable profits, KBC uses projections for a period of eight to ten years.

Deferred tax assets/liabilities that relate to business combinations are recorded directly in goodwill.

Deferred tax assets/liabilities are not discounted.

Property and equipment

Property and equipment are recognised initially at cost (including directly allocable acquisition costs). KBC subsequently measures property and equipment at the initial cost less accumulated depreciation and impairment. The rates of depreciation are determined on the basis of the estimated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use. Property and equipment are derecognised upon disposal or when the relevant asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses upon derecognition are recognised in the income statement in the period in which derecognition occurs.

Property and equipment are subject to impairment testing when there is an indication that the asset might have been impaired.

Depreciation charges, impairment losses and gains or losses on disposal are recognised under 'Operating expenses' in the income statement, with the exception of assets that are leased under operating leases (KBC as a lessor), for which the costs are recognised in 'Other net income'. Where a disposal falls within the definition of a discontinued operation, the net results are reported in a single line in the income statement (see 'Discontinued operations' below).

Investment property

Investment property is defined as a property built, purchased or acquired by KBC under a finance lease and is held to earn rentals or for the purpose of capital appreciation rather than being used by KBC for the provision of services or for administrative purposes.

Investment property is initially recognised at cost (including directly attributable costs). KBC subsequently measures it at the initial cost less accumulated depreciation and impairment.

The depreciation charge is recognised under 'Other net income' in the income statement.

Intangible assets

Intangible assets include goodwill, software developed in-house, software developed externally and other intangible assets. Intangible assets can be (i) acquired as part of a business combination transaction (see 'Business combinations and goodwill' below), (ii) acquired separately or (iii) developed internally.

Separately acquired intangible assets (mainly software developed externally) are initially recognised at cost. Internally developed intangible assets (mainly software developed in-house) are recognised only if they arise from development and KBC can demonstrate:

- the technical feasibility of completing them;
- an intention to complete for use or sale;
- an ability to use or sell them;
- how the intangible assets will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets;
- reliable measurement of the expenditure attributable to the intangible assets during their development.

Internally generated intangible assets are initially measured at the development costs directly attributable to the design and testing of the unique software controlled by KBC.

Directly attributable costs capitalised as part of the software developed in-house include software development employee costs and directly attributable overheads.

Research expenses, other development expenditure, costs associated with maintaining software and investment projects (large-scale projects introducing or replacing an important business objective or model) that do not meet the recognition criteria are recognised as an expense in the period they are incurred.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use as intended by management. Software is amortised as follows:

- System software (initial purchased software forming an integral part with hardware) is amortised at the same rate as hardware.
- Standard software and customised software developed by a third party or developed in-house are amortised over five years according to the straight-line method from the time the software is available for use.
- Core systems (typically including deposit account processing, loan and credit processing, interfaces to the general ledger and reporting tools) are amortised over eight years according to the straight-line method.

Impairment of non-financial assets

When KBC prepares financial statements, it ensures that the carrying value of the non-financial asset does not exceed the amount that could be obtained from either using or selling it ('recoverable amount'). Property and equipment, investment property and software are subject to the impairment review only when there is objective evidence of impairment. Goodwill and intangible assets with an indefinite useful life are subject to impairment reviews at least annually and also reviewed for impairment indicators every quarter.

Indications that an impairment loss is required may stem from either an internal source (e.g., the condition of the asset) or an external source (e.g., new technology or a significant decline in the asset's market value).

When an impairment indicator is present, KBC reviews the asset's recoverable amount and the asset is impaired when its recoverable amount is lower than its carrying value at the reporting date. The recoverable amount is defined as the higher of the value in use and the fair value less cost to sell.

Value in use is defined as the discounted future cashflows expected to be derived from an asset or a cash-generating unit.

Impairment is borne at individual asset level, but when the individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the so-called 'cash-generating unit' (CGU) to which the asset or group of assets belongs. In forming the CGUs, KBC applies its own judgement to define the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This process mainly applies to goodwill that has been recognised in relation to acquisitions.

Impairment losses are recognised in the income statement for the period in which they occur. An impairment loss can be reversed if the condition that triggered it is no longer present, except for goodwill, which can never be reversed. Impairment gains are recognised in the income statement for the period in which they occur.

Provisions, contingent liabilities and contingent assets

Provisions are recognised on the reporting date if and only if the following criteria are met:

- there is a present obligation (legal or constructive) due to a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at balance sheet date. When the effect of time is material, the amount recognised as a provision is the net present value of the best estimate.

Due to its inherent nature, a provision requires management judgement regarding the amount and timing of probable future economic outflows.

Consolidated financial statements / interim financial statements

All material entities (including structured entities) over which KBC exercises direct or indirect control as defined in IFRS 10 are consolidated according to the method of full consolidation. Changes in ownership interests (that do not result in a loss of control) are accounted for as equity transactions. They do not affect goodwill or profit or loss.

Subsidiaries that are not included in the consolidated financial statements because of immateriality are classified as equity instruments at fair value through other comprehensive income, with all fair value changes being reported in other comprehensive income, except for dividend income, which is recognised in the income statement. Material companies over which joint control is directly or indirectly exercised and material investments in associates (companies over which KBC has significant influence), are all accounted for using the equity method.

Consolidation threshold: subsidiaries are effectively included in the consolidated financial statements using the full consolidation method if at least two of the following materiality criteria are exceeded:

- Group share in equity is 2 500 000 euros;
- Group share in the result is 1 000 000 euros (absolute value);
- Group share in the balance sheet total is 100 000 000 euros.

In order to prevent too many entities from being excluded, KBC checks that the combined balance sheet total of the entities excluded from consolidation does not amount to more than 1% of the consolidated balance sheet total.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred (measured at acquisition-date fair value) and the amount of any minority interests in the acquired entity. For measurement of the minority interests, KBC can decide for each business combination separately whether to measure the minority interest at fair value or as their proportionate share of the acquired entity’s net identifiable assets. The way the minority interest is measured on the acquisition date will have an impact on purchase accounting as a result of the determination of goodwill.

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. In order to complete the acquisition accounting and determine the goodwill item, KBC applies a measurement period of 12 months. The classification of the financial assets acquired and financial liabilities assumed in the business combination is based on the facts and circumstances existing at the acquisition date (except for lease and insurance contracts, which are classified on the basis of the contractual terms and other factors at the inception of the relevant contract).

Goodwill is presented under 'Goodwill and other intangible assets' and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or when there is objective evidence (external or internal) that it should be impaired. If the acquisition accounting is not complete because the 12-month measurement period has not elapsed, the goodwill is not considered as final and is only tested if there is objective evidence that the provisional goodwill is impaired.

For the purpose of testing goodwill for impairment, it is allocated to each of KBC's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units. An impairment loss is recognised if the carrying value of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed.

Effects of changes in foreign exchange rates

KBC's functional and presentation currency is the euro. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the spot rate on the balance sheet date. Negative and positive valuation differences, except for those relating to the funding of equity instruments and investments of consolidated companies in a foreign currency, are recognised in the income statement. Non-monetary items measured at historical cost are translated into the functional currency at the historical exchange rate that existed on the transaction date. Non-monetary items carried at fair value are translated at the spot rate on the date the fair value was determined. Translation differences are reported together with changes in fair value. Income and expense items in foreign currency are taken to the income statement at the exchange rate prevailing when they were recognised.

Valuation differences are accounted for either in the income statement or in other comprehensive income. Valuation differences that are initially accounted for in other comprehensive income and that relate to gains or losses that are subsequently recognised in the income statement are recycled to the income statement in the same period in which that item is accounted for in the income statement. The balance sheets of foreign subsidiaries are translated into the presentation currency at the spot rate on the reporting date (except for equity, which is translated at the historical rate). The income statement is translated at the average rate for the financial year as a best estimate of the exchange rate on the transaction date.

Related-party transactions

A related party to KBC is either a party over which KBC has control or significant influence or a party that has control or significant influence over KBC. KBC defines its related parties as:

- KBC subsidiaries and KBC group entities (primarily KBC Insurance NV and KBC Group NV); KBC associates and joint ventures; KBC Ancora, Cera and MRBB;
- KBC key management staff (i.e. the Board of Directors and the Executive Committee of KBC Bank NV).

Transactions with related parties must occur at arm's length.

Non-current assets held for sale and disposal groups, liabilities associated with disposal groups and discontinued operations

Non-current assets held for sale and disposal groups, liabilities associated with disposal groups

Non-current assets or groups of assets and liabilities held for sale are those where the carrying value will be recovered by KBC through a sale transaction, which is expected to qualify as a sale within a year, rather than through continued use. Non-current assets and liabilities held for sale are reported separately from the other assets and liabilities in the balance sheet at the end of the reporting date.

Discontinued operations

A discontinued operation refers to a part of KBC that has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Results from discontinued operations are recognised separately in the income statement and in other comprehensive income and contain:

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognised on the measurement to fair value less the costs of the sale or disposal of the assets or group of assets.

Events after the reporting period

Events after the reporting date are defined as favourable or unfavourable events that occur between the reporting date and the date on which the financial statements are authorised for issue. There are two types of event after the reporting date:

- those which provide evidence of conditions that existed on the reporting date (adjusting events);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events).

The impact of adjusting events has already been reflected in the financial position and financial performance for the current year. The impact and consequences of non-adjusting events are disclosed in the notes to the financial statements.

Main exchange rates used*

	Exchange rate at 31-12-2022		Exchange rate average in 2022	
	1 EUR = … … currency	Change relative to 31-12-2021 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)	1 EUR = … … currency	Change relative to average in 2021 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)
CZK	24.116	3%	24.569	5%
HUF	400.87	-8%	391.79	-9%

* Rounded figures.

Note 1.3: Critical estimates and significant judgements

When preparing the consolidated financial statements and applying KBC's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Some degree of uncertainty is inherent in almost all amounts reported. The estimates are based on the experience and assumptions that KBC's management believes are reasonable at the time the financial statements are being prepared.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are found in, but not limited to, notes 1.4, 3.3, 3.10, 4.2, 4.4–4.8, 5.2, 5.5, 5.7, 5.9 and 6.1.

See also 'Climate-related and other ESG risks' in the 'How do we manage our risks?' section.

Note 1.4: Impact of the coronavirus crisis

Overview

In 2022, we fully reversed the reserves still outstanding (ECL) for the impact of the coronavirus crisis, totalling 289 million euros at year-end 2021 (see below). By contrast, we set aside a reserve for geopolitical and emerging risks of 429 million euros in 2022 on the back of the Russian invasion of Ukraine and the associated direct and indirect economic consequences (see below).

ECL outstanding for coronavirus-related, geopolitical and emerging risks by country (in millions of EUR)	Situation at year-end 2021	Change in coronavirus-related ECL in 2022	Impact of write-down of coronavirus-related ECL in 2022	Reserve set aside for geopolitical and emerging risks in 2022	Impact of acquisition of Raiffeisenbank Bulgaria (now renamed KBC Bank Bulgaria) in 2022	Situation at year-end 2022
Belgium	100	-100	-	145	-	145
Czech Republic	69	-67	-2	135	-	135
Slovakia	20	-18	-2	42	-	42
Hungary	37	-37	-	50	-	50
Bulgaria	12	-11	-1	23	16	39
Other (including Ireland)	51	-22	-29	18	0	18
Total	289	-255	-34	413	16	429

New reserve set aside for geopolitical and emerging risks

The destabilisation of the global economy and surging commodity prices brought on by the war between Russia and Ukraine have exacerbated the inflationary shock initially caused by problems in the supply chains, tax incentives and the rapid post-pandemic reopening. The rising inflationary pressure and a tightening labour market increased the pressure on central banks to bring their monetary policy back to normal levels. The combination of higher, more persistent inflation and more stringent monetary policy is affecting growth expectations. A more detailed explanation of the macroeconomic environment is provided under 'In what environment do we operate?' in the 'Report of the Board of Directors' section. We have assessed the impact of the main macroeconomic and geopolitical risks on our loan portfolio in this regard. As a result, a reserve was set aside for geopolitical and emerging risks, which amounted to 429 million euros at year-end 2022 (with 223 million euros being provisioned in the first quarter, 45 million euros in the second quarter, 103 million euros in the third quarter and 42 million euros in the fourth quarter, as well as an additional amount of 16 million euros related to the acquisition of Raiffeisenbank Bulgaria, which has since been renamed KBC Bank Bulgaria). The calculation and composition of the reserve (recognised under 'Impairment') at year-end 2022 can be found in the table.

Risk, situation at year-end 2022	Background information	Impairment recognised in the balance sheet (in millions of EUR)
Direct group companies in Russia, Ukraine and Belarus	None	-
Direct exposure to Russia, Ukraine and Belarus	The net exposure relating to KBC's transfer risk in respect of Russia, Ukraine and Belarus amounted to 29 million euros at year-end 2022, owing chiefly to commercial exposure to Russian banks.	29
Indirect impact of the conflict on the loan portfolio	We expect the conflict to have an impact, through various channels, on our corporate and SME clients with important activities in Russia, Ukraine and Belarus and/or with a strong dependence on those markets for imports or exports (either directly or indirectly through a client or supplier) and/or with a specific vulnerability to disruptions in oil and/or gas supplies. Our analysis shows that for 2.8 billion euros in 'Stage 1' positions, which are not (yet) included in the standard staging assessment, credit risk has increased considerably. The recalculation of ECL over the full remaining lifetime of those positions, instead of the 12-month horizon, resulted in an impairment of 39 million euros in 2022.	39
Indirect impact ensuing from other emerging risks	We have established that the following sub-segments in our portfolio are at risk: • SMEs and other corporate entities in our client base active in economic sectors most affected by supply-chain problems and by rising commodity and energy prices, and who are already subject to a higher credit risk (for example, the automotive industry, chemicals and metals); • Retail clients with a limited buffer to absorb the higher cost of living and/or to make higher repayments ensuing from rising interest rates. The analysis shows that for 11.3 billion euros in 'Stage 1' positions, which are not (yet) included in the standard staging assessment, credit risk has increased considerably. The recalculation of ECL over the full remaining lifetime of those positions, instead of 12 months, resulted in an impairment of 304 million euros in 2022.	304
Impact of the macroeconomic scenarios	The model-driven ECL for geopolitical and emerging risks came to 57 million euros in 2022. The probabilities applied to the base-case, optimistic and pessimistic macroeconomic scenarios were adjusted from 80%, 10% and 10% to 60%, 5% and 35%, respectively, creating an additional impairment of 57 million euros. More information on the scenarios is provided below.	57
Acquisition of Raiffeisenbank Bulgaria	The consolidation of the Bulgarian operations of Raiffeisenbank International implies an ECL of 16 million euros (10 million for emerging risks and 6 million for the direct transfer risk), which does not affect the income statement. These amounts are already included in the previous rows of the table.	-
Total at year-end 2022		429

Impact of other measures

Surging energy prices and rising inflation have prompted initiatives aimed at supporting the purchasing power of families and the viability of companies. The governments in our core countries also expect the banking and insurance sector to support the economy:

- In Hungary, the exceptional geopolitical and macroeconomic conditions indirectly translated into a modification loss of 63 million euros in the mortgage loan and term loan portfolio (recognised in 'Impairment'), mainly due to the extension of the interest cap until 30 June 2023 and the expansion of the scope of loans protected by the interest cap. Moreover, in 2022 bank taxes (recognised in 'Operating expenses') in Hungary were adversely impacted by the inclusion of 10 million euros net (provisioned in the first quarter of 2022 and partly recovered in the fourth quarter of 2022) as a result of an extraordinary payment into the Deposit Guarantee Fund due to the revoking of the licence of Sberbank Hungary by the Hungarian National Bank in early March 2022, allowing the payment of compensation for clients' deposits of up to 100 000 euros from the Deposit Guarantee Fund, and the booking of 66 million euros following the introduction of an additional sector tax.
- In light of the energy crisis, private individuals in Belgium meeting specific conditions have been able to request a temporary suspension of principal repayments since 1 October 2022. This did not lead to a modification loss or any additional impact on the ECL, as interest payments are not suspended and the impact of the transfer to 'Stage 2' of clients who submitted an application was already included in the collective assessments described above. Furthermore, the deductibility of the bank tax will be partly abolished as from 2023 to increase the banking industry's solidarity contribution.
- The government of the Czech Republic introduced a windfall tax, following which any excess profits will be taxed at 79% (19% standard business tax, 60% windfall tax), which will apply to major banks for the period 2023-2025.

Full reversal of the reserves set aside for the impact of the coronavirus crisis

In 2022, we fully reversed the reserves still outstanding for the impact of the coronavirus crisis. This resulted in a decrease of 289 million euros at year-end 2021 to 0 million euros at year-end 2022, including a reversal of 255 million euros through the income statement and the write-off of 34 million euros, due mainly to the sale of KBC Bank Ireland's non-performing loan portfolio (which did not affect the income statement). Please refer to the 2021 Annual Report, Note 1.4, for the calculation of coronavirus-related reserve at year-end 2021.

We were able to fully reverse the reserve set aside for the impact of the coronavirus crisis, since the coronavirus-related risks still present in our loan portfolio are included in the regular impairment process based on common credit risk indicators (probability of default, overdue amounts and forbearance), as they are no longer concealed by the moratoria on loan repayments.

Overview of the impact of the coronavirus crisis and the war in Ukraine on our activities

The 'Report of the Board of Directors' section contains additional information on the impact of the coronavirus crisis and of the war in Ukraine on the activities and stakeholders of the group, concerning the following:

- The macroeconomic context (see 'In what environment do we operate?')
- Our clients (see 'The client is at the centre of our business culture')
- Our employees (see 'Our employees, capital, network and relationships')
- Our risk management (see 'How do we manage our risks?')

Overview of economic scenarios used

Because of the economic uncertainty, we continue to work with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario. The definition of each scenario reflects the latest developments regarding geopolitical and emerging risks and the economy, with the following probabilities assigned for year-end 2022: 60% for the base-case, 35% for the pessimistic and 5% for the optimistic scenario. The scenarios and probabilities applied are those used for the update at year-end 2022; obviously, the situation may have changed in the meantime.

Optimistic scenario ('ceasefire' scenario)	Base-case scenario ('mild recession' scenario)	Pessimistic scenario ('deep recession' scenario)
A long-term solution to the Russia-Ukraine conflict is on the horizon. The easing of certain sanctions by the West in the short term will mitigate the rise in energy and commodity prices, but policy (e.g., budgetary) remains consistently focused on the green transition and energy autonomy and the expansion of military capacity.	There will be no short-term solution to the Russia-Ukraine conflict. The West's sanctions will remain in effect for the foreseeable future. Although the rising energy and commodity prices are weighing on economic sentiment, no significant energy shortages are expected this or next winter. The negative impact on GDP growth is mitigated by supportive government policy. Monetary policy continues to normalise.	Further escalation of the Russia-Ukraine conflict will lead to further and stricter sanctions from the West, triggering further restrictions on Russia's energy and commodity exports, driving inflation even higher. Extreme shortages will lead to the rationing of energy and certain raw materials, pushing the economy into a deep recession. The impact of the sharp deterioration of economic sentiment on GDP growth is partly offset by the highly supportive economic policy.

The following table gives the scenarios for three key indicators for each of our core countries for the coming years. After that, we take into account a gradual linear transition towards a stable situation.

Macroeconomic scenario – key indicators (used for situation at year-end 2022)			2022			2023			2024
Scenario:	Optimistic	Base case	Pessimistic	Optimistic	Base case	Pessimistic	Optimistic	Base case	Pessimistic
Real GDP growth									
Belgium	3.1%	2.9%	2.6%	2.1%	0.2%	-2.5%	1.9%	1.4%	0.9%
Czech Republic	2.5%	2.5%	2.2%	1.6%	0.8%	-5.8%	3.7%	2.7%	1.0%
Hungary	5.9%	5.5%	4.8%	2.8%	0.0%	-4.2%	3.8%	3.6%	2.4%
Slovakia	1.6%	1.4%	1.2%	1.2%	0.6%	-5.4%	3.2%	2.8%	2.5%
Bulgaria	3.7%	2.8%	2.2%	3.0%	0.7%	-2.5%	3.5%	3.5%	0.6%
Unemployment rate									
Belgium	5.8%	6.0%	6.2%	5.6%	6.2%	6.8%	5.4%	6.0%	6.6%
Czech Republic	2.8%	2.8%	2.8%	2.7%	3.3%	6.0%	2.2%	2.9%	5.0%
Hungary	3.9%	4.1%	4.2%	3.8%	4.4%	6.5%	3.2%	3.8%	5.5%
Slovakia	6.2%	6.3%	8.0%	6.5%	7.0%	9.0%	6.3%	6.5%	8.0%
Bulgaria	4.3%	5.3%	6.2%	4.4%	6.0%	7.3%	4.3%	4.8%	6.4%
House price index									
Belgium	6.5%	5.0%	3.0%	4.0%	2.5%	-3.0%	3.0%	2.0%	-1.5%
Czech Republic	20.0%	17.5%	16.0%	5.0%	0.5%	-5.0%	5.0%	2.5%	-1.0%
Hungary	18.6%	16.0%	13.0%	10.0%	5.0%	-3.0%	6.0%	3.5%	0.0%
Slovakia	18.0%	15.0%	12.0%	7.0%	2.5%	-4.0%	5.0%	2.5%	-1.0%
Bulgaria	13.0%	12.0%	8.0%	9.0%	7.0%	-3.0%	4.0%	3.5%	0.0%

Note 1.5: Climate-related information

In accordance with the relevant ESMA recommendations, all notes and other sections in the Annual Report in which direct or indirect reference is made to the climate and climate-related risks are set out below.

In the ‘Report of the Board of Directors’:

- See ‘How do we create sustainable value?’ in ‘Our business model’
- See ‘What are our main challenges?’ in ‘Our business model’
- See ‘Our role in society’ and ‘Focus on the climate’ (this section also sets out our climate targets and information on the EU Taxonomy) in ‘Our strategy’
- See ‘Climate-related and other ESG risks’ in ‘How do we manage our risks?’

In the ‘Consolidated financial statements’ (in the notes below each table)

- Note 3.10: Impairment
- Note 4.1: Financial assets and liabilities, breakdown by portfolio and product
- Note 5.4: Property and equipment and investment property
- Note 5.5: Goodwill and other intangible assets
- Note 5.9: Retirement benefit obligations
- Note 6.2: Leasing

2.0 Notes on segment reporting

Note 2.1: Segment reporting based on the management structure

Detailed information on the group's management structure and the results per segment can be found in the 'Our business units' section (which has not been audited by the statutory auditor). Based on IFRS 8, KBC has identified the Executive Committee and Board of Directors as 'chief operating decision-makers', responsible for allocating the resources and assessing the performance of the different parts of the company. The operating segments are based on the internal financial reporting to those policy bodies and on the location of the company's activities, resulting in geographical segmentation.

The three operating segments are (essentially):

- the Belgium Business Unit (all activities in Belgium);
- the Czech Republic Business Unit (all activities in the Czech Republic);
- the International Markets Business Unit (activities in Hungary, Slovakia and Bulgaria, reported together in accordance with IFRS 8.16). The situation for Ireland is described below and in Note 6.6.

For reporting purposes, there is also a Group Centre (comprising the results of the holding company, items that have not been allocated to the other business units, and the results of companies to be divested).

Change with effect from 2022: the sale transactions for KBC Bank Ireland's loan assets and deposit book led us to transfer Ireland from the International Markets Business Unit to the Group Centre on 1 January 2022, without retroactive restatement of 2021. For the sake of comparison, however, Ireland is stated separately in the tables below (as part of the Group Centre in 2022 and as part of the International Markets Business Unit in 2021).

Segment reporting

- The policy bodies analyse the performance of the segments based on a number of criteria, with the 'Result after tax' being the most important results indicator. The segment data is based entirely on IFRS data (with no adjustments).
- In principle, we assign a group company in its entirety to one specific segment/business unit. Exceptions are only made for those items that cannot clearly be allocated to a specific segment, such as charges attached to the subordination of loans (such items are recognised under Group Centre).
- We allocate the funding cost of participating interests to the Group Centre.
- Transactions among the different segments are reported at arm's length.
- We recognise 'Net interest income' in the segment information without dividing it up into 'Interest income' and 'Interest expense'. This is permitted under IFRS because the bulk of the business units' income is in the form of interest, and management assesses and co-ordinates those business units primarily on the basis of net interest income.
- We do not provide any information on income from sales to external clients per group of products or services, since the information is prepared at consolidated level chiefly for each business unit, and not per client group or product group.
- More information on the acquisition of Raiffeisenbank Bulgaria (now renamed KBC Bank Bulgaria) in 2022 is provided in Note 6.6.

Note 2.2: Results by segment

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	Inter-national Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
2022									
Net interest income	2 460	1 264	870	*415*	*231*	*224*	130	*240*	4 724
Dividend income	17	1	1	*0*	*0*	*1*	0	*0*	19
Net result from financial instruments at fair value through profit or loss	58	147	119	*77*	*40*	*2*	- 4	*- 3*	320
Net realised result from debt instruments at fair value through OCI	2	0	- 5	*- 5*	*0*	*0*	- 3	*0*	- 6
Net fee and commission income	1 486	327	447	*241*	*88*	*118*	- 4	*- 2*	2 256
Net other income	82	- 134	4	*4*	*- 3*	*3*	- 5	*- 8*	- 52
TOTAL INCOME	4 105	1 606	1 435	*731*	*356*	*348*	115	*228*	7 261
Operating expenses	- 2 309	- 853	- 825	*- 419*	*- 230*	*- 176*	- 321	*- 204*	- 4 308
Impairment	- 47	- 61	- 150	*- 97*	*- 21*	*- 33*	- 17	*- 16*	- 275
of which on FA at amortised cost and at fair value through OCI	- 36	- 46	- 78	*- 29*	*- 19*	*- 30*	5	*7*	- 155
on goodwill	0	- 5	0	*0*	*0*	*0*	0	*0*	- 5
other	- 11	- 10	- 73	*- 67*	*- 2*	*- 4*	- 22	*- 22*	- 115
Share in results of associated companies and joint ventures	- 9	- 1	0	*0*	*0*	*0*	0	*0*	- 10
RESULT BEFORE TAX	1 742	690	460	*215*	*105*	*139*	- 224	*9*	2 668
Income tax expense	- 430	- 97	- 73	*- 35*	*- 25*	*- 14*	130	*34*	- 470
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	1 311	593	387	*181*	*81*	*125*	- 94	*42*	2 197
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	1 311	593	387	*181*	*81*	*125*	- 94	*42*	2 197
(a) Of which non-cash expenses	- 52	- 108	- 82	*- 38*	*- 22*	*- 23*	- 28	*- 29*	- 271
Depreciation and amortisation of fixed assets	- 52	- 108	- 78	*- 36*	*- 22*	*- 21*	- 25	*- 25*	- 263
Other	0	0	- 4	- 2	0	- 2	- 3	- 4	- 8
Acquisitions of non-current assets*	522	118	612	91	61	459	1	1	1 253

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	Inter-national Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
2021									
Net interest income	2 176	946	947	*305*	*225*	*136*	*282*	- 15	4 054
Dividend income	12	1	1	*0*	*0*	*0*	*0*	0	14
Net result from financial instruments at fair value through profit or loss	137	89	24	*21*	*8*	*0*	*- 5*	- 218	32
Net realised result from debt instruments at fair value through OCI	0	0	2	*2*	*0*	*0*	*0*	6	8
Net fee and commission income	1 526	311	375	*219*	*86*	*73*	*- 3*	- 2	2 210
Net other income	106	9	- 9	*3*	*6*	*3*	*- 21*	33	140
TOTAL INCOME	3 958	1 355	1 340	*550*	*324*	*213*	*253*	- 196	6 457
Operating expenses	- 2 118	- 735	- 975	*- 315*	*- 239*	*- 114*	*- 306*	- 77	- 3 905
Impairment	304	127	- 155	*10*	*15*	*1*	*- 181*	- 7	269
of which on FA at amortised cost and at fair value through OCI	305	141	- 110	*22*	*16*	*2*	*- 149*	- 7	329
on goodwill	0	- 7	0	*0*	*0*	*0*	*0*	0	- 7
other	0	- 8	- 45	*- 12*	*- 1*	*- 1*	*- 31*	0	- 53
Share in results of associated companies and joint ventures	- 3	- 3	0	*0*	*0*	*0*	*0*	0	- 5
RESULT BEFORE TAX	2 141	744	211	*244*	*100*	*100*	*- 233*	- 281	2 816
Income tax expense	- 521	- 114	- 126	*- 37*	*- 23*	*- 10*	*- 55*	80	- 681
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 620	630	85	*207*	*77*	*90*	*- 289*	- 201	2 135
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 620	630	85	*207*	*77*	*90*	*- 289*	- 201	2 135
(a) Of which non-cash expenses	- 41	- 91	- 109	*- 35*	*- 18*	*- 13*	*- 43*	- 1	- 243
Depreciation and amortisation of fixed assets	- 51	- 92	- 110	*- 36*	*- 18*	*- 13*	*- 43*	0	- 253
Other	10	1	1	1	0	0	0	- 1	10
Acquisitions of non-current assets*	436	160	186	80	74	18	14	0	781

* Non-current assets held for sale and disposal groups, investment property, property, plant and equipment, investments in associated companies, and goodwill and other intangible assets.

How do the business units contribute to the group result?

Belgium Business Unit

Net result 1 311 million euros (-19%)	Net interest income 2 460 million euros (+13%) Net fee and commission income 1 486 million euros (-3%) Operating expenses 2 309 million euros (+9%) Impairment on loans 36 million euros increase (305-million-euro reversal)	Cost/income ratio 56% (53%) Credit cost ratio 0.03% (-0.26%) Impaired loans ratio 1.9% (2.2%)

Figures for 2022 (the figures in brackets are for, or indicate the difference compared to, 2021). A detailed breakdown of the income statement for each business unit and each country can be found in 'Note 2.2: Results by segment' in the 'Consolidated financial statements' section.

- 13% growth in net interest income, mainly driven by higher reinvestment yields and loan volume growth, partly offset by lower margins on the loan portfolio.
- 3% drop in net fee and commission income due to lower fees for asset management services (especially entry fees).
- 38% drop in other income items. Sharp fall in trading and fair value income and drop in other income (one-off item).
- 9% increase in costs, due mainly to inflation and wage indexation and higher ICT costs.
- 36-million-euro net increase in impairment on loans related to the reserve set aside to cover geopolitical and emerging risks, partly offset by a reversal of the remaining reserve set aside for the coronavirus crisis (see Note 1.4 in the 'Consolidated financial statements' section) and a limited net reversal for individual loans.

Czech Republic Business Unit

Net result 593 million euros (-10%)	Net interest income 1 264 million euros (+28%) Net fee and commission income 327 million euros (+1%) Operating expenses 853 million euros (+11%) Impairment on loans 46 million euros increase (141-million-euro reversal)	Cost/income ratio 53% (54%) Credit cost ratio 0.13% (-0.42%) Impaired loans ratio 1.7% (1.8%)

Figures for 2022 (the figures in brackets are for, or indicate the difference compared to, 2021). A detailed breakdown of the income statement for each business unit and each country can be found in 'Note 2.2: Results by segment' in the 'Consolidated financial statements' section.

- 5% increase in the average exchange rate of the Czech koruna against the euro. The growth figures in the table and the analysis have been calculated excluding foreign-exchange effects.
- 28% growth in net interest income, driven by higher reinvestment yields and loan volume growth, partly offset by lower margins on the loan portfolio.
- 1% increase in net fee and commission income, owing primarily to higher fees for banking services (e.g., for payment transactions), partly offset by lower fees for asset management services

- drop in all other income items combined. Increase in trading and fair value income and sharp fall in other net income, due mainly to a negative impact relating to the arbitral award delivered in the arbitration proceedings against ICEC-Holding in the Czech Republic in February 2023 (see Note 3.6 in the 'Consolidated financial statements' section for more details).
- 11% increase in costs, due mainly to inflation, wage increases and higher ICT and marketing costs.
- 46-million-euro net increase in impairment on loans related to the reserve set aside to cover geopolitical and emerging risks, partly offset by the reversal of the remaining reserve set aside for the coronavirus crisis (see Note 1.4 in the 'Consolidated financial statements' section) and a net reversal for individual loans.

International Markets Business Unit

Net result

387 million euros

(+4%)

Slovakia
81 million euros (+5%)

Hungary
181 million euros (-13%)

Bulgaria
125 million euros (+40%)

Net interest income
870 million euros (+31%)

Net fee and commission income
447 million euros (+18%)

Operating expenses
825 million euros (+23%)

Impairment on loans
78 million euros increase
(40-million-euro reversal)

Cost/income ratio
58% (62%)

Credit cost ratio
0.31% (-0.19%)

Impaired loans ratio
1.9% (2.5%)

Figures for 2022 (the figures in brackets are for, or indicate the difference compared to, 2021). A detailed breakdown of the income statement for each business unit and each country can be found in 'Note 2.2: Results by segment' in the 'Consolidated financial statements' section.

- As of 2022, Ireland is no longer part of the International Markets Business Unit. We also removed the country from the 2021 growth and reference figures in the table and the analysis.
- 31% growth in net interest income, due in part to the consolidation of Raiffeisenbank Bulgaria (responsible for one-third of the growth), higher reinvestment yields and organic loan volume growth in all countries, partly offset by lower margins on the loan portfolio (in Hungary and Bulgaria in particular).
- 18% increase in net fee and commission income, owing primarily to the consolidation of Raiffeisenbank Bulgaria (responsible for half of the growth) and to higher fees for banking services in Hungary in particular.
- Other income items more than doubled, owing primarily to a strong increase in trading and fair value income.
- 23% increase in costs, due in part to the consolidation of Raiffeisenbank Bulgaria (responsible for one-third of the growth) and sharply higher bank taxes (due to the special contribution relating to Sberbank Hungary and the additional bank tax in Hungary).
- 78-million-euro net increase in impairment on loans related to the reserve set aside to cover geopolitical and emerging risks and a net increase in impairment on individual loans, partly offset by a reversal of the remaining reserve set aside for the coronavirus crisis (see Note 1.4 in the 'Consolidated financial statements' section). At individual country level: net increase of 19 million euros in Slovakia, 29 million euros in Hungary and 30 million euros in Bulgaria.

Group Centre

Besides financial reporting for the three business units, we also report on a separate Group Centre. In 2022, the Group Centre generated a net result of -94 million euros, compared with -201 million euros a year earlier (-490 million euros if Ireland is retroactively added to 2021).

This consisted of (Ireland retroactively added to 2021):

- Traditional items, such as the operating expenses of our group's holding-company activities, certain costs related to capital and liquidity management and funding and other costs related to the holding of participating interests;
- The results for Ireland: 42 million euros in 2022 as opposed to -289 million euros in 2021. The results of KBC Bank Ireland include a significant amount (-31 million euros in 2022, -361 million euros in 2021) of one-off items relating to the sale transactions;
- The results of the remaining companies scheduled for run-down, including the portfolio of the former Antwerp Diamond Bank, KBC Finance Ireland, etc.

Note 2.3: Balance-sheet information by segment

The table below presents some of the main on-balance-sheet products by segment.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	Inter-national Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
31-12-2022									
Deposits from customers and debt securities (excl. repos)	171 604	51 108	30 069	*9 550*	*8 453*	*12 066*	734	*418*	253 516
Demand deposits	73 415	25 338	23 436	*7 322*	*5 707*	*10 408*	418	*418*	122 607
Savings accounts	60 802	14 344	1 833	*722*	*1 086*	*25*	0	*0*	76 979
Time deposits	9 512	9 214	4 322	*1 307*	*1 429*	*1 586*	0	*0*	23 048
Debt securities	25 497	1 786	302	*200*	*102*	*0*	316	*0*	27 901
Other	2 377	427	176	0	129	47	0	0	2 980
Loans and advances to customers (excl. reverse repos)	115 262	35 445	25 375	*5 878*	*10 796*	*8 702*	3	*3*	176 084
Term loans	60 859	10 581	10 538	*2 970*	*3 013*	*4 555*	2	*2*	81 980
Mortgage loans	43 416	19 696	9 638	*1 681*	*6 114*	*1 843*	0	*0*	72 750
Other	10 986	5 168	5 199	1 227	1 668	2 304	1	1	21 354

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	Inter-national Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
31-12-2021									
Deposits from customers and debt securities (excl. repos)	155 240	46 283	24 729	*9 774*	*7 736*	*6 279*	*940*	753	227 005
Demand deposits	65 081	28 060	19 666	*8 152*	*5 475*	*5 099*	*940*	0	112 807
Savings accounts	58 279	14 226	2 295	*977*	*1 319*	*0*	*0*	0	74 801
Time deposits	5 194	2 126	2 284	*445*	*659*	*1 180*	*0*	0	9 603
Debt securities	23 909	1 398	324	*200*	*124*	*0*	*0*	753	26 384
Other	2 777	473	160	0	160	0	0	0	3 410
Loans and advances to customers (excl. reverse repos)	106 197	32 671	18 796	*5 411*	*9 417*	*3 966*	*3*	0	157 663
Term loans	55 839	9 609	6 598	*2 409*	*2 775*	*1 412*	*2*	0	72 046
Mortgage loans	40 590	18 303	7 800	*1 812*	*5 117*	*870*	*0*	0	66 693
Other	9 768	4 758	4 398	1 189	1 524	1 683	1	0	18 924

- The limited amounts for Ireland in 2021 and 2022 relate to the shift to the 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' balance sheet items due to the sale transactions (see Notes 5.11 and 6.6).
- The growth for Bulgaria in 2022 related chiefly to the acquisition of Raiffeisenbank Bulgaria; see Note 6.6 for more information.

3.0 Notes to the income statement

Note 3.1: Net interest income

(in millions of EUR)	2022	2021
Total	**4 724**	**4 054**
Interest income	**10 826**	**5 934**
Interest income on financial instruments calculated using the effective interest rate method		
Financial assets at AC	7 785	4 617
Financial assets at FVOCI	70	89
Hedging derivatives	1 820	352
Financial liabilities (negative interest)	290	434
Other	130	25
Interest income on other financial instruments		
Financial assets MFVPL other than held for trading	35	24
Financial assets held for trading	696	392
Of which economic hedges	*569*	*352*
Other financial assets at FVPL	0	0
Interest expense	**-6 102**	**-1 880**
Interest expense on financial instruments calculated using the effective interest rate method		
Financial liabilities at AC	-2 384	- 570
Financial assets (negative interest)	- 94	- 253
Hedging derivatives	-1 958	- 596
Other	- 3	- 3
Interest expense on other financial instruments		
Financial liabilities held for trading	-1 628	- 445
Of which economic hedges	*-1 584*	*- 401*
Other financial liabilities at FVPL	- 33	- 11
Net interest expense relating to defined benefit plans	- 1	- 1

- ‘Financial liabilities (negative interest rate)’ and ‘Financial assets (negative interest rate)’: these rates relate mainly to transactions with central banks, interbank and professional counterparties, corporate clients, and targeted long-term refinancing operations (TLTRO). More information on TLTRO can be found in Note 4.1.
- The increase in interest income and interest expense from ‘Hedging derivatives’, ‘Financial assets held for trading (of which economic hedges)’ and ‘Financial liabilities held for trading (of which economic hedges)’ relates to a change in presentation of the negative interest on derivatives (at KBC Bank, in accordance with reporting on a solo basis (‘Schema A’) under Belgian GAAP, resulting in an increase in both interest income and interest expense of 450 million euros in 2022), and to the overall increase in interest rates in 2022.

Note 3.2: Dividend income

(in millions of EUR)	2022	2021
Total	19	14
Equity instruments MFVPL other than held for trading	0	0
Equity instruments held for trading	10	11
Equity instruments at FVOCI	9	3

Note 3.3: Net result from financial instruments at fair value through profit or loss

(in millions of EUR)	2022	2021
Total	320	32
Breakdown by IFRS portfolio		
Financial instruments MFVPL other than held for trading	- 56	- 41
Trading instruments (including interest on non-ALM trading derivatives and fair value changes on all trading instruments)	565	433
Other financial instruments at FVPL	48	18
Foreign exchange trading	- 88	- 270
Fair value adjustments in hedge accounting	- 150	- 108
Hedge accounting broken down by type of hedge	0	0
Fair value micro hedges	5	0
Changes in the fair value of the hedged items	651	- 275
Changes in the fair value of the hedging derivatives	- 646	275
Cashflow hedges	- 3	0
Changes in the fair value of the hedging derivatives, ineffective portion	- 3	0
Hedges of net investments in foreign operations, ineffective portion	0	0
Portfolio hedge of interest rate risk	0	5
Changes in the fair value of the hedged items	- 3 254	- 815
Changes in the fair value of the hedging derivatives	3 254	820
Discontinuation of hedge accounting for fair value hedges	- 75	- 46
Discontinuation of hedge accounting in the event of cashflow hedges	- 77	- 66
Breakdown by driver		
Market value adjustments (xVA)	82	68
MTM ALM derivatives	- 13	- 193
Dealing room and other	251	157

- ALM hedging derivatives (recognised in hedge accounting): the interest component of these derivatives is recognised under ‘Net interest income’. Fair value changes in hedging derivatives, excluding those for which an effective cashflow hedge relationship exists, are recognised under ‘Net result from financial instruments at fair value through profit or loss’. Under fair value hedge accounting, changes in the fair value of hedged assets are also recognised under this heading, and offsetting takes place insofar as the hedge is effective. ALM hedging derivatives not recognised in hedge accounting (and therefore classified as trading instruments) are treated in the same way, except most of the related assets are not recognised at fair value (i.e. not marked-to-market).
- Day 1 profit: when the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit) is taken to profit or loss. If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit is reserved and is released in profit or loss during the life and until the maturity of the financial instrument. KBC has reserved these day 1 profits for limited amounts since January 2022.
- Foreign exchange trading includes all realised and unrealised foreign exchange results (when the monetary assets and liabilities are revalued), regardless of the IFRS portfolio, except for financial assets and liabilities measured through profit or loss, for which the revaluation is included in the fair value correction.
- The effectiveness of the hedge is determined according to the following methods:
  - For fair value micro hedging, we use the dollar offset method on a quarterly basis, with changes in the fair value of the hedged item offsetting changes in the fair value of the hedging instrument within a range of 80%–125%.
  - For cashflow hedges, we compare the designated hedging instrument with a perfect hedge of the hedged cashflows on a prospective (by BPV measurement) and retrospective basis (by comparing the fair value of the designated hedging instrument with the perfect hedge). The effectiveness of both tests must fall within a range of 80%–125%.
  - We use the rules set out in the European version of IAS 39 (carve-out) to assess the effectiveness of fair value hedges for a portfolio of interest rate risk. IFRS does not permit net positions to be reported as hedged items, but does allow hedging instruments to be designated as a hedge of a gross asset position (or a gross liabilities position, as the case may be). Specifically, we make sure that the volume of assets (or liabilities) in each maturity bucket is greater than the volume of hedging instruments allocated to the same bucket.

Note 3.4: Net realised result from debt instruments at fair value through OCI

The realised result from debt instruments at fair value through OCI was not material in 2022 and 2021.

Note 3.5: Net fee and commission income

(in millions of EUR)	2022	2021
Total	2 256	2 210
Fee and commission income	2 942	2 831
Fee and commission expense	- 686	- 620
Breakdown by type		
Asset Management Services	1 156	1 183
Fee and commission income	1 208	1 258
Fee and commission expense	- 52	- 75
Banking Services	1 027	956
Fee and commission income	1 497	1 336
Fee and commission expense	- 469	- 380
Distribution	73	72
Fee and commission income	238	237
Fee and commission expense	- 164	- 165

- The lion's share of the fees and commissions related to lending is recognised under 'Net interest income' (effective interest rate calculations).
- The acquisition of Raiffeisenbank Bulgaria mainly impacted net commission income from banking services (see Note 6.6 for more details).

Note 3.6: Other net income

(in millions of EUR)	2022	2021
Total	- 52	140
of which gains or losses on		
Sale of financial assets measured at amortised cost	- 10	6
Repurchase of financial liabilities measured at amortised cost	0	1
of which other, including:	- 43	132
Income from operational leasing activities	79	77
Badwill on OTP SK	0	28
Settlement of legal cases excluding ICEC-Holding	0	6
Legal case ICEC-Holding	- 149	0
Gain on sale KBC Tower in Antwerp	0	13
Provisioning for tracker mortgage review	0	- 18

- In 2022, gains or losses on the sale of financial assets measured at amortised cost mainly concerned the realised loss on the exceptional sale of low-yielding bonds in Belgium, the Czech Republic and Hungary in particular.
- Arbitration proceedings against ICEC-Holding (significant adjusting post-balance-sheet event affecting the 2022 financial statements): on 17 February 2023, ČSOB in the Czech Republic received an arbitral award in the arbitration proceedings against ICEC-HOLDING, a.s. ČSOB was being sued in the arbitration proceedings as the legal successor of Investiční a poštovní banka (IPB), whose business activities were acquired by ČSOB in 2000. The proceedings were initiated by ICEC-Holding in 2007. The plaintiff, ICEC-HOLDING, a.s., claims that IPB breached its contractual duties in 1999, entitling ICEC-HOLDING, a.s., to damages and a contractual penalty. The claim itself is not in any way related to ČSOB's business activities and is to be considered part of the IPB legacy. In the delivered arbitral award, the Court of Arbitration ordered ČSOB to pay ICEC-HOLDING an amount of CZK 3.7 billion, along with the costs of the proceedings in the amount of CZK 5.0 million, payable within fifteen days of the delivery of the award. The plaintiff failed in the remainder of its claim and the arbitration panel ordered it to pay ČSOB the costs of the proceedings in the amount of CZK 17.4 million. ČSOB will consider possible further legal steps leading to the revision of this award. The payment of damages and contractual penalties will have an adverse

financial impact on ČSOB and KBC Bank consolidated. In accordance with IFRS, ČSOB is required to provision the full amount of CZK 3.7 billion in its 2022 income statement, impacting KBC Bank's 2022 income statement to the extent of -149 million euros before tax (-121 million euros after tax).

- Provisioning for the tracker mortgage review concerns KBC Bank Ireland, which – like all major lenders in Ireland at the time – had offered tracker mortgages (i.e. between 2003 and 2008). In December 2015, the Central Bank of Ireland (CBI) requested the Irish banking industry, including KBC Bank Ireland, to undertake a broad and wide-ranging examination of tracker-mortgage related issues. The purpose of the tracker mortgage review was to identify cases where clients' contractual rights under the terms of their mortgage agreements had not been fully honoured and/or lenders had not fully complied with the various requirements and standards regarding disclosure and transparency for the client. In situations where client detriment was identified from this examination, KBC Bank Ireland had to provide appropriate redress and compensation in line with the CBI 'Principles for Redress'. The bank recognised an additional provision of 18 million euros in 2021 in this respect.
- Badwill: in 2021 we recognised 28 million euros in badwill for OTP Banka Slovensko (see Note 6.6 in the 2021 Annual Report).

Note 3.7: Insurance results

Applies to KBC Group and KBC Insurance, but not to KBC Bank.

Note 3.8: Operating expenses

(in millions of EUR)	FY 2022	FY 2021
Total	- 4 308	- 3 905
Staff expenses	- 1 860	- 1 816
General administrative expenses	- 2 185	- 1 836
of which bank taxes	*- 620*	*- 503*
Depreciation and amortisation of fixed assets	- 263	- 253

- The total expenses went up by 10% in 2022 compared to 2021.
- The most important non-operating and/or exceptional items in this respect were the inclusion of the acquired Raiffeisenbank Bulgaria in the scope of consolidation and the associated integration expenses with effect from July 2022, the payment of a one-off coronavirus-related bonus to staff in 2021 and an exceptional profit bonus in 2022, one-off expenses related to the sale transactions in Ireland in 2022 and 2021, and exceptional additional bank taxes in Hungary in 2022.
- For information on the average number of persons employed, see Note 3.9; information on the remuneration of members of the Executive Committee and the Board of Directors is provided under 'Remuneration report' in the 'Corporate governance statement' section; details of the statutory auditor's remuneration (PWC) are provided in Note 6.4.

Note 3.9: Personnel

	2022	2021
Total average number of persons employed (in full-time equivalents)	28 741	28 558
By employee classification		
Blue-collar staff	48	55
White-collar staff	28 541	28 343
Senior management	152	160

- The figures in the table are annual averages, which – in terms of scope – may differ from year-end figures that are provided elsewhere.
- The 2022 figures contain the acquired Raiffeisenbank Bulgaria (now renamed KBC Bank Bulgaria) for six months and still contain KBC Bank Ireland, as the sale had not yet been finalised at year-end 2022.

Note 3.10: Impairment (income statement)

(in millions of EUR)	2022	2021
Total	- 275	269
Impairment on financial assets at AC and at FVOCI	- 155	329
Of which impairment on financial assets at AC	- 155	329
By product		
Loans and advances	- 177	315
Debt securities	- 3	- 1
Off-balance-sheet commitments and financial guarantees	25	15
By type		
Stage 1 (12-month ECL)	5	70
Stage 2 (lifetime ECL)	- 107	449
Stage 3 (non-performing; lifetime ECL)	- 60	- 191
Purchased or originated credit impaired assets	8	2
Of which impairment on financial assets at FVOCI	0	0
Debt securities	0	0
Stage 1 (12-month ECL)	0	0
Stage 2 (lifetime ECL)	0	0
Stage 3 (non-performing; lifetime ECL)	0	0
Impairment on goodwill	- 5	- 7
Impairment on other	- 115	- 53
Intangible fixed assets (other than goodwill)	- 22	- 25
Property, plant and equipment (including investment property)	- 23	- 17
Associated companies and joint ventures	0	0
Other	- 70	- 11

- Impairment on loans:
  - In 2022, this item included a full reversal of the remaining 255 million euros in coronavirus-related ECL (see Note 1.4), net provisioning of 413 million euros for geopolitical and emerging risks (see Note 1.4), net provisioning of 17 million euros related to the sale transactions in Ireland (see Note 6.6) and a net reversal of 21 million euros for several individual loans.
  - In 2021, this item included a net reversal of collective coronavirus-related ECL totalling 494 million euros (see Note 1.4), net provisioning of 178 million euros related to the sale transactions in Ireland (see Note 6.6) and a net reversal of 18 million euros for several individual loans.
- The impact of the extreme weather conditions, including flooding and storms, in 2022 and 2021 on (impairment on) loans was insignificant.
- Impairment on other:
  - In 2022, this item included an impairment of tangible and intangible assets relating to the sale transactions in Ireland, impairment of real estate and modification losses related to the extension of the interest cap regulation in Hungary.
  - In 2021, this item included impairment of tangible and intangible assets relating to the sale transactions in Ireland and modification losses.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section. Among other things, this section also provides more information on impaired loans (Stage 3).
- For information on total impairment recognised in the balance sheet, see Note 4.2.
- More background information and methodology for KBC's ECL model is provided in the accounting policies under 'Financial assets – impairment' in Note 1.2.
- KBC uses specific models for PD, EAD and LGD in order to calculate ECL. It is essential to take account of historical observations and forward-looking projections in this respect.
  - PD represents the probability of a counterparty defaulting in the next 12 months or during the entire term of the facility (depending on which IFRS 9 'Stage' the facility is in). The PD is determined by the counterparty's internal (and, if applicable, external) credit rating. Variables used in PD models include financial ratios and behavioural parameters (arrears).
  - EAD represents the estimated outstanding debt at the time of default and depends on the existing outstanding debt and any changes permitted under the contract and normal repayments. Variables used in these models include product types and repayment schedules.
  - LGD is the estimated size of the loss relative to the outstanding debt at the time of default. LGD is presented as a percentage of the outstanding debt and is determined by historical amounts recovered on similar claims. Variables used in these models include collateral types and financial ratios.
- On 31 December 2022, there were around 80 different IFRS 9 models. In addition to several group-wide models, we have separate
  PD, EAD and LGD models for each of our core countries. In accordance with the Basel grouping approach, we use the type of counterparty (private individuals, SMEs, companies, governments, etc.) to determine the scope of an IFRS 9 model. Each model allows for differentiation in terms of facility type (term loans, revolving facilities, etc.) and collateral type (mortgages, pledges on business assets, guarantees, etc.). Examples of IFRS 9 models include 'Banks', 'Belgian private persons – home loans', 'Czech corporates', 'Bulgarian corporates and SMEs' and 'Central governments'. Detailed documentation is available for each PD, EAD and LGD model. The main models are subject to review by external auditors. The Basel models, which the IFRS 9 models are based on, are subject to external control performed by the supervisory authorities.
- We create the models for the various portfolios using typical PD, EAD and LGD inputs, as well as macroeconomic variables to the extent that there is a statistical relationship. The macroeconomic variables are GDP growth, the unemployment rate, policy interest rates, the exchange rate, government bond yields, house prices and inflation. As a result of regular back-testing, models may change and macroeconomic variables may be reassessed. Note 1.4 presents the optimistic, pessimistic and base-case scenarios for the three key indicators (GDP growth, unemployment rate and house price index) for each of our core countries.
- As set out under 'Climate-related and other ESG risks' in the 'How do we manage our risks?' section, KBC considers ESG risks in its credit risk management processes. The vulnerability of individual clients to specific ESG risks may become apparent during the term of the loan in client-specific credit risk figures, such as credit risk ratings and collateral valuations affecting the ECL calculation. Especially in terms of climate risk, which may have considerable consequences for certain sectors in the longer term, the impact on our loan portfolio is not expected to occur within the time horizon considered for the ECL measurement.
- Our ECL models are not able to adequately reflect all the specifics of the direct and indirect consequences of the war in Ukraine and the coronavirus crisis. Therefore, an expert-based calculation at portfolio level has been performed that takes due account of the macroeconomic situation (see Note 1.4).
- We use three different forward-looking macroeconomic scenarios (with different probability weightings) to measure ECL. The weightings at year-end 2022 were 60% for the 'base' scenario, 5% for the 'up' scenario and 35% for the 'down' scenario. The forecast horizon is 30 years. For further information on the key macroeconomic parameters, see Note 1.4.
- A sensitivity analysis of the impact of these multiple economic scenarios on the collectively assessed ECL (i.e. without the ECL for individually assessed loans of 1.6 billion euros at the end of 2022 and 1.7 billion euros at the end of 2021) shows that the 'base' scenario generates an ECL of 1.0 billion euros (0.9 billion euros in 2021), which is 0.1 billion euros lower than for

the ‘down’ scenario (0.0 billion euros in 2021) and 0.0 billion euros higher than for the ‘up’ scenario (0.1 billion euros in 2021). The assessed scenario-weighted collective ECL (that was recognised) amounted to 1.0 billion euros (0.9 billion euros in 2021). Please note that these amounts take into account the ECL relating to geopolitical and emerging risks at year-end 2022 (see Note 1.4).

Collectively assessed ECL by country (2022, in billions of EUR)	100% base-case scenario	100% optimistic scenario	100% pessimistic scenario
Total	1.0	1.0	1.1
Belgium	0.3	0.3	0.3
Czech Republic	0.3	0.3	0.4
Slovakia	0.1	0.1	0.1
Hungary	0.1	0.1	0.1
Bulgaria	0.2	0.1	0.2
Other (including Ireland)	0.0	0.0	0.0

Note 3.11: Share in results of associated companies and joint ventures

(in millions of EUR)	2022	2021
Total	-10	-5
Of which:		
Skip Pay	-	-3
IGLUU s.r.o.	-1	-
Isabel NV	2	2
Payconiq International S.A.	-6	-6
Joyn International NV	-1	1
Batopin NV	-3	-1
Bancontact Payconiq Company NV	1	1
Immoscoop 2.0 BV	- 2	-

- Impairment on (goodwill on) associated companies and joint ventures is included in ‘Impairment’ (see Note 3.10). The share in results of associated companies and joint ventures does not therefore take this impairment into account.

Note 3.12: Income tax expense

(in millions of EUR)	2022	2021
Total	- 470	- 681
By type		
Current taxes on income	- 408	- 349
Deferred taxes on income	- 62	- 333
Tax components		
Result before tax	2 668	2 816
Income tax at the Belgian statutory rate	25.00%	25.00%
Income tax calculated	- 667	- 704
Plus/minus tax effects attributable to		
differences in tax rates, Belgium – abroad	115	86
tax-free income	65	55
adjustments related to prior years	6	- 4
adjustments to deferred taxes due to change in tax rate	- 1	- 1
unused tax losses and unused tax credits to reduce current tax expense	2	1
unused tax losses and unused tax credits to reduce deferred tax expense	28	2
reversal of previously recognised deferred tax assets due to tax losses	0	- 59
other (amongst others non-deductible expenses)	- 18	- 58

- For information on tax assets and tax liabilities, see Note 5.2.
- In 2021, the ‘Reversal of previously recognised deferred tax assets due to tax losses’ item includes the one-off negative impact of 51 million euros due to the derecognition of deferred tax assets as a result of the sale transactions in Ireland. Taxes in 2022 were bolstered by a one-off recognition of 51 million euros in deferred tax assets, partly due to the increase in business tax in the UK from 19% to 25% and the recognition of a deferred tax asset in Ireland (see also Note 6.6).
- Following the conversion of the Pillar 2 rules into a European Directive, KBC has conducted an initial analysis of the impact of these rules on its organisation. These new rules are expected to have limited impact on KBC and as a result of specific circumstances in certain entities the effective tax rate would fall to below 15%. A more detailed estimate will be prepared based on a more detailed interpretation of the top-up taxes and safe harbour rules in the countries with local KBC presence.
- The table on the next page shows the country-by-country reporting.

in million euros	2022									2021								
	Average number of employees in FTE	Revenues from third party sales[1]	Revenues from transactions with related parties from other tax jurisdictions[1]	Result before tax	Corporate income tax accrued on P&L (current income tax)	Corporate Income tax paid on a cash basis	Retained earnings	Tangible assets other than cash and cash equivalents	Public subsidies received	Average number of employees in FTE	Revenues from third party sales[1]	Revenues from transactions with related parties from other tax jurisdictions[1]	Result before tax	Corporate income tax accrued on P&L (current income tax)	Corporate Income tax paid on a cash basis	Retained earnings	Tangible assets other than cash and cash equivalents	Public subsidies received
KBC home Countries																		
Belgium	9 329	3 765	377	1 299	- 180	- 149	4 727	2 010	0	9 577	3 410	- 139	1 610	- 273	- 251	5 118	1 929	0
Czech Republic	8 148	1 636	- 529	709	- 134	- 106	1 418	534	0	8 204	1 379	- 41	759	- 92	- 88	1 919	546	0
Slovakia	2 900	341	18	106	- 22	- 14	- 210	182	0	3 177	311	20	100	- 12	- 12	- 243	200	0
Hungary	3 278	729	- 9	212	- 36	8	620	119	0	3 283	549	8	242	- 37	- 25	622	129	0
Bulgaria	3 683	343	- 1	139	- 12	- 12	- 133	171	0	2 784	208	- 5	100	- 9	- 9	- 169	154	0
Other countries																		
China[2]	35	1	0	0	- 1	0	0	- 3	0	45	9	0	3	3	3	0	1	0
Germany[2]	22	1	0	0	- 1	- 1	0	0	0	23	14	0	13	8	8	0	0	0
France[2]	56	5	- 2	9	- 2	- 2	1	0	0	52	50	- 2	30	21	21	1	1	0
Great Britain[2]	39	18	8	16	17	17	528	- 1	0	37	46	0	13	10	10	521	1	0
Hong Kong[2]	36	1	0	1	0	0	0	0	0	40	8	0	1	1	1	0	1	0
India	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ireland[2]	1 069	352	130	130	- 9	- 9	- 1 665	18	0	1 192	356	170	- 134	- 4	- 4	- 1 630	47	0
Italy	7	0	0	0	0	0	0	0	0	8	0	0	- 2	- 2	- 2	0	0	0
Luxembourg	29	54	8	45	- 27	- 8	94	137	0	29	33	- 12	23	- 6	- 4	69	142	0
Netherlands[2]	25	4	0	- 5	1	1	0	0	0	21	32	0	27	21	21	0	0	0
Poland[2]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Romania	0	3	0	3	0	0	20	33	0	0	4	0	4	0	0	17	34	0
Singapore[2]	43	2	0	1	0	0	0	0	0	39	9	0	11	9	11	0	1	0
USA[2]	43	4	0	2	0	0	0	- 20	0	49	39	0	17	13	15	0	17	0
Total	28 741	7 261	0	2 668	- 408	- 276	5 401	3 181	0	28 558	6 457	0	2 816	- 349	- 305	6 224	3 202	0

Countries for which the number of FTE is zero and for which the financial figures are below 0,5m EUR will not be shown.

[1] Based on 'Total income'

[2] Including branches KBC Bank

4.0 Notes on the financial assets and liabilities on the balance sheet

Note 4.1: Financial assets and liabilities, breakdown by portfolio and product

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT	Overlay	HFT	FVO (1)	Hedging deriva-tives	Total	*Pro Forma excl. Raif-feisen-bank Bulgaria*
FINANCIAL ASSETS, 31-12-2022									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	4 240	0	13	0	0	0	0	**4 253**	**4 202**
of which repayable on demand and term loans to banks at not more than three months								**1 236**	
Loans and advances to customers (excl. reverse repos)	175 459	0	625	0	0	0	0	**176 084**	**172 114**
Trade receivables	2 818	0	0	0	0	0	0	**2 818**	**2 728**
Consumer credit	6 222	0	430	0	0	0	0	**6 652**	**5 977**
Mortgage loans	72 555	0	196	0	0	0	0	**72 750**	**71 981**
Term loans	81 980	0	0	0	0	0	0	**81 980**	**79 830**
Finance lease	6 368	0	0	0	0	0	0	**6 368**	**6 117**
Current account advances	4 887	0	0	0	0	0	0	**4 887**	**4 887**
Other	629	0	0	0	0	0	0	**629**	**594**
Reverse repos (2)	20 806	0	0	0	33	0	0	**20 839**	**20 839**
with credit institutions and investment firms	20 018	0	0	0	33	0	0	**20 050**	**20 050**
with customers	788	0	0	0	0	0	0	**788**	**788**
Equity instruments	0	187	13	0	427	0	0	**626**	**621**
Debt securities issued by	44 488	3 397	16	0	1 708	0	0	**49 609**	**48 891**
Public bodies	38 774	2 970	0	0	1 650	0	0	**43 393**	**42 762**
Credit institutions and investment firms	4 354	366	0	0	9	0	0	**4 728**	**4 686**
Corporates	1 360	61	16	0	50	0	0	**1 487**	**1 443**
Derivatives	0	0	0	0	6 325	0	528	**6 853**	**6 845**
Other (3)	1 561	0	0	0	0	0	0	**1 561**	**1 561**
Total	246 553	3 584	667	0	8 493	0	528	**259 824**	**255 073**
FINANCIAL ASSETS, 31-12-2021									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	7 918	0	0	0	0	0	0	**7 918**	
of which repayable on demand and term loans to banks at not more than three months								**3 145**	
Loans and advances to customers (excl. reverse repos)	157 103	0	560	0	0	0	0	**157 663**	
Trade receivables	2 089	0	0	0	0	0	0	**2 089**	
Consumer credit	5 470	0	381	0	0	0	0	**5 851**	
Mortgage loans	66 514	0	179	0	0	0	0	**66 693**	
Term loans	72 046	0	0	0	0	0	0	**72 046**	
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	350	0	0	0	0	0	0	**350**	
Reverse repos (2)	25 311	0	0	0	0	0	0	**25 311**	
with credit institutions and investment firms	24 861	0	0	0	0	0	0	**24 861**	
with customers	450	0	0	0	0	0	0	**450**	
Equity instruments	0	191	8	0	440	0	0	**640**	
Debt securities issued by	40 383	4 550	16	0	2 940	0	0	**47 888**	
Public bodies	36 152	3 967	0	0	2 501	0	0	**42 620**	
Credit institutions and investment firms	2 859	513	0	0	357	0	0	**3 730**	
Corporates	1 372	70	16	0	81	0	0	**1 539**	
Derivatives	0	0	0	0	5 470	0	274	**5 744**	
Other (3)	992	0	0	0	0	0	0	**992**	
Total	231 707	4 741	584	0	8 850	0	274	**246 157**	

(in millions of EUR)	AC	HFT	FVO	Hedging deriva-tives	Total	*Pro Forma excl. Raiffeisen-bank Bulgaria*
FINANCIAL LIABILITIES, 31-12-2022						
Deposits from credit institutions and investment firms (excl. repos)	24 792	0	0	0	**24 792**	**24 710**
of which repayable on demand					**5 086**	
Deposits from customers and debt securities (excl. repos)	252 266	44	1 205	0	**253 516**	**248 354**
Demand deposits	122 607	0	0	0	**122 607**	**117 955**
Time deposits	22 931	44	73	0	**23 048**	**22 611**
Savings accounts	76 979	0	0	0	**76 979**	**76 954**
Special deposits	2 710	0	0	0	**2 710**	**2 663**
Other deposits	270	0	0	0	**270**	**270**
Subtotal deposits of clients, excl. repos	225 497	44	73	0	**225 614**	**220 453**
Certificates of deposit	9 321	0	1	0	**9 322**	**9 322**
Savings certificates	104	0	0	0	**104**	**104**
Non-convertible bonds	3 846	0	1 006	0	**4 852**	**4 852**
Non-convertible subordinated liabilities	13 498	0	126	0	**13 624**	**13 624**
Repos (4)	11 091	7	0	0	**11 098**	**11 098**
with credit institutions and investment firms	10 852	7	0	0	**10 859**	**10 859**
with customers	239	0	0	0	**239**	**239**
Derivatives	0	8 106	0	570	**8 676**	**8 666**
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 (5)	2 436	0	0	0	**2 436**	**2 358**
Total	290 586	9 164	1 205	570	**301 525**	**296 193**

FINANCIAL LIABILITIES, 31-12-2021					
Deposits from credit institutions and investment firms (excl. repos)	38 049	0	0	0	**38 049**
of which repayable on demand					**4 695**
Deposits from customers and debt securities (excl. repos)	225 671	21	1 312	0	**227 005**
Demand deposits	112 807	0	0	0	**112 807**
Time deposits	9 522	21	60	0	**9 603**
Savings accounts	74 801	0	0	0	**74 801**
Special deposits	2 962	0	0	0	**2 962**
Other deposits	448	0	0	0	**448**
Subtotal deposits of clients, excl. repos	200 540	21	60	0	**200 621**
Certificates of deposit	6 273	0	0	0	**6 273**
Savings certificates	253	0	0	0	**253**
Non-convertible bonds	6 699	0	1 118	0	**7 818**
Non-convertible subordinated liabilities	11 906	0	134	0	**12 040**
Repos (4)	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**
Derivatives	-	5 647	0	1 093	**6 741**
Short positions	-	1 628	0	0	**1 628**
In equity instruments	-	18	0	0	**18**
In debt securities	-	1 611	0	0	**1 611**
Other (5)	2 275	0	0	0	**2 275**
Total	269 288	7 299	1 312	1 093	**278 993**

(1) The carrying value comes close to the maximum credit exposure.

(2) The amount of the reverse repos (before netting) is virtually identical to the amount of the underlying assets (that have been lent out).

(3) Financial assets not included under ‘Loans and advances to customers’ as they are not directly related to commercial lending.

(4) The amount of the repos (before netting) is virtually identical to the amount of the underlying assets (that have been lent out), with the assets being partly reflected on the balance sheet and partly obtained through reverse repo transactions.

(5) Financial liabilities not included under deposits from customers as they are not directly related to commercial deposit acquisition.

- Sale of activities in Ireland: the financial assets and liabilities of KBC Bank Ireland that are part of the sale transaction(s) have been included under 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' since the third quarter of 2021 (see Note 5.11 and Note 6.6 for more information) and have therefore not been included in the above tables.
- 'Non-convertible bonds' comprise mainly KBC Bank, ČSOB and KBC IFIMA issues. They are usually recognised under 'Measured at amortised cost'. However, if they contain closely related embedded derivatives, they are recorded under 'Designated at fair value' (see accounting policies). This item also includes loans from KBC Group, three green bonds (for 500, 500 and 750 million euros each) and a social bond (for 750 million euros), which have been recognised at amortised cost.
- More information on major new debt issues or redemptions is provided under the 'Consolidated cashflow statement'.
- 'Deposits from credit institutions and investment firms' include funding obtained from the ECB's TLTRO programme (15.4 billion euros at year-end 2022, 9.1 billion euros less than at year-end 2021 on account of redemptions). KBC calculates these deposits using the effective interest rate method, with the rate being adjusted should we fail to meet the conditions (similar to a floating rate instrument), as per paragraph B.5.4.5 of IFRS 9. KBC's management has reasonable assurance that KBC will comply with the conditions attached (including the level of lending to households and non-financial companies) and hence the interest has accordingly been recognised (a gross amount of 112 million euros in interest income (negative interest rate) in 2022 and 242 million euros in 2021).
- Transferred financial assets that continue to be recognised in their entirety: KBC regularly lends and/or sells securities with the commitment to buy them back at a later date (repo transactions). Securities lent or sold with such a commitment are transferred to the counterparty, and, in exchange, KBC receives cash or other financial assets. However, KBC retains the main risks and income relating to these securities, and, therefore, continues to recognise them on its balance sheet. In addition, a financial liability is recognised equalling the cash received.

Transferred financial assets that continue to be recognised in their entirety (BOEKWAARDE ?, in millions of EUR)	31-12-2022	31-12-2021
Transferred assets, which continued to be recognised in their entirety: repo transactions and securities lent out with a carrying value	**17 426**	**13 762**
Held for trading	960	1 221
Measured at fair value through OCI	860	1 474
Measured at amortised cost	15 606	11 067
Associated financial liability	**10 535**	**2 936**
Held for trading	689	335
Measured at fair value through OCI	609	362
Measured at amortised cost	9 237	2 239

- It should be noted that KBC has more transferred financial assets on its balance sheet than repo transactions, due to the fact that the cash legs of certain repo transactions are offset against reverse repo transactions if they are carried out with the same counterparty, in the same currency and with the same maturity date. Moreover, there is a legally enforceable right, and an intention, to settle the transactions on a net basis or to realise the financial asset and settle the financial liability simultaneously.
- More information on the acquisition of Raiffeisenbank Bulgaria in 2022 is provided in Note 6.6.
- The loan portfolio accounts for the largest share of the financial assets. We report on estimated greenhouse gas emissions associated with lending and other activities and have defined objectives for reducing the greenhouse gas intensity of loans we have provided to the energy sector, electricity producers and the real estate sector, mortgage loans and loans provided for commercial residential real estate, as well as loans provided to the automotive industry and financial and operational car leasing (see Note 6.2), the agricultural sector, and cement, steel and aluminium producers. See 'Focus on climate' in the 'Report of the Board of Directors' section for a more detailed explanation. More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

Note 4.2: Financial assets and liabilities, breakdown by portfolio and quality

Note 4.2.1: Impaired financial assets

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
31-12-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances (1)	203 123	- 2 619	200 504
Stage 1 (12-month ECL)	162 550	- 110	162 440
Stage 2 (lifetime ECL)	36 523	- 635	35 887
Stage 3 (lifetime ECL)	3 616	- 1 796	1 820
Purchased or originated credit impaired assets (POCI)	434	- 77	357
Debt Securities	44 504	- 17	44 488
Stage 1 (12-month ECL)	44 366	- 5	44 361
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	3 398	- 1	3 397
Stage 1 (12-month ECL)	3 381	- 1	3 380
Stage 2 (lifetime ECL)	17	0	17
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 (1)	192 904	- 2 572	190 332
Stage 1 (12-month ECL)	165 753	- 104	165 650
Stage 2 (lifetime ECL)	23 072	- 507	22 565
Stage 3 (lifetime ECL)	3 491	- 1 848	1 644
Purchased or originated credit impaired assets (POCI)	588	- 114	474
Debt Securities	40 391	- 8	40 383
Stage 1 (12-month ECL)	40 383	- 4	40 380
Stage 2 (lifetime ECL)	6	- 3	3
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	4 551	- 1	4 550
Stage 1 (12-month ECL)	4 548	- 1	4 547
Stage 2 (lifetime ECL)	3	0	2
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0

- Acquisition of Raiffeisenbank Bulgaria (now renamed KBC Bank Bulgaria):
  - The carrying value before impairment at year-end 2022 included 4.7 billion euros for KBC Bank Bulgaria, of which 4.1 billion euros in loans and advances (3.2, 0.8 and 0.1 billion euros in Stages 1, 2 and 3, respectively), 0.5 billion euros in debt securities at amortised cost and 0.1 billion euros in debt securities at fair value through OCI. KBC Bank Bulgaria's portfolios account for 1.8% of the entire KBC group.
  - Impairment at year-end 2022 included 113 million euros for KBC Bank Bulgaria, of which 106 million euros in loans and advances (10, 30 and 66 million euros in Stages 1, 2 and 3, respectively), and 7 million euros in debt securities at amortised cost. These impairment valuations partly deviate from the methodology set out in the accounting policies (particularly as regards the forward-looking information, IFRS 9 models and criteria used to determine a significant increase in credit risk). The integration of KBC Bank Bulgaria in 2023 will also involve the alignment of the accounting policies at KBC Bank Bulgaria for determining impairment.
- Carrying value before impairment of loans and advances at amortised cost: increase of 10.2 billion euros in 2022, due primarily to:
  - The acquisition of Raiffeisenbank Bulgaria (see above).
  - An organic net increase in the loan portfolio (mainly mortgage loans and term loans, in all countries).
  - This increase was partly offset by a decrease of the carrying value before impairment of loans and advances (excluding reverse repos) and the reverse repos to credit institutions and investment firms.
- Carrying value before impairment of loans and advances at amortised cost in 'Stage 2': increase of 13.5 billion euros in 2022, due primarily to:
  - The migration to 'Stage 2' based on a collective statistical approach of 'Stage 1' loans (see also Note 1.4) that have indirect exposure to Russia, Ukraine and Belarus (i.e. as a result of the military conflict; 2.8 billion euros) and/or are vulnerable to emerging risks (11.3 billion euros).
  - The acquisition of Raiffeisenbank Bulgaria (see above).
  - This was partly offset by the discontinuation of the collective 'Stage 2' transfer of loans vulnerable to coronavirus-related risks (3.1 billion euros in receivables that had been moved to 'Stage 2' at year-end 2021). The remaining coronavirus-related risks in our loan portfolio are included in the regular indicators used to assess considerable credit risk increases (probability of default, forbearance and the number of days past due), which are no longer concealed by the moratoria.
  - Please note that the migration of loans from 'Stage 1' to 'Stage 2' based on the collective statistical approach resulted in a net decrease of 3.6 billion euros of the carrying value before impairment of loans and advances at amortised cost in 'Stage 1', which was partly offset by the organic net increase in the loan portfolio and the acquisition of Raiffeisenbank Bulgaria.
  - Also note that the migration predicted in the management overlay at the time is not reflected in the 2021 year-end figures, because it is determined based on a collective approach and, therefore, cannot be individually linked to specific loans. Taking into account the impact of the management overlay on staging at year-end 2021, this would result in a 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').
- Carrying value before impairment of debt securities at amortised cost: increase of 4.1 billion euros in 2022, almost entirely in 'Stage 1':
  - More than half of this increase concerns (issues by) public bodies, one third concerns credit institutions and investment firms, and the remaining part concerns corporates, and related primarily to net investments.
- Impairment: increase of 0.1 billion euros in 2022, due to:
  - The acquisition of Raiffeisenbank Bulgaria (see above).
  - For information on other changes, see Note 3.10.
- See also 'Climate-related and other ESG risks' in the 'How do we manage our risks?' section.
- In 2022, 'Stage 2' and 'Stage 3' financial assets with a net carrying value of 471 million euros have been subject to modifications in the past that did not result in derecognition. The gross carrying value of 'Stage 1' financial assets subject to modifications in the past that did not result in derecognition came to 1 088 million euros in 2022. The corresponding figures for 2021 were 1 712 million euros and 509 million euros, respectively. Modification gains or losses are recognised under impairment (see Note 3.10).
- In 2022, financial assets at amortised cost with a gross carrying value of 80 million euros were written off, but were still subject to enforcement activities; the corresponding figure in 2021 was 72 million euros.

Note 4.2.2: Impairment details

(in millions of EUR)	31-12-2022 Stage 1 Subject to 12-month ECL	Stage 2 Subject to lifetime ECL	Stage 3 Subject to lifetime ECL (non-performing)	Subject to lifetime ECL (purchased or originated credit impaired)	Total	31-12-2021 Stage 1 Subject to 12-month ECL	Stage 2 Subject to lifetime ECL	Stage 3 Subject to lifetime ECL (non-performing)	Subject to lifetime ECL (purchased or originated credit impaired)	Total
LOANS AND ADVANCES AT AMORTISED COST										
Impairment on 01-01-2022	104	507	1 848	114	2 572	168	992	2 517	18	3 694
Movements with an impact on results[1]	- 6	96	147	- 8	230	- 62	- 454	242	- 2	- 276
Transfer of financial assets										
Stage 1 (12-month ECL)	- 22	158	60	0	196	- 12	99	42	0	129
Stage 2 (lifetime ECL)	4	- 83	95	0	16	6	- 115	80	0	- 30
Stage 3 (lifetime ECL)	0	26	- 54	- 3	- 31	0	20	- 36	0	- 16
New financial assets[2]	40	43	10	0	93	25	14	7	0	45
Changes in risk parameters	- 16	- 23	90	- 5	48	- 57	- 426	214	1	- 269
Changes in the model or methodology	- 1	3	0	0	2	0	- 1	0	0	- 1
Derecognised financial assets[3]	- 10	- 26	- 59	- 1	- 97	- 23	- 48	- 84	- 2	- 157
Other	- 1	- 2	4	0	2	0	2	20	0	22
Movements without an impact on results	12	32	- 199	- 29	- 184	- 2	- 32	- 911	98	- 847
Derecognised financial assets	0	- 1	- 296	- 7	- 304	0	0	- 286	- 12	- 299
Changes in the scope of consolidation	11	27	64	0	103	0	0	4	0	4
Transfers under IFRS 5	0	0	0	0	0	- 3	- 31	- 540	0	- 574
Other	1	6	33	- 21	18	1	0	- 90	110	21
Impairment on 31-12-2022	110	635	1 796	77	2 619	104	507	1 848	114	2 572
DEBT SECURITIES AT AMORTISED COST										
Impairment on 01-01-2022	4	3	1	0	8	5	1	2	0	8
Movements with an impact on results[1]	1	0	1	0	3	- 1	2	0	0	1
Transfer of financial assets										
Stage 1 (12-month ECL)	0	0	0	0	0	0	0	0	0	0
Stage 2 (lifetime ECL)	0	- 1	1	0	0	0	0	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0	0	0	0	0	0
New financial assets[2]	1	0	0	0	1	0	0	0	0	0
Changes in risk parameters	0	1	0	0	2	- 1	3	0	0	2
Changes in the model or methodology	0	0	0	0	0	0	0	0	0	0
Derecognised financial assets	0	0	0	0	0	0	0	0	0	- 1
Other	0	0	0	0	0	0	0	0	0	0
Movements without an impact on results	0	1	5	0	6	0	0	- 1	0	- 1
Derecognised financial assets[3]	0	0	- 1	0	- 1	0	0	- 1	0	- 1
Changes in the scope of consolidation	0	1	6	0	7	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Impairment on 31-12-2022	5	4	7	0	17	4	3	1	0	8
DEBT SECURITIES AT FAIR VALUE THROUGH OCI										
Impairment on 01-01-2022	1	0	0	0	1	1	0	0	0	1
Movements with an impact on results[1]	0	0	0	0	0	0	0	0	0	0
Transfer of financial assets										
Stage 1 (12-month ECL)	0	0	0	0	0	0	0	0	0	0
Stage 2 (lifetime ECL)	0	0	0	0	0	0	0	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0	0	0	0	0	0
New financial assets[2]	0	0	0	0	0	0	0	0	0	0
Changes in risk parameters	0	0	0	0	0	0	0	0	0	0
Changes in the model or methodology	0	0	0	0	0	0	0	0	0	0
Derecognised financial assets	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Movements without an impact on results	0	0	0	0	0	0	0	0	0	0
Derecognised financial assets[3]	0	0	0	0	0	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Impairment on 31-12-2022	1	0	0	0	1	1	0	0	0	1

[1]Amounts recovered in respect of loans that have already been written off are recycled to the income statement and recorded as 'Impairment on financial assets at amortised cost and at fair value through OCI'. However, they have not been included in this table since they do not have any impact on impairment losses on the balance sheet.

[2] Also includes impairment related to new financial assets resulting from off-balance-sheet commitments and financial guarantees already given being called.

[3] Derecognition without an impact on results occurs when the impairment adjustment has already been made upfront (for example, at the moment of the sale agreement (disposals) or before the write-off). Derecognition with an impact on results occurs when the impairment adjustment takes place at the same time (for instance, in the case of debt forgiveness).

- The change in impairment in 2022 relates mainly to the reserve set aside to cover geopolitical and emerging risks and the full reversal of the remaining reserves set aside for the coronavirus crisis (see Note 1.4) and the changes in the scope of consolidation, partly offset by the elimination of the impairment on derecognised financial assets.
- Changes in the scope of consolidation: relates mainly to the acquisition of Raiffeisenbank Bulgaria.
- The vast majority of the staging is triggered by a collective management assessment and relative changes in PD (see the multi-tier approach outlined in Note1.2 under 'Significant increase in credit risk since initial recognition').
- For information on provisions for commitments and financial guarantees, see Note 5.7.2.
- For information regarding the impact of changes in impairment on the income statement, see Note 3.10.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.

Note 4.3: Maximum credit exposure and offsetting

(in millions of EUR)	31-12-2022 Maximum credit exposure (A)	31-12-2022 Collateral and other credit enhan-cements received (B)	31-12-2022 Net (A-B)	31-12-2021 Maximum credit exposure (A)	31-12-2021 Collateral and other credit enhan-cements received (B)	31-12-2021 Net (A-B)
Subject to impairment	309 268	132 675	176 593	290 570	126 748	163 822
of which Stage 3 'non-performing' (AC and FVOCI)	*2 106*	*1 550*	*556*	*2 070*	*1 584*	*486*
Debt securities	47 885	98	47 787	44 933	93	44 840
Loans and advances (excl. reverse repos)	179 698	98 726	80 972	165 022	90 044	74 978
Reverse repos	20 806	20 751	55	25 311	25 210	101
Other financial assets	1 561	0	1 561	992	0	992
Off-balance-sheet liabilities	59 318	13 100	46 218	54 312	11 401	42 911
irrevocable	38 679	6 742	31 937	36 886	6 032	30 854
revocable	20 639	6 358	14 282	17 427	5 370	12 057
Not subject to impairment	9 248	2 213	7 035	9 260	2 313	6 946
Debt securities	1 724	0	1 724	2 956	0	2 956
Loans and advances (excl. reverse repos)	638	593	45	560	545	15
of which FVO	0	0	0	0	0	0
Reverse repos	33	33	0	0	0	0
Derivatives	6 853	1 588	5 265	5 744	1 769	3 975
Other financial assets	0	0	0	0	0	0
Off-balance-sheet liabilities	0	0	0	0	0	0
Total	318 516	134 889	183 628	299 829	129 061	170 768

- Maximum credit exposure for a financial asset is the net carrying value. Besides the amounts on the balance sheet, maximum credit exposure also includes the undrawn portion of irrevocable credit lines, financial guarantees granted and other irrevocable commitments.
- The main types of collateral and other credit enhancements received relate to mortgages on real estate (mainly collateral for mortgage loans), securities lent out (mainly as a collateral for reverse repos), off-balance-sheet financial guarantees received and collateral of movable property. Mortgage loans with an LTV (loan-to-value) greater than 100% are limited to 0.6 billion euros or 0.7% of the entire mortgage loan portfolio at year-end 2022.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.
- Collateral and credit enhancements received: recognised at market value and limited to the outstanding amount of the relevant loans.
- The maximum credit exposure for the KBC Bank Ireland financial assets has not been included in the above figures (see Note 5.11 for more information).

Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements (in millions of EUR)	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off	Net amounts of financial instruments presented in the balance sheet	Amounts not set off in the balance sheet: Financial instruments	Amounts not set off in the balance sheet: Cash collateral	Amounts not set off in the balance sheet: Securities collateral	Net amount
FINANCIAL ASSETS, 31-12-2022							
Derivatives	32 416	25 563	6 853	4 493	1 302	67	991
Derivatives (excluding central clearing houses)	6 637	4	6 633	4 493	1 302	67	771
Derivatives with central clearing houses*	25 779	25 559	220	0	0	0	220
Reverse repos, securities borrowing and similar arrangements	28 673	7 835	20 839	0	0	20 830	9
Reverse repos	28 673	7 835	20 839	0	0	20 830	9
Securities borrowing	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	61 089	33 397	27 692	4 494	1 302	20 897	999
FINANCIAL LIABILITIES, 31-12-2022							
Derivatives	31 527	22 850	8 676	4 500	1 116	447	2 613
Derivatives (excluding central clearing houses)	8 394	4	8 390	4 500	1 116	447	2 327
Derivatives with central clearing houses*	23 132	22 846	286	0	0	0	286
Repos, securities lending and similar arrangements	18 933	7 835	11 098	0	0	11 083	15
Repos	18 933	7 835	11 098	0	0	11 083	15
Securities lending	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	50 459	30 685	19 774	4 501	1 116	11 530	2 628
FINANCIAL ASSETS, 31-12-2021							
Derivatives	13 986	8 242	5 744	2 732	1 317	112	1 583
Derivatives (excluding central clearing houses)	5 637	0	5 637	2 732	1 317	112	1 476
Derivatives with central clearing houses*	8 349	8 242	107	0	0	0	107
Reverse repos, securities borrowing and similar arrangements	38 493	13 182	25 311	67	0	25 230	13
Reverse repos	38 493	13 182	25 311	67	0	25 230	13
Securities borrowing	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	52 479	21 425	31 055	2 800	1 317	25 342	1 597
FINANCIAL LIABILITIES, 31-12-2021							
Derivatives	16 112	9 372	6 741	3 016	1 793	640	1 292
Derivatives (excluding central clearing houses)	6 636	0	6 636	3 016	1 793	640	1 188
Derivatives with central clearing houses*	9 476	9 372	104	0	0	0	104
Repos, securities lending and similar arrangements	16 477	13 182	3 295	160	0	3 135	1
Repos	16 477	13 182	3 295	160	0	3 135	1
Securities lending	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	32 590	22 554	10 036	3 176	1 793	3 774	1 293

* For the central clearing houses the offsetting refers to the offsetting between the derivatives and the related cash collateral. The amount of cash collateral with central clearing houses at the end of 2022 is 2 712 mio and 1 130 mio at the end of 2021.

- The criteria for offsetting are met if KBC currently has a legally enforceable right to set off the recognised financial assets and financial liabilities and intends either to settle the transactions on a net basis, or to realise the financial asset and settle the financial liability simultaneously. Financial assets and financial liabilities that are set off relate to financial instruments that were traded on (central) clearing houses.
- The amounts presented in the 'Financial instruments' column under the 'Amounts not set off in the balance sheet' heading are for financial instruments entered into under an enforceable master netting agreement or similar arrangement that does not meet the criteria defined in IAS 32. These amounts refer to situations in which offsetting can only be applied if one of the counterparties defaults, becomes insolvent or goes bankrupt. The same principle applies for financial instruments given or received as collateral. The value given in the table for non-cash collateral received (in the 'Securities collateral' column under the 'Amounts not set off in the balance sheet' heading) is the market value. This is the value that is used if one of the counterparties defaults, becomes insolvent or goes bankrupt.

Note 4.4: Fair value of financial assets and liabilities – general

- In line with European Banking Authority guidelines, we conduct an outlier stress test on a quarterly basis by applying six different scenarios to the banking books (material currencies). The worst-case scenario is set off against tier-1 capital. For the banking book at KBC group level, this risk came to -3% of tier-1 capital at year-end 2022. This -3% is well below the -15% Tier 1 threshold, which is monitored by the ECB. Note that this -3% of tier-1 capital at year-end 2022 is equivalent to a -0.4% points impact on the end of year 2022 fully loaded CET1 ratio.
- The table shows the changes in economic value of equity under six different interest rate scenarios. To test these six scenarios, we combine the shift in the yield curves with changes in maturities depending on clients' behaviour (e.g., interest-rate-driven prepayment behaviour) and use a run-off balance sheet where maturing items are not replaced. The bank also analyses the impact of different interest rate scenarios on its net interest income.

	Changes of the economic value of equity	
Supervisory shock scenarios (in millions of EUR, material currencies)*	End of 4Q2022	End of 2Q2022
1 Parallel up	-491	-1 163
2 Parallel down	370	600
3 Steepener	-55	-207
4 Flattener	-26	-3
5 Short rates up	-179	-343
6 Short rates down	102	176

*Supervision of the underlying internal models' compliance with the approval criteria as provided for in the standards imposed by the regulator does not come under the responsibility of the statutory auditor.

- Note that the above stress test covers the full balance sheet (full economic view), with compensating effects across the balance sheet, whereas the table below focuses on some parts of the balance sheet.
- Furthermore, taking into account 1) KBCs large stock of high-quality liquid assets (approximately 92 billion euros on average in 2022), which consist of cash and bonds which can be repoed in the private market and at the central banks, 2) 48% of total customer deposits at KBC are covered by the Deposit Guarantee and 3) 83% of total customer deposits consisting of more stable retail & SME clients, the unrealised losses on the debt securities portfolio at amortised cost do not need to be realised for liquidity purposes and are therefore irrelevant from a capital perspective.

Fair value of financial assets and liabilities that are not measured at fair value in the balance sheet	Financial assets measured at amortised cost		Financial liabilities measured at amortised cost	
(in millions of EUR)	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS, 31-12-2022				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	24 257	24 210	-	-
Loans and advances to customers (incl. reverse repos)	176 247	162 847	-	-
Debt securities	44 488	40 200	-	-
Other	1 561	1 561	-	-
Total	246 553	228 818	-	-
Level 1	-	37 954	-	-
Level 2	-	29 491	-	-
Level 3	-	161 374	-	-
FINANCIAL LIABILITIES, 31-12-2022				
Deposits from credit institutions and investment firms (incl. repos)	-	-	35 644	35 207
Deposits from customers and debt securities (incl. repos)	-	-	252 506	251 803
Liabilities under investment contracts	-	-	0	0
Other	-	-	2 436	2 436
Total	-	-	290 586	289 447
Level 1	-	-	-	47
Level 2	-	-	-	125 632
Level 3	-	-	-	163 768
FINANCIAL ASSETS, 31-12-2021				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	32 779	32 787	-	-
Loans and advances to customers (incl. reverse repos)	157 553	158 091	-	-
Debt securities	40 383	40 152	-	-
Other	992	992	-	-
Total	231 707	232 022	-	-
Level 1	-	38 202	-	-
Level 2	-	33 014	-	-
Level 3	-	160 806	-	-
FINANCIAL LIABILITIES, 31-12-2021				
Deposits from credit institutions and investment firms (incl. repos)	-	-	40 937	41 003
Deposits from customers and debt securities (incl. repos)	-	-	226 076	226 781
Liabilities under investment contracts	-	-	0	0
Other	-	-	2 275	2 273
Total	-	-	269 288	270 056
Level 1	-	-	-	24
Level 2	-	-	-	118 897
Level 3	-	-	-	151 135

- All internal valuation models are validated by an independent Risk Validation Unit. In addition, the Executive Committee has appointed a Group Valuation Committee (GVC) to ensure that KBC meets all the legal requirements for measuring financial assets and liabilities at fair value. The GVC monitors consistent implementation of the KBC Valuation Framework, which consists of various guidelines, including the Group Valuation Policy, the Group Market Value Adjustments Policy and the Group Parameter Review Policy. The GVC meets at least twice a quarter to approve significant changes in valuation methods (including, but not limited to, models, market data and inputs) or deviations from group policies for financial assets and liabilities measured at fair value. The committee is made up of members from Finance, Risk Management and the Middle Office. Valuation uncertainty measurements are made and reported to the GVC every six months. Certain fair values generated by valuation models are challenged by a team set up specifically for this purpose.
- The fair value of mortgage and term loans not measured at fair value in the balance sheet (see table) is calculated by discounting contractual cashflows at the risk-free rate. This calculation is then adjusted for credit risk by taking account of margins obtained on similar, but recently issued, loans or by using a spread derived from the listed-bond spread. The fair value of the main portfolios takes account of prepayment risks and cap options. The fair value of time deposits is calculated by discounting contractual cashflows at the risk-free rate. The fair value of demand and savings deposits is presumed to be equal to their carrying value.

- As a result of the first-time adoption of IFRS 9 on 1 January 2018, debt instruments with a total carrying value of 15 060 million euros have been reclassified from ‘Available-for-sale assets’ to ‘Financial assets held at amortised cost’. Due to this reclassification, changes in fair value (before tax) totalling -566 million euros were not recorded in the revaluation reserve in 2022 (-199 million euros in 2021). The fair value of this reclassified portfolio (after redemptions) amounted to 4 668 million euros at year-end 2022 (5 753 million euros at year-end 2021).
- The difference between the fair value and the carrying value of the financial instruments at amortised cost was caused by the substantial interest rate hikes in 2022. As a hold-to-collect business model is applied on the assets side, interim changes in fair value are less relevant. In addition, part of this difference has already been recorded under fair value hedges for a portfolio of interest rate risk, which is presented separately on the balance sheet (on both the assets and the liabilities side) in the ‘Profit/loss on positions in portfolios hedged against interest rate risk’ balance sheet item. Furthermore, there are ALM interest derivatives not recognised in hedge accounting.

Note 4.5: Financial assets and liabilities measured at fair value – fair value hierarchy

(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)	12	13	642	667	14	0	570	584
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	13	0	13	0	0	0	0
Loans and advances to customers (incl. reverse repos)	0	0	625	625	0	0	560	560
Equity instruments	0	0	13	13	0	0	8	8
Investment contracts (insurance)	0	0	0	0	0	0	0	0
Debt securities	12	0	4	16	14	0	1	16
of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other	0	0	0	0	0	0	0	0
Held for trading	1 891	5 869	733	8 493	1 947	5 938	965	8 850
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	33	0	33	0	0	0	0
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Equity instruments	426	0	0	427	440	0	0	440
Debt securities	1 461	243	4	1 708	1 506	1 430	4	2 940
of which sovereign bonds	*1 428*	*222*	*0*	*1 650*	*1 427*	*1 074*	*0*	*2 501*
Derivatives	3	5 593	729	6 325	1	4 508	961	5 470
Other	0	0	0	0	0	0	0	0
FVO	0	0	0	0	0	0	0	0
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	0	0	0	0	0	0	0
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0	0	0
of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
At fair value through OCI	3 130	204	250	3 584	4 361	101	278	4 741
Equity instruments	17	1	170	187	13	1	178	191
Debt securities	3 113	203	81	3 397	4 348	101	101	4 550
of which sovereign bonds	*2 862*	*76*	*33*	*2 970*	*3 935*	*0*	*32*	*3 967*
Hedging derivatives	0	528	0	528	0	274	0	274
Derivatives	0	528	0	528	0	274	0	274
Total	5 033	6 613	1 625	13 272	6 322	6 314	1 813	14 449
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	885	7 154	1 125	9 164	1 582	4 508	1 209	7 299
Deposits from credit institutions and investment firms (incl. repos)	0	7	0	7	0	2	0	2
Deposits from customers and debt securities (incl. repos)	0	44	0	44	0	21	0	21
Derivatives	2	6 979	1 125	8 106	1	4 438	1 209	5 647
Short positions	884	123	0	1 007	1 582	47	0	1 628
Other	0	0	0	0	0	0	0	0
Designated at fair value	0	74	1 131	1 205	0	61	1 251	1 312
Deposits from credit institutions and investment firms (incl. repos)	0	0	0	0	0	0	0	0
Deposits from customers and debt securities (incl. repos)	0	74	1 131	1 205	0	61	1 251	1 312
Liabilities under investment contracts	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Hedging derivatives	0	471	98	570	0	696	398	1 093
Derivatives	0	471	98	570	0	696	398	1 093
Total	885	7 699	2 355	10 939	1 582	5 265	2 858	9 705

- The fair value hierarchy prioritises the valuation techniques and the respective inputs into three levels.
  - The fair value hierarchy gives the highest priority to 'level 1 inputs'. This means that, when there is an active market, quoted prices have to be used to measure the financial assets or liabilities at fair value. Level 1 inputs are prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency (and that are quoted in active markets accessible to KBC). They represent actual and regularly occurring market transactions on an arm's length basis. The fair value is then based on a mark-to-market valuation derived from currently available transaction prices. No valuation technique (model) is involved.
  - If there are no price quotations available, the reporting entity establishes fair value using a model based on observable or unobservable inputs. The use of observable inputs must be maximised. Observable inputs are also referred to as 'level 2 inputs' and reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs include discounted cashflow analysis, or reference to the current or recent fair value of a similar instrument.
  - Unobservable inputs are also referred to as 'level 3 inputs' and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions regarding the risks involved). Unobservable inputs reflect a market that is not active. For example, proxies and correlation factors can be considered to be unobservable in the market.
- When the inputs used to measure the fair value of an asset or a liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is classified in its entirety into the same level as the lowest level input that is significant to the entire fair value measurement. For example, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.
- The valuation methodology and the corresponding classification in the fair value hierarchy of the most commonly used financial instruments are summarised in the table. Whereas the majority of instruments of a certain type are within the level indicated in the table, a small portion may actually be classified in another level.
- KBC follows the principle that transfers into and out of levels of the fair value hierarchy are made at the end of the reporting period. Transfers between the various levels are dealt with in more detail in Note 4.6 and Note 4.7.

	Instrument type	Products	Valuation technique
Level 1	Liquid financial instruments for which quoted prices are regularly available	FX spots, exchange traded financial futures, exchange traded options, exchange traded stocks, exchange traded funds, liquid government bonds, other liquid bonds, liquid asset backed securities (ABS) in active markets	Mark-to-market (quoted prices in active markets), for bonds: BVAL or vendor data.
Level 2	Plain vanilla/liquid derivatives	(Cross-currency) interest rate swaps (IRS), FX swaps, FX forwards, forward rate agreements (FRA), inflation swaps, dividend swaps and futures, reverse floaters, bond future options, interest rate future options, overnight index swaps (OIS), FX resets	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
		Caps & floors, interest rate options, European stock options, European & American FX options, forward starting options, digital FX options, FX strips of simple options, European swaptions, European cancellable IRS, compound options	Option pricing model based on observable inputs (e.g., volatilities)
	Linear financial liabilities (without optional features) – cash instruments	Deposits, simple cashflows, repo transactions	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
	Semi-liquid bonds/asset backed securities	Semi-liquid bonds/asset backed securities	BVAL, prices corroborated by alternative observable market data, or using comparable spread method
	Debt instruments	KBC IFIMA own issues (liabilities), mortgage bonds held by ČSOB	Discounted cashflow analysis and valuation of related derivatives based on observable inputs
	Linear financial assets (cash instruments)	Loans, commercial paper	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
Level 3	Exotic derivatives	Target profit forwards, flexible forwards, American & Asian stock options, Bermudan swaptions, digital interest rate options, quanto interest rate options, digital stock options, composite stock options, barrier stock options, quanto digital FX options, FX Asian options, FX European barrier options, FX simple digital barrier options, FX touch rebates, inflation options, Bermudan cancellable IRS, constant maturity swaps (CMS), CMS spread swaps, CMS spread options, CMS interest rate caps/floors, (callable) range accruals, outperformance options, auto-callable options, lookback options, commodity swaps and forwards	Option pricing model based on observable inputs (e.g., correlation)
	Illiquid credit-linked instruments	Collateralised debt obligations (notes)	Valuation model based on correlation of probability of default of underlying assets
	Private equity investments	Private equity and non-quoted participations	Based on the valuation guidelines of the European Private Equity & Venture Capital Association
	Illiquid bonds/asset backed securities	Illiquid (mortgage) bonds/asset backed securities that are indicatively priced by a single pricing provider in an inactive market	BVAL, third-party pricing (e.g., lead manager), where prices cannot be corroborated due to a lack of available/reliable alternative market data
	Debt instruments	KBC own issues (KBC IFIMA)	Discounted cashflow analysis and valuation of related derivatives based on unobservable inputs (indicative pricing by third parties for derivatives)
	Structured loans	Government-regulated loans with leveraged interest rates and exotic early repayment options (K&H)	Discounted cashflow analysis and valuation of related derivatives based on unobservable inputs

Note 4.6: Financial assets and liabilities measured at fair value – transfers between levels 1 and 2

- In 2022, KBC transferred 1 million euros' worth of financial assets and liabilities out of level 1 and into level 2, and 76 million euros' worth of financial assets and liabilities out of level 2 and into level 1.
- The corresponding figures for 2021 were 96 million euros and 15 million euros, respectively. Most of these reclassifications were carried out due to a change in the liquidity of government bonds and corporate bonds.

Note 4.7: Financial assets and liabilities measured at fair value – focus on level 3

- 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 or loss (other than held for trading): the fair value of loans and advances increased by 65 million euros, primarily on account of new transactions, partly offset by changes in market inputs and instruments that had reached maturity.
  - Financial assets at fair value through OCI: the fair value of debt instruments decreased by 20 million euros, primarily on account of instruments reaching maturity and changes in market inputs.
  - Financial assets held for trading: the fair value of derivatives decreased by 232 million euros, due mainly to sales of existing positions and changes in market inputs, only partly offset by new purchases and reclassifications into level 3.
  - Financial liabilities held for trading: the fair value of derivatives decreased by 232 million euros, due mainly to sales of existing positions and changes in market inputs, only partly offset by new purchases and reclassifications into level 3.
  - Financial liabilities relating to hedging derivatives: the fair value of derivatives decreased by 84 million euros due to changes in market inputs.
  - Financial liabilities measured at fair value through profit or loss: the fair value of issued debt instruments decreased by 120 million euros, primarily on account of transactions reaching maturity and the sale of existing positions, only partly offset by new transactions.
- In 2021, 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 or loss (other than held for trading): the fair value of loans and advances increased by 173 million euros, primarily on account of new transactions, only partly offset by changes in market inputs and instruments that had reached maturity.
  - Financial liabilities held for trading: the fair value of derivatives increased by 103 million euros, due mainly to changes in market inputs and new transactions, partly offset by sales. The fair value of issued debt instruments fell by 85 million euros, due mainly to instruments that had reached maturity.
  - Financial liabilities relating to hedging derivatives: the fair value of derivatives increased by 398 million euros due to reclassifications in level 3 owing to an optimisation of the classification method.
  - Financial liabilities measured at fair value through profit or loss: the fair value of debt instruments increased by 100 million euros, primarily on account of new issues, partly offset by sales.
- Some level 3 assets are associated or economically hedged with identical level 3 liabilities, which means that KBC's exposure to unobservable inputs is lower than would appear from the gross figures. Most of the level 3 instruments are also valued using third-party pricing sources, with KBC not developing any unobservable inputs itself. The main unobservable inputs applied by KBC to the valuation of exotic derivatives include: mean reversion parameter on Bermudan swaptions, equity cross-correlations and volatilities for certain stock options, interest-rate correlations for CMS spread options, and the funding costs used to determine the forward equity prices as part of the valuation of certain equity derivatives. The change in fair value resulting from a change in these inputs to reflect reasonably possible alternative assumptions is insignificant.

Note 4.8: Derivatives

- In terms of volume of the notional amounts of the derivatives, approximately 77% are trading derivatives and approximately 23% are hedging derivatives.
- The majority of trading derivatives are effectively included in the trading book but are largely economically hedged (limited open positions) by other trading derivatives (such as derivative transactions initiated by commercial clients that are economically hedged) or by balance sheet positions (such as currency positions), which leads to large volumes of notional amounts but also to result-neutral revaluations on a net basis.
- A limited number of trading derivatives are ALM derivatives included in the banking book, which are used to hedge economic risk. These are not subject to hedge accounting. Hedge accounting is applied to most of the ALM interest rate contracts. Only a limited number of the ALM derivatives for foreign currencies are included in hedge accounting.

Note 4.8.1: Trading derivatives

				31-12-2022				31-12-2021
(in millions of EUR)	Carrying value		Notional amount*		Carrying value		Notional amount*	
	Assets	Liabilities	Pur-chased	Sold	Assets	Liabilities	Pur-chased	Sold
Total	6 325	8 106	569 228	569 829	5 470	5 647	493 668	505 276
Interest rate contracts	2 681	3 737	381 154	379 139	3 081	2 814	292 975	302 665
of which interest rate swaps and futures	*2 467*	*3 600*	*370 028*	*372 678*	*2 756*	*2 695*	*280 873*	*295 431*
of which options	*214*	*136*	*11 127*	*6 462*	*325*	*119*	*12 101*	*7 234*
Foreign exchange contracts	3 173	3 629	174 922	177 978	1 722	1 880	185 873	187 910
of which currency and interest rate swaps, FX swaps and futures	*3 088*	*3 517*	*172 012*	*172 498*	*1 668*	*1 830*	*182 686*	*183 094*
of which options	*85*	*112*	*2 909*	*5 480*	*54*	*50*	*3 187*	*4 816*
Equity contracts	452	720	12 812	12 372	646	935	14 494	14 376
of which equity swaps	*414*	*410*	*10 553*	*10 394*	*620*	*637*	*12 607*	*12 651*
of which options	*37*	*311*	*2 259*	*1 977*	*26*	*298*	*1 888*	*1 725*
Credit contracts	0	0	0	0	0	0	4	4
of which credit default swaps	*0*	*0*	*0*	*0*	*0*	*0*	*4*	*4*
Commodity and other contracts	20	20	340	340	21	19	322	322

* In this table, both legs of the derivatives are reported in the notional amounts.

Note 4.8.2: Hedging derivatives

31-12-2022

(in millions of EUR)	Hedging instrument					Hedged item				Impact on equity	
	Notional amount[1]		Carrying value		Change in fair value of hedging instruments as basis for recognising hedge ineffectiveness for the period[2]		Carrying value		Change in fair value of hedged items as basis for recognising hedge ineffectiveness for the period[2]		
Hedging strategy	Purchased	Sold	Assets	Liabilities		Type	Total (incl. fair value changes)	Of which accumulated fair value adjustments		Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Fair value micro hedge											
Interest rate swaps	21 811	21 811	171	102	- 646	Debt securities held at AC	4 007	- 684	- 323		
Currency and interest rate swaps	0	0	0	0	0	Loans and advances at AC	683	70	- 310		
						Debt securities held at FVOCI	976	- 82	- 119		
						Debt securities issued at AC	14 154	- 1 306	1 403		
						Deposits at AC	0	0	0		
Total	21 811	21 811	171	102	- 646	Total			651	5	-
Portfolio hedge of interest rate risk											
Interest rate swaps	123 930	123 930	209	261	3 172	Debt securities held at AC	359	- 122	- 123		
Currency and interest rate options	1 762	0	101	0	82	Loans and advances at AC	104 980	- 4 207	- 3 769		
						Debt securities held at FVOCI	23	- 6	- 6		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	14 574	- 1 432	644		
Total	125 692	123 930	310	261	3 254	Total			- 3 254	0	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	20 073	20 073	47	115	177						
Currency and interest rate swaps	1 165	1 220	0	31	- 11						
Total	21 238	21 293	47	146	165	Total			- 168	- 3	- 1 045
Hedge of net investments in foreign operations											
Total[3]	1 755	1 807	0	505	18	Total			- 18	0	20

[1] In this table, both legs of the derivatives are reported in the notional amounts.

[2] Ineffectiveness is recognised in 'Net result from financial instruments at fair value through profit or loss' (also see Note 3.3).

[3] Carrying value liabilities: hedging instruments in the form of foreign currency deposits.

31-12-2021

(in millions of EUR)	Hedging instrument					Hedged item				Impact on equity	
	Notional amount[1]		Carrying value		Change in fair value of hedging instruments as basis for recognising hedge ineffectiveness for the period[2]		Carrying value		Change in fair value of hedged items as basis for recognising hedge ineffectiveness for the period[2]		
Hedging strategy	Purchased	Sold	Assets	Liabilities		Type	Total (incl. fair value changes)	Of which accumulated fair value adjustments		Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Fair value micro hedge											
Interest rate swaps	21 090	21 090	89	407	275	Debt securities held at AC	3 576	- 360	- 394		
Currency and interest rate swaps	0	0	0	0	0	Loans and advances at AC	857	391	- 114		
						Debt securities held at FVOCI	1 450	37	- 41		
						Debt securities issued at AC	15 495	97	276		
						Deposits at AC	0	0	- 2		
Total	21 090	21 090	89	407	275	Total			- 275	0	-
Portfolio hedge of interest rate risk											
Interest rate swaps	89 467	89 467	110	183	809	Debt securities held at AC	11	- 1	- 2		
Currency and interest rate options	1 981	0	21	0	11	Loans and advances at AC	74 412	- 504	- 1 772		
						Debt securities held at FVOCI	13	- 1	- 1		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	13 632	- 862	960		
Total	91 448	89 467	131	183	820	Total			- 815	5	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	21 249	21 249	24	502	177						
Currency and interest rate swaps	711	721	26	0	19						
Total	21 960	21 970	50	502	196	Total			- 196	0	- 1 197
Hedge of net investments in foreign operations											
Total[3]	1 904	1 965	5	420	- 109	Total			109	0	19

[1] In this table, both legs of the derivatives are reported in the notional amounts.

[2] Ineffectiveness is recognised in 'Net result from financial instruments at fair value through profit or loss' (also see Note 3.3).

[3] Carrying value liabilities: hedging instruments in the form of foreign currency deposits.

- The sharp change in fair value of the hedging instruments and the hedged items in the fair value micro hedges and fair value hedges for a portfolio of interest rate risk for 2022 are attributable to the substantial increase in market interest rates.
- The Treasury departments of the various entities manage the interest rate risk. To prevent rate movements from having a negative impact, the maturities of assets and liabilities are adjusted on the balance sheet using interest rate swaps and other derivatives.
- As regards the relationship between risk management and hedge accounting policy, ‘economic’ management takes priority and risks are hedged in accordance with the general ALM framework. Only then is a decision made on which, if any, of these techniques will be used to limit any resulting accounting mismatch.
- The balances remaining in the cashflow hedge reserve from any hedging relationships for which hedge accounting is no longer applied came to -166 million euros. The accumulated amount of fair value hedge adjustments remaining on the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses amounted to -24 million euros. These adjustments are amortised to profit or loss.
- The difference between the ‘Profit/loss on positions in portfolios hedged against interest rate risk’ balance sheet item and accumulated fair value adjustments following portfolio hedges of interest rate risk as included in Note 4.8.2 is attributable to accumulated fair value adjustments regarding discontinued fair value hedges not included in Note 4.8.2 but included in the balance sheet.
- The accumulated fair value adjustments of the hedged assets involved in portfolio hedges of interest rate risk dropped in 2022 due to the general increase in interest rates. The ‘Profit/loss on positions in portfolios hedged against interest rate risk’ balance sheet item on the liabilities side of the balance sheet also became more negative for the same reason.
- Also see the paragraph on hedge accounting in the ‘How do we manage our risks?’ section and Note 3.3.

Estimated cashflows from cashflow hedging derivatives per time bucket (in millions of EUR)	Inflow	Outflow
Not more than three months	7	- 38
More than three but not more than six months	33	- 95
More than six months but not more than one year	123	- 274
More than one but not more than two years	222	- 514
More than two but not more than five years	505	- 960
More than five years	545	- 847

5.0 Notes on other balance sheet items

Note 5.1: Other assets

(in millions of EUR)	31-12-2022	31-12-2021
Total	960	843
Prepaid charges and accrued income	484	371
Other	476	472

Note 5.2: Tax assets and tax liabilities

(in millions of EUR)	31-12-2022	31-12-2021
CURRENT TAXES		
Current tax assets	124	133
Current tax liabilities	132	44
DEFERRED TAXES	898	1 015
Deferred tax assets by type of temporary difference	1 122	1 238
Employee benefits	74	69
Losses carried forward	174	233
Tangible and intangible fixed assets	54	91
Provisions for risks and charges	48	20
Impairment for losses on loans and advances	217	269
Financial instruments at fair value through profit or loss and fair value hedges	97	75
Fair value changes, financial assets at FVOCI, cashflow hedges and hedges of net investments in foreign operations	374	441
Technical provisions	0	0
Other	84	42
Deferred tax liabilities by type of temporary difference	225	223
Employee benefits	62	13
Losses carried forward	0	0
Tangible and intangible fixed assets	35	29
Provisions for risks and charges	0	0
Impairment for losses on loans and advances	3	3
Financial instruments at fair value through profit or loss and fair value hedges	89	90
Fair value changes, financial assets at FVOCI, cashflow hedges and hedges of net investments in foreign operations	10	61
Technical provisions	0	0
Other	25	27
Recognised as a net amount in the balance sheet as follows:		
Deferred tax assets	944	1 056
Deferred tax liabilities	47	41
Unused tax losses and unused tax credits	151	177

- Deferred tax assets are recognised to the extent that it is probable that, on the basis of realistic financial projections, taxable profit will be available against which the deductible temporary differences can be utilised in the foreseeable future (limited to a period of eight to ten years).
- Unused tax losses and unused tax credits concern tax losses of group companies which are not capitalised due to insufficient proof of future taxable profit. Most tax losses and tax credits can be carried forward for 20 years or more.
- The net change in deferred taxes (-118 million euros in 2022) breaks down as follows:
  - A decrease in deferred tax assets of -116 million euros.
  - An increase in deferred tax liabilities of +2 million euros.
- The change in deferred tax assets was accounted for chiefly by:
  - a decrease in deferred tax assets via the income statement of -60 million euros, mainly due to the usage of losses carried forward, partly offset by the one-off recognition of deferred tax assets, due in part to the increase in business tax in the UK from 19% to 25% and the recognition of deferred tax assets in Ireland (-59 million euros net) and as a result of lower deferred tax assets on impairment for losses on loans and advances (-18 million euros). In addition, the arbitration proceedings against ICEC-Holding (see Note 3.6) have led to an increase in deferred tax assets via the income statement of 28 million euros.
  - a decrease in deferred tax assets on account of the change in the revaluation reserve for financial instruments measured at fair value through OCI, cashflow hedges and hedges of net investments in foreign operations (-67 million euros combined);
- The change in deferred tax liabilities was accounted for chiefly by:
  - a decrease in deferred tax liabilities on account of the change in the revaluation reserve for financial instruments measured at fair value through OCI, cashflow hedges and hedges of net investments in foreign operations (-51 million euros combined);
  - an increase in defined-benefit plans (+49 million euros).
- The deferred tax assets presented in the balance sheet are attributable primarily to KBC Bank and, to a lesser extent, to ČSOB in the Czech Republic and KBC Bank Ireland.

Note 5.3: Investments in associated companies and joint ventures

(in millions of EUR)	31-12-2022	31-12-2021
Total	33	38
Overview of investments, including goodwill		
Skip Pay	-	3
IGLUU s.r.o	2	-
Isabel NV	12	11
Payconiq International S.A.	7	9
Joyn International NV	0	1
Bancontact Payconiq Company NV	7	6
Batopin NV	1	4
Other	4	5
Goodwill on associated companies and joint ventures		
Gross amount	0	0
Accumulated impairment	0	0
Breakdown by type		
Unlisted	33	38
Listed	0	0
Fair value of investments in listed associated companies and joint ventures	0	0

- Associated companies are companies on whose management KBC exerts significant influence, without having direct or indirect full or joint control. In general, KBC has a 20% to 50% shareholding in such companies. Joint ventures are companies over which KBC exercises joint control.
- Goodwill paid on associated companies and joint ventures is included in the nominal value of 'Investments in associated companies and joint ventures' shown on the balance sheet. An impairment test is performed and, if required, the necessary impairment losses on goodwill recognised (see table).

Note 5.4: Property and equipment and investment property

(in millions of EUR)	31-12-2022	31-12-2021
Property, equipment	2 829	2 887
Investment property	351	315
Rental income	37	38
Direct operating expenses from investments generating rental income	12	10
Direct operating expenses from investments not generating rental income	1	2

MOVEMENTS TABLE	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
2022					
Opening balance	1 385	62	1 440	2 887	315
Acquisitions	33	43	466	543	71
Disposals	- 29	- 1	- 204	- 234	- 11
Depreciation	- 112	- 31	- 20	- 163	- 14
Other movements	- 1	6	- 209	- 203	- 9
Closing balance	1 276	80	1 474	2 829	351
Accumulated depreciation and impairment	*1 471*	*204*	*844*	*2 519*	*245*
Fair value 31-12-2022					512
2021					
Opening balance	1 462	64	1 421	2 948	342
Acquisitions	109	28	444	581	5
Disposals	- 56	- 4	- 205	- 265	- 14
Depreciation	- 111	- 30	- 19	- 160	- 15
Other movements	- 20	4	- 201	- 217	- 3
Closing balance	1 385	62	1 440	2 887	315
Accumulated depreciation and impairment	*1 397*	*199*	*785*	*2 381*	*250*
Fair value 31-12-2021					476

- Annual rates of depreciation: mainly 3% for buildings (including investment property), 33% for IT equipment, between 5% and 33% for other equipment. No depreciation is charged for land.
- There was a small amount (around 0.4 billion euros) for commitments for the acquisition of property and equipment. There are no material restrictions on title, or on property and equipment pledged as security for liabilities.
- Most investment property is valued by an independent expert on a regular basis and by in-house specialists on an annual basis, based primarily on the capitalisation of the estimated rental value and on unit prices of similar real property. Account is taken of all the market inputs available on the date of the assessment (including location and market situation, type of building and construction, state of repair, use, etc.).
- Certain other investment property is valued annually by in-house specialists based on the current annual rental per building and expected rental movements and on an individual capitalisation rate per building.
- The impact of the heavy flooding and other extreme weather conditions in 2022 and 2021 on property and equipment and investment property (in this case, our branch network) and on the associated impairment was insignificant. For more information, see ‘Climate-related and other ESG risks’ in the ‘How do we manage our risks?’ section.
- The impact of our own activities as a bank-insurer on the environment is very limited, especially when compared to industrial companies and our indirect impact through lending and other activities, and stems mainly from our buildings and vehicles (commuting). We nevertheless also calculate our own direct greenhouse gas impact and apply certain targets in that regard. See ‘Focus on climate’ in the ‘Report of the Board of Directors’ section for a more detailed explanation. More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

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Note 5.5: Goodwill and other intangible assets

(in millions of EUR)	Goodwill	Software developed in-house	Software developed externally	Other	Total
2022					
Opening balance	894	410	88	5	1 396
Acquisitions	438	174	25	1	639
Disposals	0	0	- 1	- 1	- 1
Amortisation	0	- 60	- 39	- 1	- 100
Other movements	- 6	- 10	- 7	5	- 18
Closing balance	1 326	514	66	9	1 916
Accumulated amortisation and impairment	*84*	*307*	*364*	*31*	*786*
2021					
Opening balance	882	285	131	4	1 302
Change in accounting policies	0	0	0	0	0
Adjusted opening balance	882	285	131	4	1 302
Acquisitions	0	163	30	3	196
Disposals	0	0	- 2	0	- 3
Amortisation	0	- 41	- 51	- 2	- 93
Other movements	13	2	- 20	0	- 5
Closing balance	894	410	88	5	1 396
Accumulated amortisation and impairment	*79*	*247*	*433*	*28*	*787*

- Goodwill: includes the goodwill paid on companies included in the scope of consolidation and relating to the acquisition of activities. Goodwill paid on associated companies: included in the nominal value of 'Investments in associated companies' shown on the balance sheet.
- For goodwill in respect of recent acquisitions, see Note 6.6.
- Impairment testing: a test was carried out to establish whether impairment on goodwill had to be recognised (see table and Note 3.10). This impairment test is performed at least once a year. We also carry out a high level assessment on a quarterly basis to see whether there is an indication of impairment. In the test, each entity is regarded as a separate cash-generating unit. Each entity has a specific risk profile and it is rare to have different profiles within a single entity.
- Impairment on goodwill under IAS 36: recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cashflow analysis) and the fair value (calculated based on multiple analysis, etc.) less costs to sell.
- The main group companies to which goodwill relates are listed in the table. All of these companies have been valued using the discounted cashflow method. The discounted cashflow method calculates the recoverable amount of an investment as the present value of all future free cashflows of the business. This method is based on long-term projections about the company's business and the resulting cashflows (i.e. projections for a number of years ahead and the residual value of the business at the end of the specific projection period). These long-term projections are the result of an assessment of past and present performances combined with external sources of information on future performances in the respective markets and the global macroeconomic environment. Consequently, in cases where sustainability aspects and products/projects have been factored into the underlying financial projections, this will also affect the valuation. The ultimate growth rate is determined using a long-term average market growth rate. The present value of these future cashflows is calculated using a compound discount rate which is based on the capital asset pricing model (CAPM). A country-specific risk-free rate and a market-risk premium (multiplied by an activity beta) are also used in the calculation. Free cashflows are the dividends that can be paid out to the company's shareholders, account taken of the minimum capital requirements.

Goodwill outstanding (in millions of EUR)	31-12-2022	31-12-2021	Discount rates throughout the specific period of cashflow projections 31-12-2022	31-12-2021
K&H Bank	173	188	17,3% - 13,3%	11,4% - 10,6%
ČSOB (Czech Republic)	293	286	13,9% - 12,8%	10,6% - 8,7%
ČSOB Stavební spořitelna, a.s.	176	171	13,2% - 12,8%	10,6% - 8,8%
United Bulgarian Bank and Raiffeisenbank Bulgaria (now KBC Bank Bulgaria)	544	110	12,5% - 12,2%	10,6% - 9,2%
KBC Asset Management NV	114	114	9,9% - 9,9%	8,7% - 8,7%
KBC Commerical Finance	21	21	10,0% - 10,0%	8,8% - 8,8%
Rest	5	5	-	-
Total	1 326	894	-	-

- The period to which the cashflow budgets and projections relate is 10 years in most cases. This longer period is used to take account of current strong growth in the Central and Eastern European countries, where the growth rate is expected to develop towards a more moderate level in the longer term.
- The growth rate used to extrapolate the cashflow projections after that period is equal to the expected long-term growth rate of the gross domestic product. This rate depends on the country and varied between 3.2 % and 4.7% in 2022 (between 1.2% and 1.7% in 2021).
- The discount rates applied have been raised considerably since last year, but on a net basis they only have a limited impact on valuations given the higher cashflow budgets resulting from improved net interest income.
- No sensitivity analysis was carried out for entities where the recoverable amount exceeded the carrying value to such a large extent that no reasonably possible change in the key assumptions would result in the recoverable amount being less than or equal to the carrying value. The table gives an indication for the other entities of the change in key assumptions that would lead to their recoverable amount equalling their carrying value.

Change in key assumptions[1]	Increase in discount rate[2]	Decrease in terminal growth rate	Increase in targeted solvency ratio[3]	Decrease in annual net profit	Increase in annual impairment charges
ČSOB Stavební sporitelna	2.5%	8.0%	6.4%	12%	-
United Bulgarian Bank and Raiffeisenbank Bulgaria (now KBC Bank Bulgaria)	0.6%	4.2%	1.0%	6%	38%

[1] Needless to say account should be taken of the fact that a change in these assumptions could affect other assumptions used to calculate the recoverable amount.
[2] Based on a parallel shift and absolute increase in the discount rate curve. Discount rates are in the 15.7%-15.3% bracket for ČSOB Stavební sporitelna, the 13.1%-12.8% bracket for United Bulgarian Bank and KBC Bank Bulgaria.
[3] Absolute increase in the tier-1 capital ratio.

Note 5.6: Technical provisions, insurance

Applies to KBC Group and KBC Insurance, but not to KBC Bank.

Note 5.7: Provisions for risks and charges

Note 5.7.1: Overview

(in millions of EUR)	31-12-2022	31-12-2021
Total provisions for risks and charges	416	278
Provisions for off-balance-sheet commitments and financial guarantees	114	130
Provisions for other risks and charges	303	147
Provisions for restructuring	92	87
Provisions for taxes and pending legal disputes	192	44
Other	19	17

Note 5.7.2: Details of off-balance-sheet commitments and financial guarantees

(in millions of EUR)	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (non-performing)	Total
31-12-2022				
Provisions on 01-01-2022	19	21	91	130
Movements with an impact on results				
Transfer of financial assets				
Stage 1 (12-month ECL)	- 6	10	6	10
Stage 2 (lifetime ECL)	0	- 5	7	2
Stage 3 'non-performing' (lifetime ECL)	0	6	- 2	4
New financial assets	8	4	0	12
Changes in risk parameters during the reporting period	- 1	1	- 45	- 45
Changes in the model or methodology	0	0	0	0
Derecognised financial assets	- 1	- 1	- 1	- 3
Other	0	- 5	0	- 5
Movements without an impact on results				
Derecognised financial assets	0	0	0	0
Changes in the scope of consolidation	1	2	3	6
Other	0	1	1	2
Provisions on 31-12-2022	19	35	60	114
31-12-2021				
Provisions on 01-01-2021	26	17	99	143
Movements with an impact on results				
Transfer of financial assets				
Stage 1 (12-month ECL)	- 2	4	0	2
Stage 2 (lifetime ECL)	0	- 4	2	- 1
Stage 3 'non-performing' (lifetime ECL)	0	1	- 1	0
New financial assets	6	1	1	8
Changes in risk parameters during the reporting period	- 9	2	- 13	- 20
Changes in the model or methodology	0	0	0	0
Derecognised financial assets	- 2	- 1	0	- 4
Other	0	0	0	0
Movements without an impact on results				
Derecognised financial assets	0	0	0	0
Changes in the scope of consolidation	0	0	0	0
Other	1	1	2	4
Provisions on 31-12-2021	19	21	91	130

- Also see Note 6.1.

Note 5.7.3: Details of provisions for other risks and charges

(in millions of EUR)	Provision for restructuring	Provision for taxes and pending legal disputes	Other	Total
2022				
Opening balance	87	44	17	147
Movements with an impact on results				
Amounts allocated	13	163	9	185
Amounts used	- 7	- 11	- 6	- 25
Unused amounts reversed	0	- 5	- 1	- 6
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	1	1	2
Other	0	1	- 1	0
Closing balance	92	192	19	303
2021				
Opening balance	7	31	25	63
Movements with an impact on results				
Amounts allocated	84	28	7	119
Amounts used	- 4	- 16	- 15	- 35
Unused amounts reversed	- 1	- 1	- 1	- 3
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	2	0	2
Other	1	0	0	0
Closing balance	87	44	17	147

- The change in the restructuring provision in 2021 relates mainly to Ireland (see Note 6.6). For most of the other provisions recorded, no reasonable estimate can be made of when they will be used.
- For details on ‘Provisions for taxes and pending legal disputes’, see also Note 3.6.
- Other provisions included those set aside for miscellaneous risks.
- Information relating to the main legal disputes pending: claims filed against KBC group companies are – in keeping with IFRS rules – treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. ‘probable outflow’, ‘possible outflow’ or ‘remotely probable outflow’). Provisions are set aside for ‘probable outflow’ cases (see ‘Notes on the accounting policies’). No provisions are constituted for ‘possible outflow’ cases, but information is provided in the financial statements if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 50 million euros). All other claims (‘remotely probable outflow’), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. The most important cases are listed below. The information provided is limited in order not to prejudice the position of the group in ongoing litigation.
- Possible outflow: on 6 October 2011, Irving H. Picard, trustee (the ‘trustee’) for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a full subsidiary of KBC Bank) before the bankruptcy court in New York to claw back approximately 110 million US dollars’ worth of transfers made to KBC entities by Madoff (through a feeder fund that KBC had lent to Harley International). This claim is just one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors (‘joint defense group’). A lengthy litigation process was conducted on the basis of preliminary objections in respect of the applicability of the Bankruptcy Code’s ‘safe harbor’ and ‘good defenses’ rules, as well as prudential limitations on U.S. courts’ powers in international cases, to subsequent transferees (as is the case for KBC Investments Ltd), as detailed in previous disclosures. In June 2015, the Trustee stated his intention to amend the original claim which led to increase the amount claimed to USD 196 000 000. A court ruling dismissing the claim of the Trustee was issued on 3 March 2017. The Trustee appealed and the appellate court (‘Court of Appeals for the Second Circuit’) reversed the dismissal on 28 February 2019. A certiorari petition filed on 30 August 2019 was dismissed by the US Supreme Court on 2 June 2020. As a consequence the merits of the case are handled by the Bankruptcy Court. On 30 August 2021, in two other appeals by other defendants, the Court of Appeals for the Second Circuit reversed the burden of proof from an initial burden on the Trustee to adequately demonstrate the defendant’s lack of good faith to a burden on the defendant to prove its good faith. On 1 August 2022, the Bankruptcy Court issued a decision determining the structure of the proceedings. In this context, on 5 August 2022 the Trustee amended his complaint by reducing his claim to a principal of USD 86 million. On 18 November 2022, KBC submitted a motion to dismiss the amended complaint for lack of specific jurisdiction of the US court. The final reply supporting its motion must be submitted on or before 10 March 2023. A hearing will then be held in April 2023. Despite the increased burden of proof, KBC still believes it has good and credible defenses, both procedurally and on the merits, including demonstrating its good faith. The procedure may still take several years.

Note 5.8: Other liabilities

(in millions of EUR)	31-12-2022	31-12-2021
Total	1 579	1 691
Breakdown by type		
Retirement benefit obligations or other employee benefits	84	270
Accrued charges (other than from interest expenses on financial liabilities)	287	308
Other	1 208	1 113

- For more information on retirement benefit obligations, see Note 5.9 (note that the amount recognised under ‘Retirement benefit obligations or other employee benefits’ in Note 5.8 relates to a broader scope than the amounts presented in Note 5.9).

Note 5.9: Retirement benefit obligations

(in millions of EUR)	31-12-2022	31-12-2021
DEFINED BENEFIT PLANS		
Reconciliation of defined benefit obligations		
Defined benefit obligations at the beginning of the period	2 413	2 452
Current service cost	92	94
Interest cost	19	7
Actuarial gain or loss resulting from changes in demographic assumptions	- 8	- 3
Actuarial gain or loss resulting from changes in financial assumptions	- 578	- 21
Experience adjustments	16	- 5
Past-service cost	0	- 11
Benefits paid	- 94	- 90
Other	- 13	- 10
Defined benefit obligations at the end of the period	1 848	2 413
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the period	2 233	1 965
Actual return on plan assets	- 363	229
Expected interest income on plan assets, calculated based on the market interest rates of high-quality corporate bonds	*18*	*6*
Employer contributions	67	67
Plan participant contributions	19	18
Benefits paid	- 94	- 90
Other	16	44
Fair value of plan assets at the end of the period	1 879	2 233
of which financial instruments issued by the group	*0*	*24*
of which property occupied by KBC	*1*	*3*
Funded status		
Plan assets in excess of defined benefit obligations	31	- 180
Reimbursement rights	0	0
Asset ceiling limit	- 12	- 37
Unfunded accrued/prepaid pension cost	19	- 217
Movement in net liabilities or net assets		
Unfunded accrued/prepaid pension cost at the beginning of the period	- 217	- 486
Amounts recognised in the income statement	- 75	- 67
Amounts recognised in other comprehensive income	244	230
Employer contributions	67	67
Other	- 1	39
Unfunded accrued/prepaid pension cost at the end of the period	19	- 217
Amounts recognised in the income statement	- 75	- 67
Current service cost	- 92	- 94
Interest cost	- 1	- 1
Plan participant contributions	19	18
Other	0	11
Changes to the amounts recognised in other comprehensive income	244	230
Actuarial gain or loss resulting from changes in demographic assumptions	8	3
Actuarial gain or loss resulting from changes in financial assumptions	578	21
Actuarial result on plan assets	- 381	223
Experience adjustments	- 16	5
Adjustments to asset ceiling limits	25	- 37
Other	31	15
DEFINED CONTRIBUTION PLANS		
Expenses for defined contribution plans	- 20	- 20

- Retirement benefits that are actively accrued for the Belgium-based staff of KBC Bank and most of its Belgian subsidiaries are accrued exclusively through the KBC pension fund. Up until year-end 2018, employer-funded retirement benefits had accrued primarily through a defined benefit plan, where the benefit is calculated based on the final salary of employees before they retire, the number of years they had been in the plan and a formula that applies a progressive rate scale. A defined contribution plan was introduced on 1 January 2014 for all new employees and any employees who had chosen to switch to it. In this plan, a contribution is deposited based on the current monthly salary and the amounts deposited are paid out together with the (guaranteed) return on retirement. Both types of pension plan are managed by the KBC pension fund, which uses the services of KBC Asset Management for the investment strategy. In addition, there are a number of smaller, closed group insurance schemes from the past that will continue to be funded and are managed by the KBC pension fund. On 1 January 2019, a new defined contribution plan was introduced to replace the one introduced in 2014. All employees were again given the one-time option of switching from the defined benefit plan to the new defined contribution plan.
- From 2021, the expected age of retirement of each employee and the expected wage inflation based on an inflation curve derived from the market value of inflation-linked bonds are taken into account in the calculation of the gross defined benefit obligations.
- Since 1 January 2020, the insurance risks related to death and disability are fully reinsured through an external reinsurance programme.
- As regards the management of the assets, the share of responsible investments came to around 67% at the end of December. The aim is for the KBC Pension Fund investment portfolio to be carbon-neutral by 2050. In 2021 and 2022, the first measurements were carried out to determine the greenhouse gas intensity (Scopes 1 and 2) of listed bonds and shares. The exercise will be repeated annually to allow for a quantitative follow-up of the target.
- As part of the sale transaction in Ireland, the outstanding defined benefit plans were transferred from Ireland to KBC Bank Belgium. Net assets under this plan amounted to 24 million euros at year-end 2022.
- As a result of the sharp increase in interest rates, the accrued benefits often exceed the current value of the liability of the guaranteed minimum under the defined contribution plan, and therefore sensitivity to interest rate changes is limited.
- A new discount curve, supplied by an approved external supplier, was used for a model adjustment at the end of the year. If the same method had been used to determine the curve at the start of the year, the pension plan liability would have been around 50 million euros lower.
- There are no significant defined benefit plans in the group's other core countries.

Additional information on retirement benefit obligations (in millions of EUR)	**2022**	**2021**	**2020**	**2019**	**2018**
Changes in main headings in the main table					
Defined benefit obligations	1 848	2 413	2 452	2 319	2 152
Fair value of plan assets	1 879	2 233	1 965	1 947	1 670
Unfunded accrued/prepaid pension cost	19	- 217	- 486	- 408	- 462
Impact of changes in the assumptions used in the actuarial calculation of plan assets and retirement benefit obligations					
Impact on plan assets	0	0	0	0	0
Impact on retirement benefit obligations*	- 586	- 25	182	182	- 29

* Arising from defined benefit plans. A plus sign signifies an increase in the obligation (in absolute value), a minus sign a decrease in the obligation (in absolute value).

Additional information on retirement benefit obligations:
DEFINED BENEFIT PLANS

	KBC pension fund
Composition (31-12-2022)	
Equity instruments	37%
Bonds	46%
Real estate	14%
Cash	3%
of which illiquid assets	*18%*
Composition (31-12-2021)	
Equity instruments	38%
Bonds	47%
Real estate	13%
Cash	2%
of which illiquid assets	*11%*
Contributions expected in 2023 (in millions of EUR)	36
Regulatory framework	Pension plans are registered in collective labour agreements and incorporated into a set of regulations. Annual reporting of funding levels to supervisory authorities (FSMA/NBB). Any underfunding must be reported immediately to the supervisory authorities.
Risks for KBC	Investment risk and inflation risk.
ALM policy	The hedging portfolio hedges against interest rate risk and inflation risk using interest rate swaps. The return portfolio aims to generate an extra return.
Plan amendments	A new version of the employer-funded DC plan was introduced on 1 January 2019. All employees affiliated in the DB plan had a one-off opportunity to switch to the DC plan for future contributions.
Curtailments and settlements	Not applicable.
Discounting method	Based on quotes for various time buckets of AA-rated corporate bonds. The resulting yield curve is converted into a zero coupon curve.
Key actuarial assumptions	
Average discount rate	3.98%
Expected rate of salary increase	3.22%
Expected inflation rate	2.89%
Expected rate of increase in pensions	-
Weighted average duration of the obligations	10 years
Impact of changes in the assumptions used in the actuarial calculation of the retirement benefit obligations Increase in the retirement benefit obligations on 31-12-2022 consequent on:	
a decrease of 1% in the discount rate	11.73%
an increase of 1% in the expected inflation rate	9.22%
an increase that is 1% higher than the expected real increase in salary	12.21%
an increase of one year in life expectancy	-
The impact of the following assumptions has not been calculated:	Decreasing mortality rates: pension benefits are paid out in capital, so longevity risk is immaterial. Staff turnover rates: the sensitivity of the changes due to staff turnover is limited.

Contributions expected in 2023 (in millions of EUR)	24
Regulatory framework	Pursuant to the Belgian Supplementary Pensions Act, the employer must guarantee a minimum return of 1.75% on employee and employer contributions.
Risks for KBC	Investment risk.
Valuation	Retirement benefit obligations are measured on the basis of the accrued benefits on the reporting date, making a projection of these benefits (at the rate of interest guaranteed by law) until the expected age of retirement, and discounting the resulting benefits. KBC has two types of defined contribution plan: one that is financed through employee contributions and one through employer contributions. The valuation of retirement benefit obligations for the employer-funded defined contribution plan takes account of future contributions. However, it is not taken into account for the valuation of the employee-funded defined contribution plan, because the employer's obligation for that plan only relates to the minimum guaranteed interest rate.
Discounting method	Based on quotes for various time buckets of AA-rated corporate bonds. The resulting yield curve is converted into a zero coupon curve.
Key actuarial assumptions	
Average discount rate	4.13%
Weighted average duration of the obligations	17 years
Impact of changes in the assumptions used in the actuarial calculation of the retirement benefit obligations Increase in the retirement benefit obligations on 31-12-2022 consequent on:	
a decrease of 1% in the discount rate	1.00%

Note 5.10: Parent shareholders' equity and additional tier-1 instruments

Quantities	31-12-2022	31-12-2021
Ordinary shares	**995 371 469**	**995 371 469**
of which ordinary shares that entitle the holder to a dividend payment	*995 371 469*	*995 371 469*
of which treasury shares	*0*	*0*
Additional information		
Par value per share (in EUR)	9.78	9.78
Number of shares issued but not fully paid up	0	0

- Ordinary shares: ordinary shares of no nominal value. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued.
- On 31 December 2022, 995 371 469 ordinary shares were in circulation, all of which belonged to KBC Group NV.
- Additional tier-1 (AT1) instruments (these securities are classified as equity instruments under IAS 32 and the coupon is treated as a dividend):
  - In April 2018, KBC Group issued 1 billion euros in AT1 securities and underwrote an AT1 security for the same amount at KBC Bank (a perpetual AT1 instrument with a seven year first-call date and a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 4.45% per annum, which is payable every six months).
  - In February 2019, KBC Group issued 500 million euros in AT1 securities and underwrote an AT1 security for the same amount at KBC Bank (a perpetual AT1 instrument with a five year first-call date and a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 4.95% per annum, which is payable every six months).

Note 5.11: ‘Non-current assets held for sale and disposal groups’ and ‘Liabilities associated with disposal groups’ (IFRS 5)

KBC Bank Ireland (in millions of EUR)	31-12-2022	31-12-2021
ASSETS		
Loans and advances to customers (excl. reverse repos)	8 049	9 998
Consumer credit	18	32
Mortgage loans	7 938	9 871
Term loans	84	83
Current account advances	10	12
LIABILITIES		
Deposits from customers and debt securities (excl. repos)	1 929	3 999
Demand deposits	303	481
Time deposits	494	949
Savings accounts	1 132	2 569
Deposits from credit institutions and investment firms (excl. repos)	91	263
of which repayable on demand	35	257

- At the end of August 2021, KBC Bank Ireland reached agreement on the disposal of a non-performing mortgage loan portfolio in a transaction financed by funds managed by CarVal Investors. The deal was finalised in early February 2022, which means that the relevant assets and liabilities are not included in the figures for year-end 2022 in the table.
- In October 2021, KBC Bank Ireland also confirmed that it had 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 (see Note 6.6 for more details). Since we consider all the requirements under IFRS 5 to have been met, these sales resulted in a shift to the ‘Non-current assets held for sale and disposal groups’ and ‘Liabilities associated with disposal groups’ items
- Maximum credit exposure: the maximum credit risk associated with ‘Non-current assets held for sale and disposal groups’ amounted to 8.0 billion euros, of which 7.9 billion euros in collateral and other credit enhancements received (10.0 billion euros and 9.8 billion euros, respectively, at year-end 2021).

6.0 Other notes

Note 6.1: Off-balance-sheet commitments and financial guarantees given and received

(in millions of EUR)			31-12-2022			31-12-2021
	Nominal amount	Provision	Net exposure	Nominal amount	Provision	Net exposure
Undrawn portion of credit lines granted						
Stage 1	39 158	17	39 141	38 447	17	38 430
Stage 2	8 077	26	8 051	4 770	16	4 754
Stage 3 – non-performing	51	13	38	42	4	38
Total	47 286	56	47 230	43 258	37	43 221
of which irrevocable credit lines	*26 618*	*27*	*26 591*	*25 809*	*14*	*25 795*
Financial guarantees given						
Stage 1	7 602	2	7 600	8 678	2	8 676
Stage 2	3 139	8	3 131	1 678	5	1 673
Stage 3 – non-performing	119	44	76	153	86	67
Total	10 861	54	10 807	10 510	93	10 417
Other commitments given						
Total	1 284	4	1 280	675	1	674
Total						
Off-balance-sheet commitments and financial guarantees	59 432	114	59 318	54 443	130	54 312

- Fair value of financial guarantees: based on the available market value.
- The carrying value of financial assets pledged by KBC as collateral came to 59 062 million euros for liabilities and 5 291 million euros for contingent liabilities (66 057 million euros and 3 961 million euros, respectively, in 2021). At year-end 2022, some 16.6 billion euros' worth of residential mortgage loans and cash collections were entered in the cover asset register for the special estate of the covered bond programme (16.6 billion euros at year-end 2021).
- There is an obligation to return collateral received (which may be sold or repledged in the absence of default by the owner; see table) in its original form, or possibly in cash. Collateral can be called in if loans are terminated for various reasons such as default or bankruptcy. In the event of bankruptcy, the collateral will be sold by the receiver. In other cases, the bank will organise the foreclosure itself or take possession of the collateral. Collateral received that relates to OTC derivatives is primarily cash, which is recognised by KBC on the balance sheet (and is not included in the table). More details are provided in Note 4.3.
- Collateral acquired through foreclosure came to 4 million euros in 2022 (4 million euros in 2021).

Collateral received (which may be sold or repledged in the absence of default by the owner) (in millions of EUR)	Fair value of collateral received		Fair value of collateral sold or repledged	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Financial assets	30 852	40 251	7 792	11 862
Equity instruments	16	11	2	1
Debt securities	30 601	40 021	7 790	11 860
Loans and advances	234	219	0	0
Cash	0	0	0	0
Other	0	0	0	0

Note 6.2: Leasing

(in millions of EUR)	31-12-2022	31-12-2021
Finance lease receivables		
Gross investment in finance leases, receivable	6 836	6 155
At not more than one year	1 378	1 504
At more than one but not more than five years	4 069	3 421
At more than five years	1 389	1 230
Unearned future finance income on finance leases	468	340
Net investment in finance leases	6 368	5 815
At not more than one year	1 226	1 427
At more than one but not more than five years	3 842	3 239
At more than five years	1 300	1 149
of which unguaranteed residual values accruing to the benefit of the lessor	*36*	*34*
Accumulated impairment for uncollectable lease payments receivable	35	47
Operating lease receivables		
Future aggregate minimum rentals receivable under non-cancellable operating leases	517	499

- KBC acts only to a limited extent as a lessee in operational and financial leasing.
- Finance leases: KBC offers finance lease products ranging from equipment and vehicle leasing to real estate leasing. In Belgium, finance leases are typically sold through KBC group's branch network, and that channel is becoming increasingly important in Central Europe, too.
- Operating leases: involve primarily full service car leases, which are sold through the KBC Bank and CBC Banque branch network and through an internal sales team. Full service car leasing activities are being further developed in Central Europe, too. The increased importance of leasing hybrid and all-electric vehicles supports the transition to green mobility, and the segment of (electric) company bicycles also continued to grow.
- We report on estimated greenhouse gas emissions associated with lending, leasing and other activities and, in that context, have defined objectives for reducing the greenhouse gas intensity of our financial and operational car leasing. See 'Focus on climate' in the 'Report of the Board of Directors' section for a more detailed explanation. More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

Note 6.3: Related-party transactions

Transactions with related parties, excluding key management (in millions of EUR)	2022 Parent entities with joint control	2022 Subsidiaries and other entities of group	2022 Associated companies	2022 Joint ventures	2022 Other	2022 Total	2021 Parent entities with joint control	2021 Subsidiaries and other entities of group	2021 Associated companies	2021 Joint ventures	2021 Other	2021 Total
Assets	2	762	18	33	0	814	0	471	17	39	128	656
Loans and advances	2	635	0	0	0	637	0	353	0	0	100	453
Equity instruments (including investments in associated companies and joint ventures)	0	65	18	33	0	116	0	56	17	39	0	112
Other	0	61	0	0	0	61	0	62	0	0	28	91
Liabilities	15 068	883	74	0	593	16 618	12 194	1 033	89	0	838	14 155
Deposits	503	759	10	0	590	1 862	238	948	20	0	831	2 037
Other financial liabilities	14 518	0	0	0	0	14 518	11 907	0	0	0	0	11 907
Other	47	124	63	0	3	237	50	85	69	0	8	212
Income statement	- 997	- 44	- 2	0	- 4	- 1 047	- 818	- 35	- 4	0	- 4	- 862
Net interest income	- 134	- 109	1	0	0	- 243	- 76	- 101	- 1	0	0	- 178
Interest income	3	0	2	0	0	5	8	1	0	0	0	9
Interest expense	- 137	- 110	- 1	0	0	- 248	- 84	- 102	- 1	0	0	- 187
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	0	0	0	0	0
Technical insurance charges (before reinsurance)	0	0	0	0	0	0	0	0	0	0	0	0
Dividend income	0	0	1	0	0	1	0	0	0	0	0	1
Net fee and commission income	0	72	0	0	2	74	0	66	- 1	0	2	67
Fee and commission income	0	184	0	0	2	186	0	181	0	0	2	183
Fee and commission expense	0	- 112	0	0	0	- 112	0	- 115	- 1	0	0	- 116
Net other income	0	- 30	- 1	0	0	- 31	0	- 27	- 1	0	0	- 29
General administrative expenses	- 863	23	- 2	0	- 7	- 849	- 742	28	- 2	0	- 6	- 723
Undrawn portion of loan commitments, financial guarantees and other commitments												
Given by the group	0	3 438	0	0	50	3 488	0	3 611	0	0	74	3 685
Received by the group	0	0	0	0	0	0	0	0	0	0	0	0

Transactions with key management (members of the Board of Directors and Executive Committee) (in millions of EUR)*	2022	2021
Total*	1	1
Breakdown by type of remuneration		
Short-term employee benefits	1	1
Post-employment benefits	0	0
Defined benefit plans	0	0
Defined contribution plans	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payments	0	0
Stock options (units)		
At the beginning of the period	0	0
Granted	0	0
Exercised	0	0
Composition-related changes	0	0
At the end of the period	0	0
Advances and loans granted to key management and partners	1	1

* Remuneration to key management or partners of the consolidating company on the basis of their activity in that company, its subsidiaries and associated companies, including the amount of retirement pensions granted to former key management staff on that basis.

- The ‘Subsidiaries and KBC group entities’ heading in the first table includes transactions with unconsolidated subsidiaries (transactions with consolidated subsidiaries have already been eliminated from the consolidated financial statements) and transactions with other KBC group entities (primarily KBC Insurance).
- The ‘Other’ heading in the first table includes KBC Ancora, Cera and MRBB.
- All related-party transactions occur at arm’s length.
- Key management comprises the members of the Board of Directors and Executive Committee of KBC Bank NV. More detailed information on remuneration paid to key management staff is provided in the ‘Corporate governance statement’ section.
- There were no significant impairment charges vis-à-vis related parties.

Note 6.4: Statutory auditor’s remuneration

Statutory auditor's remuneration (PwC, in EUR)	2022	2021
KBC Bank NV and its subsidiaries		
Standard audit services	5 981 378	5 998 302
Other services	499 142	640 162
Other certifications	496 917	555 457
Tax advice	0	0
Other non-audit assignments	2 225	84 705
KBC Bank NV		
Standard audit services	2 080 214	2 109 052
Other services	118 235	78 088

Note 6.5: Subsidiaries, joint ventures and associated companies

KBC Bank: main companies included in the scope of consolidation at year-end 2022

Company	Registered office	Company number	Share of capital held at group level (in %)	Business Unit1	Activity
KBC Bank NV	Brussels – BE	0462.920.226	100.00	BEL/GRP	credit institution
KBC Bank Bulgaria EAD (formerly Raiffeisenbank Bulgaria)[2]	Sofia – BG	--	100.00	IMA	credit institution
CBC BANQUE SA	Namur – BE	0403.211.380	100.00	BEL	credit institution
Československá Obchodná Banka a.s.	Bratislava – SK	--	100.00	IMA	credit institution
Československá Obchodní Banka a.s.	Prague – CZ	--	100.00	CZR	credit institution
KBC Asset Management NV	Brussels – BE	0469.444.267	100.00	BEL	asset management
KBC Autolease NV	Leuven – BE	0422.562.385	100.00	BEL	leasing
KBC Bank Ireland Plc[2]	Dublin – IE	--	100.00	GRP	credit institution
KBC Commercial Finance NV	Brussels – BE	0403.278.488	100.00	BEL	factoring
KBC IFIMA SA	Luxembourg – LU	--	100.00	GRP	Finance
KBC Securities NV	Brussels – BE	0437.060.521	100.00	BEL	stockbroker
K&H Bank Zrt.	Budapest – HU	--	100.00	IMA	credit institution
Loan Invest NV	Brussels – BE	0889.054.884	100.00	BEL	securitisation
United Bulgarian Bank AD	Sofia – BG	--	99.91	IMA	credit institution

[1] BE = Belgium Business Unit, CZ = Czech Republic Business Unit, IM = International Markets Business Unit, GC = Group Centre.
[2] See Note 6.6.

- The main group companies are shown in the table. A complete list of group companies (included in or excluded from the scope of consolidation) is provided at www.kbc.com > About us > Our structure.
- Companies eligible for consolidation are effectively included in the consolidated accounts if two of the following criteria are met: (i) the group's share in equity exceeds 2.5 million euros (ii) the group's share in the results exceeds 1 million euros (iii) the balance sheet total exceeds 100 million euros. The combined balance sheet total of the companies excluded from consolidation may not amount to more than 1% of the consolidated balance sheet total.
- All (material) entities (including structured entities (SPVs)) over which the consolidating entity exercises, directly or indirectly, exclusive control are consolidated according the method of full consolidation. To assess whether or not structured entities have to be consolidated, KBC uses the principles set out in IFRS 10, as well as thresholds for inclusion in consolidation (see previous bullet point).
- Disclosures of interests in other entities (IFRS 12)
  - Significant judgements and assumptions
    - In general, funds managed by KBC are not included in the scope of consolidation, as they do not meet the three criteria of control (power, exposure to a variable return and ability to use such power to affect those returns).
    - Joint entities in which KBC does not hold 50% of the share capital are classified as joint ventures, since KBC Bank has joint control over these entities based on shareholder agreements. Based on the Articles of Association and/or shareholder agreements, voting rights in (and therefore the control of) the joint venture are spread evenly across the different shareholders and decisions may only be taken by unanimity.
  - Interests in subsidiaries
    - For the vast majority of the entities, the voting rights are materially equal to the ownership rights.
    - Pursuant to the joint capital decision, specific pillar-II levels have been set to ensure that certain minimum capital ratios are respected, which impose certain restrictions on the repatriation of capital and distribution of dividends.
    - With regard to Loan Invest NV, KBC is exposed to loan losses on the mortgage portfolio and, therefore, recognises impairment losses on them where necessary.
  - Interests in unconsolidated structured entities
    - KBC Bank NV is arranger and dealer of a number of 40-billion-euro medium term notes programmes issued by 19 unconsolidated structured entities established for that purpose. These entities were established between 2006 and 2016 under the Irish Companies Act 2014 as an Irish public limited company or an Irish private limited company. Their primary business is to raise money by issuing notes in order to buy financial assets (such as securities, bonds and deposits) and to enter into related derivative and other contracts (such as equity-based swaps, interest-based swaps, total return swaps, repo transactions, etc.). They provide investment opportunities for clients by providing economies of scale, a diversification of credit risk and a high level of granularity. Each structured entity has a prospectus that was approved by the Central Bank of Ireland (available at www.kbc.be/prospectus/spv). However, the structured entities are not consolidated because they fail to meet the three criteria for consolidation (power, exposure to a variable return and ability to use such power to affect those returns). At year-end 2022, the assets under management at these entities amounted to 5.2 billion euros.
    - Sponsored unconsolidated structured entities are defined as structured entities where KBC Bank or one of its subsidiaries acts as arranger of the issuance programme, but where the decision-making power of the entities does not reside with KBC Bank or one of its subsidiaries. As a result, these entities are not consolidated.

- At year-end 2022, KBC Bank had received income from unconsolidated structured entities in the form of management fees (17 million euros) and accounting fees (1 million euros).
- Any potential decrease in the value of the notes is passed on to the end-client, which means it will have no impact on KBC.

* At year-end 2022, no group companies were active in the extractive industry. As a result, no consolidated report on payments to governments has been prepared (see Art.3:8 § 1 of the Companies and Associations Code).

Note 6.6: Main changes in the scope of consolidation

- 2022: Acquisition of Bulgarian activities from Raiffeisen Bank International (KBC Bank Bulgaria)
  - In July 2022, we finalised the agreement with Raiffeisen Bank International on the acquisition of 100% of the shares in Raiffeisenbank (Bulgaria) EAD for a total consideration of 1 009 million euros in cash (the deal did not contain any contingent consideration arrangements). The transaction also includes the subsidiaries Raiffeisen Leasing Bulgaria, Raiffeisen Asset Management (Bulgaria), Raiffeisen Insurance Broker and Raiffeisen Service. Raiffeisenbank (Bulgaria) EAD was renamed KBC Bank Bulgaria EAD, and the subsidiaries were also renamed. The bank had a market share in Bulgaria of an estimated 8% in terms of assets, a network of 122 bank branches, roughly 2 500 employees and 600 000 clients.
  - The transaction had not yet been finalised at year-end 2021 and was therefore not included in the consolidated balance sheet figures of year-end 2021, but it was included in the figures of year-end 2022. The results of KBC Bank Bulgaria have been fully consolidated in the income statement since the third quarter of 2022. The impact in the second half of 2022 amounted to: +108 million euros in total income (mainly 70 million euros in net interest income and 36 million euros in net commission income), -51 million euros in operating expenses, -5 million euros in impairment and +47 million euros in result after tax. More information on the impact of the consolidation of KBC Bank Bulgaria on the financial assets and liabilities can be found in Note 4.1.
  - KBC recognised goodwill of 433 million euros in its consolidated financial statements, taking into account limited fair value adjustments. This is accounted for by the quality of the acquired entity, which is expressed in the qualitative loan portfolio and profitability (based on the results achieved in previous years and the business plan for the years ahead). It allows KBC to expand its client base and benefit from economies of scale (through considerable cost synergies for the office network and head office in Bulgaria and through revenue synergies, including from higher sales of DZI insurance products) and greater visibility as a result. The acquisition offers KBC the opportunity to earmark its surplus capital for a value-increasing transaction in a market that the group is highly familiar with. 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). This means that the amount of goodwill is temporary and subject to change, although 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 an impact of -0.9 percentage points on KBC Group’s common equity ratio in the third quarter of 2022.
  - KBC Bank Bulgaria will legally merge with United Bulgarian Bank (UBB) in 2023.
  - The table below shows the fair value of the main assets and liabilities involved in the acquisition of Raiffeisenbank Bulgaria.

Impact of the most important acquisitions and disposals (in millions of EUR)	2022: Raiffeisenbank Bulgaria (KBC Bank Bulgaria)
Percentage of shares bought or sold in the relevant year	purchase 100.00%
Percentage of shares after deal	100.00%
For business unit	International Markets
Deal date (month and year)	June 2022
Results of the relevant company/business recognised in the group result as from:	June 2022
Purchase price or sale price*	1 009
Cashflow for acquiring or selling companies less cash and cash equivalents acquired or sold	-42
Amounts recognised for the purchased assets and liabilities (fair value)	
Situation on:	7 July 2022
Cash and cash balances with central banks	1 053
Financial assets	4 686
Amortised cost	*4 521*
Fair value through OCI	*132*
Fair value through profit or loss	30
Hedging derivatives	*4*
Tax assets	2
Investments in associated companies and joint ventures	*2*
Property and equipment	*35*
Goodwill and other intangible assets	*15*
Other assets	*20*
Cash and cash equivalents (included in the above assets)	*1 053*
Financial liabilities	5 150
Held for trading	*19*
Amortised cost	*5 130*
Hedging derivatives	*0*
Technical provisions, before reinsurance	0
Provisions for risks and charges	9
Other liabilities	21
Cash and cash equivalents (included in the above liabilities)	*28*

- Sale of activities in Ireland (not yet fully finalised at year-end 2022)
  - At the end of August, KBC Bank Ireland reached agreement on the disposal of a non-performing mortgage loan portfolio of roughly 1.1 billion euros in a transaction financed by funds managed by CarVal Investors. The deal was finalised in early February 2022. The loans will be managed by Pepper Finance Corporation (Ireland) DAC as the legal title holder of the loans. Pepper is supervised by the Central Bank of Ireland.
  - The transaction had an impact on the income statement of -120 million euros in 2021 and +3 million euros in 2022 (see the detailed table below). The transaction created marginal capital growth with an impact on the common equity ratio of approximately 2 basis points and a decline in risk-weighted assets of 0.8 billion euros in 2021. The finalisation of the deal resulted in a decrease in the ‘Non-current assets held for sale and disposal groups’ balance sheet item of 0.6 billion euros in 2022.
  - In October 2021, KBC Bank Ireland also confirmed that it had 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 The latter will also acquire a small non-performing mortgage loan (and credit card balances) portfolio. The Irish Competition and Consumer Protection Commission (CCPC) approved the transaction in May 2022, and the Irish Minister for Finance gave his approval in early December 2022. The transaction was finalised on 3 February 2023. The acquisition, initially totalling approximately 6.4 billion euros, includes approximately 7.6 billion euros in performing mortgage loans, approximately 0.1 billion euros in mainly performing commercial and consumer loans, approximately 0.2 billion euros in non-performing mortgage loans and approximately 1.8 billion euros in deposits.
  - The transaction had an impact on the income statement of -241 million euros in 2021 and -35 million euros in 2022 (see the detailed table below). In the first quarter of 2023, the transaction will have a positive impact of around 0.4 billion euros. Once finalised, the transaction also positively impacted the common equity ratio by approximately 0.9 percentage points (partly due to a reduction in risk-weighted assets).
  - In 2022, Ireland was transferred from the International Markets Business Unit to the Group Centre (without retroactive restatement).

Impact of the transactions relating to Ireland on financial year 2021 and 2022: one-off items* (in millions of EUR)	**Sale transaction for non-performing loans**	**Sale transaction for remaining loans and deposits and scheduled settlement**	**Total**
2022			
Total income	6	1	6
Operating expenses	0	-32	-33
Impairment	-2	-38	-41
*on financial assets at amortised cost and at fair value through OCI**	-2	-15	-17
other	0	-24	-24
Income tax expense	0	36	36
RESULT AFTER TAX	3	-35	-31
2021			
Total income	0	-3	-3
Operating expenses	-7	-91	-97
Impairment	-129	-81	-210
*on financial assets at amortised cost and at fair value through OCI**	*-129*	*-49*	*-178*
other	*0*	*-32*	*-32*
Income tax expense	16	-67	-51
RESULT AFTER TAX	-120	-241	-361

* The impairment is caused by a comparison between the sale price of the impaired loans and the net carrying value of the underlying loans.

Note 6.7: Risk management and capital adequacy

Capital management is a key management process relating to all decisions on the level and composition of our capital, both for banking and insurance. It covers all instruments that are positioned to absorb losses in going concern and/or gone concern situations. Capital management aims to achieve the best possible balance between regulatory requirements, investor expectations, rating agencies' views and management ambitions. Ultimate accountability for capital management lies with the Board of Directors.

Capital management entails a broad scope of activities covering strategic topics (such as defining policies, targets, etc.), frameworks and models (e.g., for regulatory capital, internal capital, cost of equity, measuring performance, etc.), planning and allocation (e.g., allocating capital to business, planning capital instrument issuances, forecasting capital ratios, etc.), implementation (e.g., dividends, capital transactions) and monitoring (including current solvency positions at various levels, compliance with group policies and regulatory requirements).

ICAAP (Internal Capital Adequacy Assessment Process) consists of numerous business and risk processes that together contribute to the aim of being adequately capitalised at all times in view of our risk profile and the quality of our risk management and control environment.

We report the solvency of the bank based on IFRS data and according to the rules imposed by the regulator.

This implies that we calculate our solvency ratios based on CRR/CRD IV. KBC began applying the transitional provisions for IFRS 9 on 30 June 2020. KBC Bank is subject to minimum solvency ratios. The main measure is the transitional common equity ratio, with the minimum regulatory requirement being 10.92%. This includes the pillar 1 minimum requirement (4.5%), the pillar 2 requirement (1.75% set by the ECB following its supervisory review and evaluation process) and the buffer requirements (4.67% set by the local competent authorities in KBC's core markets). At year-end 2022, the transitional common equity ratio was 14.2%.

(in millions of EUR)	KBC Bank (consolidated) CRR/CRD	
	31-12-2022	31-12-2021
	Transitional	Transitional
Total regulatory capital, after profit appropriation	17 516	17 964
Tier-1 capital	15 749	16 210
Common equity	14 249	14 710
Parent shareholders' equity	15 618	14 912
Solvency adjustments	-1 370	- 202
Additional going concern capital[1]	1 500	1 500
Tier-2 capital[2]	1 768	1 754
Total weighted risk volume[3]	100 285	94 836
Common equity ratio	14.2%	15.5%

[1] Contains perpetual subordinated loans with a fully discretionary and non-cumulative interest payment.The securities also include a loss-absorption mechanism, more specifically a temporary write-down if the CET1 ratio falls below 5,125%. See also note 5.10.
[2] Contains subordinated loans with a fixed maturity date of which the principal amount and interest payment in the going concern cannot be canceled.
[3] It is not the responsibility of the statutory auditor to ensure that the RWA internal models meet the approval criteria as laid down in the regulatory standards.

- More detailed information is provided in the 'How do we manage our capital?' section of this report and in KBC's Risk Report.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). The information required in relation to risks (in accordance with IFRS 4 and IFRS 7) is provided in those parts of the 'How do we manage our risks?' section which have been audited by the statutory auditor and which constitute part of the financial statements.

Note 6.8: Post-balance-sheet events

- Significant non-adjusting events between balance sheet date and the date on which the financial statements were approved for publication by the Board of Directors (16 March 2023):
  - 03 February 2023: completion of the sale of the Irish portfolios to Bank of Ireland Group. see Note 6.6 for more information.
- Significant events between balance sheet date and the date on which the financial statements were approved for publication by the Board of Directors (16 March 2023):
  - see Note 3.6.

Note 6.9: General information on the company

Name:	KBC Bank NV.
Incorporated:	17 March 1998.
Country of incorporation:	Belgium.
Registered office:	Havenlaan 2, 1080 Brussels, Belgium.
VAT:	BE 0462.920.226.
RLP:	Brussels.
Website:	https://www.kbc.com

E-mail address reserved for shareholders and bondholders:

IR4U@kbc.be

Legal form:	*naamloze vennootschap* (company with limited liability) under Belgian law; organisation of public interest; the company is a credit institution that is subject to the prudential supervision of the National Bank of Belgium and the European Central Bank.
Life:	undefined.
Object:	In Belgium or abroad, for its own account or for account of third parties, the company has as object the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue (Article 2 of the Articles of Association).

Documents open to public inspection:

The Articles of Association of the company are open to public inspection at the Registry of the Dutch-speaking division of the Brussels Business Court and are published on www.kbc.com. The financial statements and annual report are filed with the National Bank of Belgium and are available at www.kbc.com. The annual report can also be obtained from the company's registered office and will be sent to those requesting it. Extracts of minutes concerning decisions on the appointment, resignation and the termination of the offices of members of the Executive Committee and the Board of Directors are published in the appendices to the Belgian Official Gazette. Financial reports about the company are published on www.kbc.com.

General Meeting of Shareholders:

A General Meeting is held every year at the company's registered office or at any other place indicated in the convening notice, at 11 a.m. on the Wednesday immediately prior to the last Thursday of April, or, if this day is a statutory public holiday or bank holiday, at 11 a.m. on the business day immediately before it. Each share gives entitlement to one vote.

For information on the general meeting of shareholders and the right of shareholders to take part in such meetings, see Article 21 et seq. of the Articles of Association, which are available at www.kbc.com.

Statutory auditor's report

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF KBC BANK NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of KBC Bank NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 27 April 2022, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the Group's consolidated accounts for seven consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 322.088 million and a profit for the year (attributable to equity holders of the parent) of EUR 2.197 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
Maatschappelijke zetel/Siège social: Culliganlaan 5, B-1831 Diegem
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BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCCBEBB

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Estimation uncertainty with respect to impairment allowances for loans and advances

Description of the Key Audit Matter

The appropriateness of impairment allowances for loans and advances measured at amortised cost requires significant management judgement. Measuring impairment allowances for loans and advances measured at amortised cost under IFRS 9 requires an assessment of 12-month or lifetime expected credit losses and the assessment of significant increases in credit risk or whether loans and advances measured at amortised cost have defaulted.

The geopolitical and emerging risks that have arisen in the course of 2022 limit the ability of the expected credit models to adequately reflect all the consequences of the resulting economic conditions, requiring the recognition of post-model adjustments in addition to the expected credit loss provisions produced by the models.

Information regarding impairment allowances for loans and advances measured at amortised cost is included in Note 4.2 to the 31 December 2022 consolidated accounts, in application of the policies as described in Note 1.2 “Summary of significant accounting policies”. Information concerning the impact of the geopolitical and emerging risks is included in Note 1.4 to the consolidated accounts.

At year-end 31 December 2022, the carrying value before impairment of loans and advances measured at amortised cost amounts to EUR 203.123 million, the total corresponding impairment at that date amounts to EUR 2.619 million.

The assessment of significant increases in credit risk, the assessment of whether loans and advances at amortised cost are in default and the measurement of 12-month or lifetime expected credit losses are part of the estimation process of the Group and are, amongst others, based on macroeconomic scenarios, credit risk models, triggers indicating a significant increase in credit risk and default triggers, the financial condition of the counterparty and the expected future cash flows or the value of collateral.

The determination of post-model adjustments recognised in addition to the expected credit loss provisions produced by the models encompasses expert inputs to identify vulnerable clients.

The use of different modelling techniques, scenarios and assumptions, including in the determination of the post-model adjustments, could lead to different estimates of impairment allowances on loans and advances measured at amortised cost. As the loans and advances measured at amortised cost represent the majority of the Group’s balance sheet and given the related estimation uncertainty on impairment allowances we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

Our audit procedures comprised an assessment of the overall governance of the credit and impairment process of the Group, including the 12-month and lifetime expected loss modelling processes and the geopolitical and emerging risks post-model adjustment approach. We have assessed and tested the design and operating effectiveness of the controls within the loan origination process, risk management process and the estimation process for determining impairment allowances. For loan impairment allowances determined on an individual basis, we have performed, for a sample of corporate and SME credit files, a detailed review; we challenged the default triggers and the quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default.

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For the 12-month and lifetime expected credit loss impairment allowances, we challenged the adequacy of significant increase in credit risk triggers and the macroeconomic scenarios and, together with our experts, we tested the underlying models including the Group's model approval and independent validation process.

We also assessed the completeness of the identification of vulnerable clients by management in the determination of the post-model adjustments and tested the mathematical accuracy of the calculations to determine these adjustments and assessed their reasonability.

Finally, we assessed the completeness and accuracy of the disclosures, including the disclosures concerning the geopolitical and emerging risks post-model adjustments and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

In our view, the impairments estimated by management, including the geopolitical and emerging risks post-model adjustments, are within a reasonable range of outcomes in view of the overall loans and advances and the related uncertainties as disclosed in the consolidated accounts.

<u>Portfolio fair value hedge of interest rate risk on core deposits</u>

Description of the Key Audit Matter

KBC Bank accounts for a Portfolio Fair Value Hedge of interest rate risk on core deposits as allowed under IAS 39 as adopted by the European Union. As a result of the steep increase in reference interest rates in some of the countries the Group is active in, the resulting single line item that reflects the cumulative change in fair value of the core deposits in scope of this hedge strategy due to changes in interest rates has increased significantly and amounts to a debit on the liabilities of EUR 1.432 million per 31 December 2022 (as disclosed in Note 4.8.2 to the consolidated accounts), in application of the policies as described in Note 1.2 "Summary of significant accounting policies". The increased magnitude of this single line item resulted in an increased focus area for the Group to monitor whether the requirements, in particular adequate prospective and retrospective hedge effectiveness testing; to pursue applying hedge accounting in these strategies continued to be met.

How our Audit addressed the Key Audit Matter

We obtained an understanding of the internal control framework related to hedge accounting and have tested the key internal controls related to hedge accounting documentation, (de-)designation of hedging instruments, prospective- and retrospective hedge effectiveness testing. We assessed the appropriateness of the hedge accounting- and hedge effectiveness methodology related to the Portfolio Fair Value Hedge of interest rate risk on core deposits. This includes the assessment of data inputs and key assumptions as critical factors used in the hedge accounting process, based on data provided by the Group, our experience and market practice.

Based on our procedures we found that the use of the related hedge accounting methodology was adequately documented and that the hedge effectiveness tests were adequately carried out.

Finally, we assessed the completeness and accuracy of the disclosures relating to the Portfolio Fair Value Hedge of interest rate risk on core deposits to assess compliance with disclosure requirements included in the International Financial Reporting Standards as adopted by the European Union.

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Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts and to report on these matters.

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Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing the company annual accounts, is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Regarding non-financial information, as mentioned in the directors' report, the information is provided at the level of the highest Belgian consolidating entity, KBC Group NV, in the directors' report on the consolidated accounts.

Statements related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the consolidated accounts.

Other statement

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Diegem, 31 March 2023

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave
Accredited auditor

Jeroen Bockaert
Accredited auditor

Company annual accounts

10				9	EUR
NAT.	Date Filed	N°	P.	E.	D.

C-inst 1

ANNUAL ACCOUNTS

NAME: KBC BANK

Legal Form: NV
Address: Havenlaan N°.: 2 Box:
Postal Code: 1080 Municipality: BRUSSELS
Country: België
Register of Legal Persons (RLP) - Chamber of Commerce: Brussels
Internet address*: http://www.kbc.be

Company 0462.920.226

Date 29/10/2020 of the deposition of the partnership deed OR of the most recent document mentioning the date of publication of the partnership deed and the act changing the articles of association.

ANNUAL ACCOUNT in thousands EURO
approved by the General Meeting of 26/04/2023

concerning the financial year covering the period from 01/01/2022 till 31/12/2022

Previous period from 01/01/2021 till 31/12/2021
The amounts of the previous financial year are / ~~are not~~ ** identical to those which have been previously published.

COMPLETE LIST WITH name, first name, profession, residence-address (address, number, postal code, municipality) and position with the enterprise, OF DIRECTORS, MANAGERS and AUDITORS

	Period on	End of current term of office
CHAIRMAN OF THE EXECUTIVE COMMITTEE		
Mr. Johan THIJS, Havenlaan 2, 1080 Brussel	entire year	2025
CHAIRMAN OF THE BOARD OF DIRECTORS:		
Mr. Koenraad DEBACKERE, A. Stesselstraat 8, 3012 Leuven	entire year	2024

Members: see next page

Enclosed to these annual accounts:
- the report of the statutory auditor
- the annual report of the Board of Directors to the ordinary General Meeting of shareholders

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Total number of pages deposited:
Number of the pages of the standard form not deposited for not being of service: -

Signature (name and position)	Signature (name and position)
J. THIJS	K. DEBACKERE
Chairman of the Executive Committee	Chairman of the Board of Directors

* Optional Statement
** Delete where appropriate

LIST OF DIRECTORS, MANAGERS AND AUDITORS (continuation from previous page)

Members:

Dhr. Peter ANDRONOV, Havenlaan 2, 1080 Brussel	entire year	2025
Dhr. Nabil ARISS, Havenlaan 2, 1080 Brussel	entire year	2025
Dhr. Ales BLAZEK, Havenlaan 2, 1080 Brussel	from 05/05/2022	2026
Mevr. Katelijn CALLEWAERT, Havenlaan 2, 1080 Brussel	entire year	2025
Mevr. Sonja DE BECKER, Meerbeekstraat 20, 3071 Erps-Kwerps	entire year	2024
Dhr. Franky DEPICKERE, vice-chairman of the Board of Directors, Havenlaan 2, 1080 Brussel	entire year	2023
Dhr. Koenraad DEBACKERE, chairman of the Board of Directors, A. Stesselstraat 8, 3012 Leuven	entire year	2024
Dhr. John HOLLOWS, Havenlaan 2, 1080 Brussel	untill 27/04/2022	
Dhr. Erik LUTS, Havenlaan 2, 1080 Brussel	entire year	2025
Dhr. Bo MAGNUSSON, Havenlaan 2, 1080 Brussel	entire year	2024
Dhr. David MOUCHERON, Havenlaan 2, 1080 Brussel	entire year	2025
Mevr. Vladimira PAPIRNIK, Havenlaan 2, 1080 Brussel	entire year	2023
Dhr. Luc POPELIER, Havenlaan 2, 1080 Brussel	entire year	2025
Mevr. Alicia REYES REVUELTA, Havenlaan 2, 1080 Brussel	from 27/04/2022	2026
Dhr. Johan THIJS, Havenlaan 2, 1080 Brussel	entire year	2025
Mevr. Christine VAN RIJSSEGHEM, Havenlaan 2, 1080 Brussel	entire year	2026
Dhr. Marc WITTEMANS, Beatrijslaan 91, 3110 Rotselaar	entire year	2026

AUDITOR:
PwC Auditors BV 0429.501.944
Culliganlaan 5, 1831 Diegem, Belgium
Function: Commissioner, Member Number: B00009
Mandate : appointed till 2025

Represented by:
Jeroen Bockaert (membership IBR A02315)
Auditor
Culliganlaan 5, 1831 Diegem, Belgium

Damien Walgrave (membership IBR A02037)
Auditor
Culliganlaan 5, 1831 Diegem, Belgium

DECLARATION ABOUT SUPPLEMENTARY AUDITING OR ADJUSTMENT MISSION

The managing board declares that the assignment neither regarding auditing nor adjusting has been given to a person who was not authorised by law pursuant to art. 34 and 37 of the Law of 22nd April 1999 concerning the auditing and tax professions.

The annual accounts ~~have~~ / have not* been audited or adjusted by an external accountant or auditor who is not a statutory auditor.

If YES, mention here after: name, first names, profession, residence-address of each external accountant or auditor, the number of membership with the professional Institute ad hoc and the nature of this engagement:

A. Bookkeeping of the undertaking**,
B. Preparing the annual accounts**,
C. Auditing the annual accounts and/or
D. Adjusting the annual accounts.

If the assignment mentioned either under A or B is performed by authorised accountants or authorised accountants-tax consultants, information will be given on: name, first names, profession and residence-address of each authorised accountant or accountant-tax consultant, his number of membership with the Professional Institute of Accountants and Tax consultants and the nature of this engagement.

Name, first name, profession, residence-address	Number of membership	Nature of the engagement (A, B, C and/or D)

* Delete where appropriate.

** Optional disclosure.

BALANCE SHEET AFTER APPROPRIATION

ASSETS	Notes	Code	Current period	Previous period
I. Cash in hand, balances with central banks and post office banks		10100	39.234.932	33.225.335
II. Treasury bills eligible for refinancing at central banks		10200	347.579	1.146.516
III. Loans and advances to credit institutions	6.1	10300	20.710.905	16.561.708
A. Repayable on demand		10310	395.542	411.510
B. Other loans and adv. (with agreed maturity dates)		10320	20.315.363	16.150.199
IV. Loans and advances to customers	6.2	10400	97.684.465	87.213.576
V. Debt securities and other fixed-income securities	6.3	10500	46.419.428	52.001.150
A. Issued by public bodies		10510	22.335.302	23.438.498
B. Issued by other borrowers		10520	24.084.126	28.562.651
VI. Shares and other variable-yield securities	6.4	10600	425.556	432.856
VII. Financial fixed assets	6.5/ 6.6.1	10700	13.847.476	12.948.509
A. Participating interests in affiliated enterprises		10710	11.206.371	9.941.339
B. Participating interests in other enterprises linked by participating interests		10720	82.011	96.317
C. Other shares held as financial fixed assets		10730	18.815	17.724
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests		10740	2.540.279	2.893.128
VIII. Formation expenses and intangible fixed assets	6.7	10800	61.231	54.233
IX. Tangible fixed assets	6.8	10900	1.770.777	1.679.682
X. Own shares		11000	0	0
XI. Other assets	6.9	11100	977.601	952.502
XII. Accrued income	6.10	11200	10.724.770	8.209.021
TOTAL ASSETS		19900	232.204.719	214.425.088

	Notes	Code	Current Period	Previous Period
LIABILITIES				
THIRDPARTY FUNDS		201/208	216.457.209	199.283.731
I. Amounts owed to credit institutions	6.11	20100	34.933.732	39.519.228
A. Repayable on demand		20110	4.602.589	4.236.258
B. Amounts owed as a result of the rediscounting of trade bills		20120	0	0
C. Other debts with agreed maturity dates or periods of notice		20130	30.331.143	35.282.969
II. Amounts owed to customers	6.12	20200	137.519.734	124.540.777
A. Savings deposits		20210	52.075.335	49.079.436
B. Other debts		20220	85.444.399	75.461.340
1. repayable on demand		20221	72.118.787	63.535.542
2. with agreed maturity dates or periods of notice		20222	13.325.612	11.925.798
3. as a result of the rediscounting of trade bills		20223	0	0
III. Debts evidenced by certificates	6.13	20300	12.359.542	12.206.838
A. Debt securities and other fixed-income securities in circulation		20310	3.633.139	6.257.981
B. Other		20320	8.726.403	5.948.857
IV. Other liabilities	6.14	20400	2.415.771	2.577.406
V. Accrued charges and deferred income	6.15	20500	12.975.766	6.672.487
VI. Provisions and deferred taxes		20600	66.019	113.581
A. Provisions for liabilities and charges		20610	66.019	113.581
1. Pensions and similar obligations		20611	14.531	18.950
2. Taxation		20612	0	0
3. Other liabilities and charges	6.16	20613	51.488	94.631
B. Deferred taxes		20620	0	0
VII. Fund for general banking risks		20700	106.693	162.173
VIII. Subordinated liabilities	6.17	20800	16.079.952	13.491.242
OWN FUNDS		209/213	15.747.510	15.141.357
IX. CAPITAL	6.18	20900	9.732.238	9.732.238
A. Subscribed capital		20910	9.732.238	9.732.238
B. Uncalled capital (-)		20920	0	0
X. Share premium account		21000	2.066.339	2.066.339
XI. Revaluation surpluses		21100	0	0
XII. Reserves		21200	851.653	685.563
A. Legal reserve		21210	838.679	672.589
B. Reserves not available for distribution		21220	0	0
1. In respect of own shares held		21221	0	0
2. Other		21222	0	0
C. Untaxed reserves		21230	12.973	12.973
D. Reserves available for distribution		21240	0	0
XIII. Profits (losses (-)) brought forward (+)/(-)		21300	3.097.280	2.657.218
TOTAL LIABILITIES		29900	232.204.719	214.425.088

OFF BALANCE SHEET CAPTIONS	Notes	Code	Current period	Previous period
I. Contingent liabilities	6.22	30100	9.584.942	9.763.041
A. Non-negotiated acceptances		30110	11.227	7.416
B. Guarantees serving as direct credit substitutes		30120	2.411.294	2.437.767
C. Other guarantees		30130	5.824.119	5.724.148
D. Documentary credits		30140	1.338.301	1.593.710
E. Assets charged as collateral security on behalf of third parties		30150	0	0
II. Commitments which could give rise to a risk	6.22	30200	27.589.832	27.503.864
A. Firm credit commitments		30210	2.753.790	2.638.285
B. Commitments as a result of spot purchases of transferable or other securities		30220	181.969	43.170
C. Undrawn margin on confirmed credit lines		30230	24.654.073	24.822.409
D. Underwriting and placing commitments		30240	0	0
E. Commitments as a result of open-ended sale and repurchase agreements		30250	0	0
III. Assets lodged with the credit institution		30300	246.807.750	286.462.772
A. Assets held by the credit institution for fiduciary purposes		30310	5.489.274	6.494.430
B. Safe custody and equivalent items		30320	241.318.476	279.968.341
IV. Uncalled amounts of share capital		30400	7.264	0

INCOME STATEMENT (presentation in vertical form)

		Notes	Code	Current Period	Previous period
I. Interest receivable and similar income		6.23	40100	3.944.677	2.665.020
A. Of which: from fixed-income securities			40110	640.357	477.205
II. Interest payable and similar charges			40200	1.700.414	1.192.630
III. Income from variable-yield securities		6.23	40300	2.356.974	306.259
A. From shares and other variable-yield securities			40310	15.393	10.319
B. From participating interests in affiliated enterprises			40320	2.341.040	295.100
C. From participating interests in other enterprises linked by participating interests			40330	281	83
D. From other shares held as financial fixed assets			40340	261	757
IV. Commissions receivable		6.23	40400	1.046.340	1.323.322
A. Brokerage and related commissions			40410	663.386	693.337
B. Management, consultancy and conservation commissions			40420	35.351	34.417
C. Other commissions received			40430	347.603	595.568
V. Commissions payable			40500	284.946	386.508
VI. Profit (loss) on financial transactions	(+)/(-)	6.23	40600	-231.085	155.668
A. On trading of securities and other financial instruments			40610	-175.577	150.021
B. On disposal of investment securities			40620	-55.508	5.646
VII. General administrative expenses			40700	2.143.124	1.974.158
A. Remuneration, social security costs and pensions			40710	804.559	781.046
B. Other administrative expenses			40720	1.338.565	1.193.112
VIII. Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets			40800	272.365	249.925
IX. Decrease in write downs on receivables and in provisions for off balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a risk'	(+)/(-)		40900	44.798	25.405
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	(+)/(-)		41000	-1.541	-242
XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet captions	(+)/(-)		41100	-19.614	-21.882
XII. Provisions for liabilities and charges other than those included in the off balance sheet captions			41200	10.172	13.788
XIII. Transfer from (Transfer to) the fund for general banking risks	(+)/(-)		41300	55.480	169.250
XIV. Other operating income		6.23	41400	500.535	467.426
XV. Other operating charges		6.23	41500	81.783	59.433
XVI. Profits (losses) on ordinary activities before taxes	(+)/(-)		41600	3.156.473	1.207.222

		Notes	Code	Current period	Previous period
XVII. Extraordinary income			41700	288.246	328.346
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets			41710	0	11.056
B. Adjustments to write-downs on financial fixed assets			41720	277.360	315.396
C. Adjustments to provisions for extraordinary liabilities and charges			41730	0	450
D. Gain on disposal of fixed assets			41740	10.882	1.421
E. Other extraordinary income		6.25	41750	3	24
XVIII. Extraordinary charges			41800	60.623	613.393
A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets			41810	12.724	3.839
B. Write-downs on financial fixed assets			41820	25.111	303.347
C. Provisions for extraordinary liabilities and charges	(+/-)		41830	240	0
D. Loss on disposal of fixed assets			41840	22.548	306.207
E. Other extraordinary charges		6.25	41850	0	0
XIX. Profits (Losses) for the period before taxes	(+/-)		41910	3.384.095	922.175
XIXbis. A. Transfer to deferred taxes			41921	0	0
B. Transfer from deferred taxes			41922	0	0
XX. Income taxes	(+/-)	6.26	42000	62.298	74.055
A. Income taxes			42010	64.308	75.090
B. Adjustement of income taxes and write-back of tax provisions			42020	2.011	1.035
XXI. Profits (Losses) for the period	(+/-)		42100	3.321.798	848.119
XXII. Transfer to untaxed reserves	(+/-)		42200	0	0
XXIII. Profit (Losses) for the period available for appropriation	(+/-)		42300	3.321.798	848.119

APPROPRIATION ACCOUNT

		Code	Current period	Previous period
A. Profit (loss) to be appropriated	(+)/(-)	49100	5.979.016	4.207.965
1. Profit (loss) for the period available for appropriation	(+)/(-)	(42300)	3.321.798	848.119
2. Profit (loss) to be carried forward	(+)/(-)	(21300P)	2.657.218	3.359.846
B. Transfers from capital and reserves		49200	0	0
1. From capital and share premium account		49210	0	0
2. From reserves		49220	0	0
C. Transfers to capital and reserves		49300	166.090	42.406
1. To capital and share premium account		49310	0	0
2. To the legal reserve		49320	166.090	42.406
3. To other reserves		49330	0	0
D. Profit (loss) to be carried forward	(+)/(-)	49400	3.097.280	2.657.218
E. Shareholders' contribution in respect of losses		49500	0	0
F. Profit to be distributed		49600	2.715.645	1.508.341
1. Dividends		49610	2.697.457	1.483.103
2. Director's or manager's entitlements		49620	0	0
3. Other allocations		49630	18.189	25.238

NOTES

I. STATEMENT OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS (Assets caption III)

	Code	Current period	Previous period
A. FOR THE CAPTION AS A WHOLE	(10300)	20.710.905	16.561.708
1. Loans and advances to affiliated enterprises	50101	17.164.904	11.739.509
2. Loans and advances to other enterprises linked by participating interests	50102	0	0
3. Subordinated loans and advances	50103	0	0
B. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS (with agreed maturity dates or periods of notice)	(10320)	20.315.363	16.150.199
1. Trade bills eligible for refinancing with the central bank of the country(ies) of establishment of the credit	50104	0	
2. Breakdown according to the remaining maturity			
a. Up to 3 months	50105	7.608.495	
b. Over 3 months up to 1 year	50106	9.177.482	
c. Over 1 year up to 5 years	50107	3.107.461	
d. Over 5 years	50108	413.986	
e. Undated	50109	7.939	

II. STATEMENT OF LOANS AND ADVANCES TO CUSTOMERS (Assets caption IV)

	Code	Current Period	Previous Period
1. Loans to affiliated enterprises	50201	6.615.857	5.947.931
2. Loans to other enterprises linked by participating interests	50202	86.181	93.952
3. Subordinated loans	50203	1.000	22.298
4. Trade bills eligible for refinancing with the central bank of the country or countries where the credit institution is established	50204	0	0
5. Breakdown according to the remaining maturity :			
a. Up to 3 months	50205	17.518.492	
b. Over 3 months up to 1 year	50206	4.917.024	
c. Over 1 year up to 5 years	50207	17.508.608	
d. Over 5 years	50208	57.584.736	
e. Undated	50209	155.605	
6. Breakdown of customer loans based on the type of debtor			
a. Claims on government	50210	5.070.798	3.954.556
b. Retail exposures	50211	39.517.709	36.220.540
c. Claims on enterprises	50212	53.095.958	47.038.481
7. Breakdown by type :			
a. Trade bills (including own acceptance)	50213	50.363	
b. Loans and advances as a result of leasing and similar agreements	50214	2.102.057	
c. Fixed-rate loans	50215	1.449.794	
d. Mortgage loans	50216	34.693.594	
e. Other term loans with a maturity over 1 year	50217	40.719.087	
f. Other loans and advances	50218	18.669.570	
8. Geographical breakdown			
a. Belgian origin	50219	85.021.930	
b. Foreign	50220	12.662.534	
9. Details of mortgage loans with reconstitution of capital or linked to life insurance and capitalization contracts			
a. Principal sums initially lent	50221	0	
b. Reconstitution fund and mathematical reserves relating to these loans	50222	0	
c. Net amount outstanding (a-b)	50223	0	

III. STATEMENT OF DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES (Assets caption V)

	Code	Current period	Previous period
A. GENERAL	(10500)	46.419.428	52.001.150
1. Securities issued by affiliated enterprises	50301	17.776.726	24.653.703
2. Securities issued by enterprises linked by participating interests	50302	687	687
3. Securities representing subordinated loans	50303	9.273	4.725
4. Country analysis of the securities issued			
a. By public bodies	50304	5.408.472	
b. By other borrowers	50305	16.926.830	
c. Belgian issuers other than public bodies	50306	5.560.770	
d. Foreign issuers other than public bodies	50307	18.523.356	
5. Listing			
a. Book value of listed securities	50308	32.954.081	
b. Market value of listed securities	50309	30.813.071	
c. Book value of unlisted securities	50310	13.465.347	
6. Maturities			
a. Remaining maturity of up to one year	50311	13.250.779	
b. Remaining maturity of over one year	50312	33.168.649	
7. Analysis by portfolio			
a. Trading portfolio	50313	1.516.788	
b. Investment portfolio	50314	44.902.640	
8. Trading portfolio			
a. Difference between market value (if higher) and acquisition cost (for securities marked to market)	50315	2.406	
b. Difference between market value (if higher) and carrying value (for securities valued in accordance with Art. 35ter §2 para. 2)	50316	0	
9. Investment portfolio			
a. Difference between redemption value (if higher) and carrying value	50317	758.721	
b. Difference between redemption value (if lower) and carrying value	50318	895.382	

		Code	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF INVESTMENT SECURITIES				
1. As at end of the preceding period		50323P	xxxxxxxxxxxxxxx	49.994.203
2. Movements during the the period	(+/-)	50319	-5.086.439	
a . Acquisitions		50320	253.302.926	
b . Sales		50321	258.569.118	
c . Adjustments by application of Article 35ter §4 and 5	(+/-)	50322	179.753	
3. Acquisition cost as at end of the period		50323	44.907.764	
4. Transfers between portfolios				
a . Transfers from the investment portfolio to the trading portfolio		50324	0	
b . Transfers from the trading portfolio to the investment portfolio		50325	0	
c . Impact on result		50326	0	
5. Write-Downs as at end of the period		50332P	xxxxxxxxxxxxxxx	6.610
6. Movements during the the period	(+/-)	50327	-1.486	
a . Recorded		50328	0	
b . Excess written back		50329	1.799	
c . Cancellations		50330	312	
d . Transfers from one caption to another	(+/-)	50331	0	
7. Write-downs as at end of the period		50332	5.124	
8. Carrying value as at end of the period		(50314)	44.902.640	

		Codes	Current period	Previous period
IIIBIS THEMATIC CITIZENS LENDING				
1.	**Total amount drawn**	50340	39.202	79.465
	a. Bonds	50341	39.202	79.465
	b. Allowed interbank loans	50342	0	0
2.	**Use of assets**	50350	769.529	901.272
	a. Citizens Lending	50351	769.529	901.272
	b. Investment pursuant to art. 11	50352	0	0
	c. Interbank loans drawn	50353	0	0
3.	**Income from realized investments pursuant to art. 11**	50360	0	0

IV. STATEMENT OF SHARES AND OTHER VARIABLE-YIELD SECURITIES (Assets caption VI)

	Code	Current Period	Previous Period
A. GENERAL REPORT	(10600)	425.556	432.856
1. Country analysis of the issuers of securities			
a. Belgian issuers	50401	144.340	209.437
b. Foreign issuers	50402	281.217	223.419
2. Listing			
a. Carrying value	50403	416.229	
b. Market value	50404	396.585	
c. Carrying value of unlisted securities	50405	9.327	
3. Analysis by portfolio			
a. Trading portfolio	50406	417.210	
b. Investment portfolio	50407	8.347	
4. Trading portfolio			
a. Difference between market value (if higher) and acquisition cost (for securities marked to market)	50408	735	
b. Difference between market value (if higher) and carrying value (for securities valued in accordance with Article 35ter §2 paragraph 2)	50409	0	

B. ANALYSIS OF THE CARRYING VALUE OF INVESTMENT SECURITIES		Code	Current period	Previous period
1. Acquisition cost as at the end of the period		50414P	xxxxxxxxxxxxxxx	20.894
2. Movements during the the period	(+)/(-)	50410	-1.101	
a. Acquisitions		50411	2.493	
b. Sales		50412	3.594	
c. Other adjustments	(+/-)	50413	0	
3. Acquisition cost as at end of the period		50414	19.793	
4. Transfers between portfolios				
a. Transfers from the investment portfolio to the trading portfolio		50415	0	
b. Transfers from the trading portfolio to the investment portfolio		50416	0	
c. Impact on result		50417	0	
5. Write-downs as per end of the period		50423P	xxxxxxxxxxxxxxx	11.186
6. Movements during the period	(+)/(-)	50418	261	
a. Recorded		50419	857	
b. Excess written back		50420	600	
c. Cancellations		50421	-3	
d. Transfers from one caption to another	(+)/(-)	50422	0	
7. Write-downs as at end of the period		50423	11.447	
8. Carrying value as at end of the period		(50407)	8.347	

V. STATEMENT OF FINANCIAL FIXED ASSETS (Assets caption VII)

	Code	Current period	Previous period
A. GENERAL			
1. Breakdown of financial fixed assets by economic sector			
a. Participating interests in enterprises that are credit institutions	50501	8.280.483	7.031.681
b. Participating interests in enterprises that are not credit institutions	50502	2.925.888	2.909.658
c. Participating interests in enterprises linked by participating interests that are credit institutions	50503	6	6
d. Participating interests in enterprises linked by participating interests that are not credit institutions	50504	82.005	96.312
e. Other shares held as financial fixed assets in enterprises that are credit institutions	50505	0	0
f. Other shares held as financial fixed assets in enterprises that are not credit institutions	50506	18.815	17.724
g. Subordinated loans in linked enterprises that are credit institutions	50507	232.500	234.500
h. Subordinated loans in linked enterprises that are not credit institutions	50508	2.307.779	2.658.628
i. Subordinated loans in enterprises with participation interests that are credit institutions	50509	0	0
j. Subordinated loans in enterprises with participation interests that are not credit institutions	50510	0	0
2. Listings			
a. Participating interests in affiliated listed enterprises	50511	0	
b. Participating interests in affiliated not listed enterprises	50512	11.206.371	
c. Participating interests in other enterprises linked by participating interests that are listed	50513	0	
d. Participating interests in other enterprises linked by participating interests that are not listed	50514	82.011	
e. Other shares held as financial fixed assets in enterprises that are listed	50515	884	
f. Other shares held as financial fixed assets in enterprises that are not listed	50516	17.931	
g. Amount of subordinated loans represented by listed securities	50517	0	

	Code	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF FINANCIAL FIXED ASSETS IN AFFILIATED ENTERPRISES			
1. Acquisition cost at the end of the period	50522P	xxxxxxxxxxxxxxx	12.424.184
2. Movements during the period (+/-)	50518	992.987	
a. Acquisitions	50519	1.025.429	
b. Sales and disposals	50520	32.442	
c. Transfers from one caption to another (+/-)	50521	0	
3. Acquisition cost as at the end of the period	50522	13.417.171	
4. Revaluation surpluses	50528P	xxxxxxxxxxxxxxx	0
5. Movements during the period (+/-)	50523	0	
a. Recorded	50524	0	
b. Acquisitions from third parties	50525	0	
c. Cancellations	50526	0	
d. Transfers from one caption to another (+/-)	50527	0	
6. Revaluation surpluses as at the end of the period	50528	0	
7. Write-downs as at the end of the period	50535P	xxxxxxxxxxxxxxx	2.482.844
8. Movements during the period (+/-)	50529	-272.044	
a. Recorded	50530	0	
b. Excess written back	50531	272.044	
c. Acquisitions from third parties	50532	0	
d. Cancellations	50533	0	
e. Transfers from one caption to another (+/-)	50534	0	
9. Write-downs as at end of the period	50535	2.210.800	
10. Net carrying value as at the end of the period	10710	11.206.371	

		Code	Current period	Previous period
C. ANALYSIS OF THE CARRYING VALUE OF FIXED FINANCIAL ASSETS IN ENTERPRISES LINKED BY PARTICIPATING INTERESTS				
1. Acquisition cost as at end of the period		50540P	xxxxxxxxxxxxxxx	110.299
2. Movements during the period	(+/-)	50536	1.638	
a. Acquisitions		50537	3.314	
b. Sales and disposals		50538	1.677	
c. Transfers from one caption to another	(+/-)	50539	0	
3. Acquisition cost as at end of the period		50540	111.937	
4. Revaluation surpluses at the end of the period		50546P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+/-)	50541	0	
a. Recorded		50542	0	
b. Acquisitions from third parties		50543	0	
c. Cancellations		50544	0	
d. Transfers from one caption to another	(+/-)	50545	0	
6. Revaluation surpluses at the end of the period		50546	0	
7. Write-downs as at the end of the period		50553P	xxxxxxxxxxxxxxx	13.982
8. Movements during the period	(+/-)	50547	15.944	
a. Recorded		50548	20.350	
b. Excess written back		50549	4.406	
c. Acquisitions from third parties		50550	0	
d. Cancellations		50551	0	
e. Transfers from one caption to another	(+/-)	50552	0	
9. Write-downs as at the end of the period		50553	29.925	
10. Net carrying value as at end of the period		10720	82.011	

		Code	Current period	Previous period
D. ANALYSIS OF THE CARRYING VALUE OF OTHER SHARES HELD AS FINANCIAL FIXED ASSETS				
1. Acquisition cost as at the end of the period		50558P	xxxxxxxxxxxxxxx	23.719
2. Movements during the period	(+/-)	50554	5.802	
a. Acquisitions		50555	13.961	
b. Sales and disposals		50556	8.159	
c. Transfers from one caption to	(+/-)	50557	0	
3. Acquisition cost as at the end of the period		50558	29.521	
4. Revaluation surpluses at the end of the period		50564P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+/-)	50559	0	
a. Recorded		50560	0	
b. Acquisitions from third parties		50561	0	
c. Cancellations		50562	0	
d. Transfers from one caption to	(+/-)	50563	0	
6. Revaluation surpluses as at end of the period		50564	0	
7. Write-downs as at the end of the period		50571P	xxxxxxxxxxxxxxx	5.994
8. Movements during the period	(+/-)	50565	4.712	
a. Recorded		50566	4.761	
b. Excess written back		50567	50	
c. Acquisitions from third parties		50568	0	
d. Cancellations		50569	0	
e. Transfers from one caption to	(+/-)	50570	0	
9. Write-downs as at the end of the period		50571	10.706	
10. Net carrying value as at the end of the period		10730	18.815	

E. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO AFFILIATED ENTERPRISES

		Code	Current period	Previous period
1. Net carrying value as at end of the period		50579P	xxxxxxxxxxxxxxx	2.893.128
2. Movements during the period	(+)/(-)	50572	-352.849	
a. Additions		50573	0	
b. Reimbursements		50574	357.296	
c. Write-downs		50575	0	
d. Amounts written back		50576	-4.447	
e. Realized exchange gains/losses	(+)/(-)	50577	0	
f. Other	(+)/(-)	50578	0	
3. Net carrying value as at the end of the period		50579	2.540.279	
4. Accumulated write-downs as at the end of the period		50580	0	

F. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO ENTERPRISES LINKED BY PARTICIPATING INTERESTS		Code	Current period	Previous period
1. Net carrying value as at the end of the period		50588P	xxxxxxxxxxxxxxx	0
2. Movements during the period	(+)/(-)	50581	0	
a. Additions		50582	0	
b. Reimbursements		50583	0	
c. Write-downs		50584	0	
d. Amounts written back		50585	0	
e. Realized exchange gains/losses	(+)/(-)	50586	0	
f. Other	(+)/(-)	50587	0	
3. Net carrying value as at the end of the period		50588	0	
4. Accumulated write-downs as at the end of the period		50589	0	

VI LIST OF ENTERPRISES IN WHICH THE INSTITUTION HOLDS A PARTICIPATING INTEREST

A. SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES

List enterprises in which the enterprise holds a participating interest within the meaning of the Royal Decree of September 23 rd 1992
and other enterprises in which the institution holds rights in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	directly			by subsidiaries	Annual accounts dated	Currency	Own funds	Net result
	Type	Number	%	%			(+) or (-) (in thousands units)	
1. Affiliated enterprises								
Almafin Real Estate NV Havenlaan 2, 1080 BRUSSEL (BE0403355494)	Ordinary	62.000	100,00	0,00	31/12/2021	EUR	12.273	791
Bel Rom Sapte SRL Strada Paleologu 24, - BUCURESTI SECTORUL 3 (RO)	Ordinary	16.429.999	99,99	0,01	31/12/2021	RON	121.559	14.065
Brussels North Distribution NV Havenlaan 2, 1080 BRUSSEL (BE0476212887)	Ordinary	100	100,00	0,00	31/12/2021	EUR	69	21
CBC Banque SA Avenue Albert 1er 60, 5000 NAMUR (BE0403211380)	Ordinary	2.989.625	100,00	0,00	31/12/2021	EUR	715.996	97.825
Ceskoslovenska Obchodni Banka AS Radlicka 150, 150 00 PRAHA 5 (CZ)	Ordinary	292.750.002	100,00	0,00	31/12/2021	CZK	113.003.000	14.082.000
C Plus SAS Rue Rene Caudron 2, 78960 VOISINS-LE-BRETONNEUX (FR)	Ordinary	50.000	83,33	0,00	31/12/2016	EUR	-12.696	-10
Ceskoslovenska Obchodni Banka AS Žizkova 11, 811 02 BRATISLAVA (SK)	Ordinary	8.886	100,00	0,00	31/12/2021	EUR	993.578	70.505
Hello Shopping Park SRL Strada Paleologu 24, - BUCURESTI SECTORUL 3 (RO)	Ordinary	10.000.000	100,00	0,00	31/12/2021	RON	115.519	3.071
Immo-Basilix NV Havenlaan 2, 1080 BRUSSEL (BE0453348801)	Ordinary	2.500	100,00	0,00	12/09/2022	EUR	-380	-103
Immobilière Distri-Land NV Havenlaan 2, 1080 BRUSSEL (BE0436440909)	Ordinary	1.094	87,52	0,00	31/12/2021	EUR	398	9
Immo Mechelen City Center NV Havenlaan 2, 1080 BRUSSEL (BE0635828862)	Ordinary	100	100,00	0,00	31/03/2022	EUR	62	0
Immo Namott NV Havenlaan 2, 1080 BRUSSEL (BE0840412849)	Ordinary	100	100,00	0,00	31/12/2021	EUR	62	0
Immo-Quinto NV Havenlaan 2, 1080 BRUSSEL (BE0466000470)	Ordinary	142.935	100,00	0,00	31/12/2021	EUR	5.120	-41
Immo Retail Libramont BV Havenlaan 2, 1080 BRUSSEL (BE0733944263)	Ordinary	10	100,00	0,00	30/06/2022	EUR	-34	-20
Immoscoop 2.0 BV Philipssite 5, 3001 HEVERLEE (BE0770397655)	Ordinary	8.000	50,00	50,00		EUR	0	0
Immo-Zénobe Gramme NV Havenlaan 2, 1080 BRUSSEL (BE0456572664)	Ordinary	100	100,00	0,00	31/12/2021	EUR	76	-4
Julienne Holdings SARL Rue Jean Piret 1, 2350 LUXEMBOURG (LU)	Cat. A/B/C	5.000	100,00	0,00	31/12/2021	EUR	-34.040	-1.293
K&H Bank ZRT Lechner Ödon Fasor 9, 1095 BUDAPEST (HU)	Ordinary	140.978.164.412	100,00	0,00	31/12/2021	HUF	437.003.000	84.407.000
KBC Asset Management NV Havenlaan 2, 1080 BRUSSEL (BE0469444267)	Ordinary	5.766.805	100,00	0,00	31/12/2021	EUR	154.575	367.785
KBC Autolease NV Prof. R. Van Overstraetenplein 5, 3000 LEUVEN (BE0422562385)	Ordinary	184.994	100,00	0,00	31/12/2021	EUR	7.875	30.733
KBC Bail Immobilier France SAS Rue De La Victoire 52, 75009 PARIS 9 (FR)	Ordinary	1.500.000	100,00	0,00	31/12/2021	EUR	15.560	304
KBC BANK BULGARIA EAD Nikola Vaptzarov Blvd 55, 1407 SOFIA (BG)	Ordinary	603.447.952	100,00	0,00	31/12/2021	BGN	1.094.587	127.510
KBC Bank Ireland PLC 2 Sandwith Street , - DUBLIN 2 (IE)	Ordinary	827.892.018	99,99	0,01	31/12/2021	EUR	939.482	-242.123
KBC Commercial Finance NV Havenlaan 6, 1080 BRUSSEL (BE0403278488)	Ordinary	120.000	100,00	0,00	31/12/2021	EUR	9.459	5.448
KBC Focus Fund NV Havenlaan 2, 1080 BRUSSEL (BE0647812124)	Ordinary	300.000	100,00	0,00	31/12/2021	EUR	17.857	-2.006

KBC Ifima SA Rue Du Fort Wallis 4, 2714 LUXEMBOURG (LU)	Ordinary	22.679	100,00	0,00	31/12/2021	EUR	7.398	364
KBC Immolease NV Brusselsesteenweg 100, 3000 LEUVEN (BE0444058872)	Ordinary	1.000.428	100,00	0,00	31/12/2021	EUR	26.994	6.384
KBC Investments LTD Old Broad Street 111, EC2N 1FP LONDON (GB)	Ordinary	105.000.100	100,00	0,00	31/12/2021	USD	477.063	40
KBC Lease Belgium NV Brusselsesteenweg 100, 3000 LEUVEN (BE0426403684)	Ordinary	267.181	100,00	0,00	31/12/2021	EUR	11.003	2.994
KBC Real Estate Luxembourg SA Rue Jean Piret 1, 2350 LUXEMBOURG (LU)	Ordinary	3.100	100,00	0,00	31/12/2021	EUR	23.761	3.389
KBC Securities NV Havenlaan 2, 1080 BRUSSEL (BE0437060521)	Ordinary	1.899.517	100,00	0,00	31/12/2021	EUR	56.598	4.444
KBC Sustainability Services BV Van Overstraetenplein 2, 3000 LEUVEN (BE0791529205)	Ordinary	1.000	100,00	0,00		EUR	0	0
KBC Vastgoedportefeuille België Havenlaan 2, 1080 BRUSSEL (BE0438007854)	Ordinary	57.768	100,00	0,00	31/12/2021	EUR	9.985	374
Luxembourg North Distribution SA Rue Jean Piret 1, 2350 LUXEMBOURG (LU)	Ordinary	100	100,00	0,00	31/12/2021	EUR	111	77
Poelaert Invest NV Havenlaan 2, 1080 BRUSSEL (BE0478381531)	Ordinary	10.000	100,00	0,00	31/12/2021	EUR	12.564	1.960
Soluz.io NV Zwartzustersvest 24, 2800 MECHELEN (BE0711710576)	Cat A	249.002	91,07	0,00	31/12/2021	EUR	1.223	492
Start It X NV Van Overstraetenplein 5, 3000 LEUVEN (BE0730852042)	Ordinary	1.000	100,00	0,00	31/12/2021	EUR	1.582	-133
Sustainable Impact BV Spinnerijstraat 107, 8500 KORTRIJK (BE0683710636)	Ordinary	4.000	66,66	0,00	31/12/2021	EUR	-37	-73
UBB Interlease AD Tsarigradsko Shosse B 135A, 1040 SOFIA (BG)	Ordinary	3.474.648	100,00	0,00	31/12/2021	BGN	87.153	5.871
United Bulgarian Bank AD Vitosha Blvd 89B, 1463 SOFIA (BG)	Ordinary	75.893.450	99,90	0,00	31/12/2021	BGN	1.634.733	171.114
2. Enterprises linked by participating interests >=20% en <= 50%								
Bancontact Payconiq Company NV Aarlenstraat 82, 1040 BRUSSEL (BE0675984882)	Cat B	12.414.111	22,50	0,00	31/12/2021	EUR	26.463	3.803
Banking Funding Company NV Aarlenstraat 82, 1040 BRUSSEL (BE0884525182)	Ordinary	12.437	20,25	0,00	31/12/2021	EUR	725	-76
Batopin NV Sint-Lazaruslaan 10, 1210 SINT-JOOST-TEN-NODE (BE0744908035)	Ordinary	20.000	25,00	0,00	31/12/2021	EUR	14.219	-3.571
BRS Microfinance Coop CV Muntstraat 1, 3000 LEUVEN (BE0508996711)	Cat C	7.500	33,51	0,00	31/12/2021	EUR	21.641	-574
Gasco Group NV Antwerpsesteenweg 45, 2830 WILLEBROEK (BE0887290177)	Ordinary	2.531.250	28,12	0,00	31/12/2021	EUR	-22.261	0
Gemma Frisius-Fonds K.U. Leuven NV Waaistraat 6, 3000 LEUVEN (BE0477960372)	Cat A	4.000	40,00	0,00	31/12/2021	EUR	42.485	-1.240
Go Connect BV Beiaardlaan 45049, 1850 GRIMBERGEN (BE0653775248)	Cat C	124	25,00	0,00	31/12/2021	EUR	627	-78
Immo Beaulieu NV Havenlaan 2, 1080 BRUSSEL (BE0450193133)	Ordinary	1.000	50,00	0,00	16/06/2022	EUR	68	31
Isabel NV Keizerinlaan 13, 1000 BRUSSEL (BE0455530509)	Ordinary	253.322	25,33	0,00	31/12/2021	EUR	57.620	10.242
Joyn International NV Ilgatlaan 9, 3500 HASSELT (BE0578946577)	Ordinary	1.007.455.432	34,60	0,00	31/12/2021	EUR	9.687	-21
Justinvest NV Borsbeeksebrug 22, 2600 BERCHEM (BE0476658097)	Ordinary	50	33,33	0,00	31/12/2021	EUR	1.656	805
NBX-BE BV Sint-Aldegondiskaai 36, 2000 ANTWERPEN (BE0578916685)	Ordinary	841.667	25,00	0,00	31/03/2022	EUR	1.382	16
Payconiq International SA Rue Joseph Junck 45239, 1839 LUXEMBOURG (LU)	Ordinary	915.410	42,67	0,00	31/12/2021	EUR	15.496	-13.869

Rabot Invest NV Heistraat 129, 2610 WILRIJK (BE0479758733)	Ordinary	60	25,00	0,00	31/12/2021	EUR	554	173
Setle BV Ambachtsweg 14, 3890 GINGELOM (BE0666412269)	Ordinary	221.261	38,46	0,00	31/12/2021	EUR	139	-16
3. Enterprises linked by participating interests >=10% en <= 20%								
Baekeland II NV Sint-Pietersnieuwstraat 25, 9000 GENT (BE0876424296)	Ordinary	2.000.000	18,01	0,00	31/12/2021	EUR	43	-51
Bedrijvencentrum Vilvoorde NV Mechelsesteenweg 277, 1800 VILVOORDE (BE0434222577)	Ordinary	338	9,30	8,26	31/12/2021	EUR	987	-52
Belgian Mobile ID NV Sint-Goedeleplein 5, 1000 BRUSSEL (BE0541659084)	Cat A	90.404	12,23	0,00	31/12/2021	EUR	19.493	-3.419
BEM NV Kunstlaan 20, 1000 BRUSSEL (BE0461612904)	Ordinary	1.500	6,47	6,47	31/12/2021	EUR	3.556	-32
BUSINESS BREWERY NV Interleuvenlaan 62, 3001 HEVERLEE (BE0428014676)	Ordinary	40	9,52	4,76	31/12/2021	EUR	1.446	-113
Designcenter De Winkelhaak NV Lange Winkelhaakstraat 26, 2060 ANTWERPEN (BE0470201857)	Cat B	124	19,46	0,00	31/12/2021	EUR	455	3
EPI COMPANY SE Havenlaan 2, 1080 BRUSSEL (BE0755811726)	Ordinary	34.373	10,58	0,00	31/12/2021	EUR	14.717	-19.658
Europay Belgium CVBA Metrologielaan 8, 1130 BRUXELLES (BE0434197536)	Ordinary	4.932	14,61	0,95	31/12/2021	EUR	1.747	23
Impulse Microfinance Investment Fund NV Sneeuwbeslaan 20, 2610 WILRIJK (BE0870792160)	Ordinary	2.000	17,56	0,00	31/12/2021	EUR	1.586	1.143
NBX BV Sint-Aldegondiskaai 36, 2000 ANTWERPEN (BE0578917180)	Ordinary	7.353	12,82	0,00	31/03/2022	EUR	4.987	-498
QBIC Feeder Fund NV Ghelamco Arena, Ottergemsesteenweg Zuid 808, 9000 GENT (BE0846493561)	Cat B	4.000	14,71	0,00	31/12/2021	EUR	14.126	1.038
Rural Impulse Rue Aldringen 11, L-1118 LUXEMBOURG (LU)	Ordinary	15.000	16,66	0,00	31/12/2017	EUR	16.596	7.117
Visa Belgium CVBA Metrologielaan 8, 1130 BRUSSEL (BE0435551972)	Ordinary	23	13,06	0,57	30/09/2022	EUR	2.265	298
Vives NV Place De L'Université 1, 1348 LOUVAIN-LA-NEUVE (BE0862398591)	Cat A	2.500	14,69	0,00	31/12/2021	EUR	170	-20

B. ENTERPRISES FOR WHICH THE CREDIT INSTITUTION HAS UNLIMITED LIABILITY IN ITS CAPACITY OF FULLY LIABLE PARTNER OR MEMBER

The annual accounts of any enterprise to which the enterprise is unlimited liable will be added to the present accounts and published jointly.
Departure from that requirement will be mentioned in the second column referring to the appropiate code (A or B), explained hereafter.

The annual accounts of the enterprise:

A. are published by filing with the National Bank of Belgium;

B. are effectively published in another Member State of the EEC as laid down in Article 3 of the Directive 2009/101/EEC;

C. are fully consolidated or proportionally consolidated in the reporting institution's accounts which have been prepared audited and published in accordance with the Royal Decree of September 23 rd 1992 on the consolidated accounts of institutions.

Name and full address of registered office and, for enterprises governed by Belgian law, VAT number or national identification number	Code, if any

VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

		Code	Current period	Previous period
A. Formation expenses				
1. Net carrying value as at the end of the period		50705P	xxxxxxxxxxxxxxx	0
2. Movements during the period		50701	0	
a. New expenses incurred		50702	0	
b. Amortization		50703	0	
c. Other	(+)/(-)	50704	0	
3. Net carrying value as at the end of the period		50705	0	
4. Of which				
a. Expenses of formation or capital increase, loan issue expenses and other formation expenses		50706	0	
b. Reorganization costs		50707	0	

B. GOODWILL		Code	Current period	Previous period
1. Acquisition cost as at the end of the period		50712P	xxxxxxxxxxxxxxx	49.190
2. Movements during the period		50708	0	
a. Acquisitions, including own construction		50709	0	
b. Sales and disposals		50710	0	
c. Transfers from one caption to another	(+)/(-)	50711	0	
3. Acquisition cost as at the end of the period		50712	49.190	
4. Amortizations and write-downs as at the end of the period		50719P	xxxxxxxxxxxxxxx	34.808
5. Movements during the period		50713	9.588	
a. Recorded		50714	9.588	
b. Excess written back		50715	0	
c. Acquisitions from third parties		50716	0	
d. Cancellations		50717	0	
e. Transfers from one caption to another	(+/-)	50718	0	
6. Amortizations and write-downs as at the end of the period		50719	44.396	
7. Net carrying value as at the end of the period		50720	4.794	

		Code	Current period	Previous period
C. COMMISSIONS FOR ATTRACTING NEW BUSINESS WITH CUSTOMERS				
1. Acquisition cost as at the end of the period		50725P	xxxxxxxxxxxxxxx	0
2. Movements during the period		50721	0	
a. Acquisitions, including own construction		50722	0	
b. Sales and disposals		50723	0	
c. Transfers from one caption to another	(+)/(-)	50724	0	
3. Acquisition cost as at the end of the period		50725	0	
4. Amortizations and write-downs as at the end of the period		50732P	xxxxxxxxxxxxxxx	0
5. Movements during the period		50726	0	
a. Recorded		50727	0	
b. Excess written back		50728	0	
c. Acquisitions from third parties		50729	0	
d. Cancellations		50730	0	
e. Transfers from one caption to another	(+)/(-)	50731	0	
6. Amortizations and write-downs as at the end of the period		50732	0	
7. Net carrying value as at end of the period		50733	0	

		Code	Current period	Previous period
D. OTHER INTANGIBLE FIXED ASSETS				
1. Acquisition cost as at end of the period		50738P	xxxxxxxxxxxxxxx	118.708
2. Movements during the period		50734	25.934	
a. Acquisitions, including own construction		50735	25.989	
b. Sales and disposals		50736	55	
c. Transfers from one caption to another	(+)/(-)	50737	0	
3. Acquisition cost as at end of the period		50738	144.642	
4. Amortizations and write-downs as at end of the period		50745P	xxxxxxxxxxxxxxx	78.857
5. Movements during the period		50739	9.348	
a. Recorded		50740	9.383	
b. Excess written back		50741	22	
c. Acquisitions from third parties		50742	0	
d. Cancellations		50743	14	
e. Transfers from one caption to another	(+)/(-)	50744	0	
6. Amortizations and write-downs as at the end of the period		50745	88.204	
7. Net carrying value as at the end of the period		50746	56.437	

VIII. TANGIBLE FIXED ASSETS (Assets caption IX)

		Code	Current period	Previous period
A. LAND AND BUILDINGS				
1. Acquisition cost as at the end of the period		50805P	xxxxxxxxxxxxxxx	1.234.629
2. Movements during the period	(+)/(-)	50801	-16.691	
a. Acquisition, including own construction		50802	8.002	
b. Sales and disposals		50803	24.693	
c. Transfers from one caption to another	(+)/(-)	50804	0	
3. Acquisition cost as at the end of the period		50805	1.217.939	
4. Revaluation surpluses as at the end of the period		50811P	xxxxxxxxxxxxxxx	30.972
5. Movements during the period	(+)/(-)	50806	-4	
a. Recorded		50807	0	
b. Acquisitions from third parties		50808	0	
c. Cancellations		50809	4	
d. Transfers from one caption to another	(+)/(-)	50810	0	
6. Revaluation surpluses as at the end of the period		50811	30.968	
7. Amortizations and write-downs as at the end of the period		50818P	xxxxxxxxxxxxxxx	820.900
8. Movements during the period	(+)/(-)	50812	21.830	
a. Recorded		50813	39.552	
b. Excess written back		50814	0	
c. Acquisitions from third parties		50815	0	
d. Cancellations		50816	17.722	
e. Transfers from one caption to another	(+)/(-)	50817	0	
9. Amortizations and write-downs as at the end of the period		50818	842.730	
10. Net carrying value as at the end of the period		50819	406.177	

		Code	Current period	Previous period
B. PLANT, MACHINERY AND EQUIPMENT				
1. Acquisition cost as at the end of the period		50824P	xxxxxxxxxxxxxxx	8.218
2. Movements during the period	**(+)/(-)**	50820	-5.452	
a. Acquisition, including own construction		50821	622	
b. Sales and disposals		50822	6.074	
c. Transfers from one caption to another	(+)/(-)	50823	0	
3. Acquisition cost as at the end of the period		50824	2.766	
4. Revaluation surpluses as at the end of the period		50830P	xxxxxxxxxxxxxxx	0
5. Movements during the period	**(+)/(-)**	50825	0	
a. Recorded		50826	0	
b. Acquisitions from third parties		50827	0	
c. Cancellations		50828	0	
d. Transfers from one caption to another	(+)/(-)	50829	0	
6. Revaluation surpluses as at the end of the period		50830	0	
7. Amortization and write-downs as at the end of the period		50837P	xxxxxxxxxxxxxxx	7.691
8. Movements during the period	**(+)/(-)**	50831	-5.423	
a. Recorded		50832	651	
b. Excess written back		50833	0	
c. Acquisitions from third parties		50834	0	
d. Cancellations		50835	6.074	
e. Transfers from one caption to another	(+)/(-)	50836	0	
9. Amortizations and write-downs as at the end of the period		50837	2.268	
10. Net carrying value as at the end of the period		50838	498	

		Code	Current period	Previous period
C. FURNITURE AND VEHICLES				
1. Acquisition cost as at the end of the period		50843P	xxxxxxxxxxxxxxx	31.086
2. Movements during the period	**(+)/(-)**	50839	-151	
a. Acquisition, including own construction		50840	807	
b. Sales and disposals		50841	958	
c. Transfers from one caption to another	(+)/(-)	50842	0	
3. Acquisition cost as at the end of the period		50843	30.936	
4. Revaluation surpluses as at the end of the period		50849P	xxxxxxxxxxxxxxx	0
5. Movements during the period	**(+)/(-)**	50844	0	
a. Recorded		50845	0	
b. Acquisitions from third parties		50846	0	
c. Cancellations		50847	0	
d. Transfers from one caption to another	(+)/(-)	50848	0	
6. Revaluation surpluses as at the end of the period		50849	0	
7. Amortizations and write-downs as at the end of the period		50856P	xxxxxxxxxxxxxxx	14.346
8. Movements during the period	**(+)/(-)**	50850	-1.096	
a. Recorded		50851	324	
b. Excess written back		50852	1.055	
c. Acquisitions from third parties		50853	0	
d. Cancellations		50854	365	
e. Transfers from one caption to another	(+)/(-)	50855	0	
9. Amortizations and write-downs as at the end of the period		50856	13.250	
10. Net carrying value as at the end of the period		50857	17.686	

		Code	Current period	Previous period
D. LEASING AND OTHER SIMILAR RIGHTS				
1. Acquisition cost as at the end of the period		50862P	xxxxxxxxxxxxxxx	161.257
2. Movements during the period	(+)/(-)	50858	29.849	
a. Acquisition, including own construction		50859	63.891	
b. Sales and disposals		50860	34.042	
c. Transfers from one caption to another	(+)/(-)	50861	0	
3. Acquisition cost as at the end of the period		50862	191.106	
4. Revaluation surpluses as at the end of the period		50868P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+)/(-)	50863	0	
a. Recorded		50864	0	
b. Acquisitions from third parties		50865	0	
c. Cancellations		50866	0	
d. Transfers from one caption to another	(+)/(-)	50867	0	
6. Revaluation surpluses as at the end of the period		50868	0	
7. Amortizations and write-downs as at the end of the period		50875P	xxxxxxxxxxxxxxx	46.220
8. Movements during the period	(+)/(-)	50869	-9.446	
a. Recorded		50870	1.245	
b. Excess written back		50871	0	
c. Acquisitions from third parties		50872	0	
d. Cancellations		50873	10.691	
e. Transfers from one caption to another	(+)/(-)	50874	0	
9. Amortizations and write-downs as at the end of the period		50875	36.774	
10. Net carrying value as at the end of the period		50876	154.332	
11. Of which				
a. Land and buildings		50877	154.332	
b. Plant, machinery and equipment		50878	0	
c. Furniture and vehicles		50879	0	

		Code	Current period	Previous period
E. OTHER TANGIBLE FIXED ASSETS				
1. Acquisition cost as at the end of the period		50884P	xxxxxxxxxxxxxxx	1.583.512
2. Movements during the period	(+)/(-)	50880	96.579	
a. Acquisition, including own construction		50881	453.480	
b. Sales and disposals		50882	330.220	
c. Transfers from one caption to another	(+)/(-)	50883	-26.681	
3. Acquisition cost as at the end of the period		50884	1.680.090	
4. Revaluation surpluses as at the end of the period		50890P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+)/(-)	50885	0	
a. Recorded		50886	0	
b. Acquisitions from third parties		50887	0	
c. Cancellations		50888	0	
d. Transfers from one caption to another	(+)/(-)	50889	0	
6. Revaluation surpluses as at the end of the period		50890	0	
7. Amortizations and write-downs as at the end of the period		50897P	xxxxxxxxxxxxxxx	480.836
8. Movements during the period	(+)/(-)	50891	34.773	
a. Recorded		50892	214.838	
b. Excess written back		50893	0	
c. Acquisitions from third parties		50894	0	
d. Cancellations		50895	180.065	
e. Transfers from one caption to another	(+)/(-)	50896	0	
9. Amortizations and write-downs as at the end of the period		50897	515.608	
10. Net carrying value as at the end of the period		50898	1.164.482	

		Code	Current period	Previous period
F. ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS				
1. Acquisition cost as at the end of the period		50903P	xxxxxxxxxxxxxxx	0
2. Movements during the period	(+)/(-)	50899	27.602	
a. Acquisition, including own construction		50900	920	
b. Sales and disposals		50901	0	
c. Transfers from one caption to another	(+)/(-)	50902	26.681	
3. Acquisition cost as at the end of the period		50903	27.602	
4. Revaluation surpluses as at the end of the period		50909P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+)/(-)	50904	0	
a. Recorded		50905	0	
b. Acquisitions from third parties		50906	0	
c. Cancellations		50907	0	
d. Transfers from one caption to another	(+)/(-)	50908	0	
6. Revaluation surpluses as at the end of the period		50909	0	
7. Amortization and write-downs as at the end of the period		50916P	xxxxxxxxxxxxxxx	0
8. Movements during the period	(+)/(-)	50910	0	
a. Recorded		50911	0	
b. Excess written back		50912	0	
c. Acquisitions from third parties		50913	0	
d. Cancellations		50914	0	
e. Transfers from one caption to another	(+)/(-)	50915	0	
9. Amortizations and write-downs as at the end of the period		50916	0	
10. Net carrying value as at the end of the period		50917	27.602	

IX. OTHER ASSETS (Assets caption XI)

	Current period
Breakdown (if the amount in this caption is significant)	
Option contracts	595.180
Amounts to be awarded already received	92.319
Paid to European Resolution Fund - 15% is not recognized in the income statement	78.397
Tax receivables	31.754
Invested assets in connection with pension liabilities for the NY branch	7.837
Life insurance for the NY branch	119.716
Recoverable taxes and withholding tax	15.483
Other	36.914

X. DEFERRED CHARGES AND ACCRUED INCOME (Assets caption XII)

	Code	Current period
1. Deferred charges	51001	43.581
2. Accrued income	51002	10.681.190

X.bis REINVESTMENT OF SEGREGATED CUSTOMER FUNDS

	Code	Current period
Total	51003	0

XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS (Liabilities caption I)

	Code	Current period	Previous period
1. Amounts due to affiliated enterprises	51101	3.549.209	1.745.229
2. Amounts due to other enterprises linked by participating interests	51102	0	0
3. Breakdown of debts other than on sight according to their remaining maturity			
a. Up to 3 months	51103	14.314.225	
b. Over 3 months up to 1 year	51104	13.015.041	
c. Over 1 year up to 5 years	51105	3.001.878	
d. Over 5 years	51106	0	
e. Undated	51107	0	

XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS (Liabilities caption II)

	Code	Current period	Previous period
1. Affiliated enterprises	51201	2.341.997	2.885.822
2. Other enterprises linked by participating interests	51202	112.065	111.367
3. Breakdown according to the remaining maturity			
a. Repayable on demand	51203	72.118.787	
b. Up to 3 months	51204	9.086.832	
c. Over 3 months up to 1 year	51205	1.722.049	
d. Over 1 year up to 5 years	51206	1.541.167	
e. Over 5 years	51207	950.278	
f. Undated	51208	52.100.620	
4. Breakdown of debt owed to customers depending on the nature of the debtors			
a. Debt owed to government	51209	2.715.432	3.850.278
b. Debt owed to private persons	51210	76.740.564	71.931.790
c. Debt owed to enterprises	51211	58.063.738	48.758.708
5. Geographical breakdown of debt owed to customers			
a. Of Belgian origin	51212	116.135.121	
b. Of foreign origin	51213	21.384.613	

XIII. STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES (liabilities caption III)

	Code	Current period	Previous period
1. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to affiliated companies.	51301	115.578	352.662
2. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to companies linked by participating interests.	51302	0	0
3. Breakdown of debt represented by certificates in accordance to their remaining maturity.			
a. Up to 3 months	51303	9.383.499	
b. Over 3 months up to 1 year	51304	139.581	
c. Over 1 year up to 5 years	51305	2.410.269	
d. Over 5 years	51306	426.193	
e. Undated	51307	0	

XIV. OTHER LIABILITIES (liabilities caption IV)

	Code	Current period
1. Taxes, remuneration and social security charges due to the tax authorities	51401	0
a. Overdue debts	51402	0
b. Unmatured debts	51403	0
2. Taxes, remuneration and social security charges due to the National Social Security Office	51404	0
a. Overdue debts	51405	0
b. Unmatured debts	51406	0
3. Taxes		
a. Taxes payable	51407	41.012
b. Estimated tax liabilities	51408	1.336
4. Other liabilities		
Breakdown if the amount in this caption is significant		
Options and warrants		714.418
Other liabilities related to remuneration and social security contributions		187.299
Dividends still to be paid		1.194.446
Intercompany debts related to global trading activities		126.563
Suppliers		63.526
Payables to personnel		18.189
Confirmed outstanding debts		17.742
Other taxes		44.863
Other		6.377

XV. ACCRUED CHARGES AND DEFERRED INCOME (liabilities caption V)

	Code	Current period
1. Accrued charges	51501	12.788.362
2. Deferred income	51502	187.404

XVI. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (liabilities VI.A.3)

	Current period
Breakdown of liabilities (VI.A.3) if the amounts in this caption are significant	
Credit commitments	39.252
Litigation and operational disputes	6.894
Provision for other risks and future expenses	1.592
Provision for disability payments	1.471
Other	2.279

XVII. STATEMENT OF SUBORDINATED LIABILITIES (liabilities caption VIII)

	Code	Current period	Previous period
1. Subordinated debts due to affiliated enterprises	51701	16.079.952	13.491.242
2. Subordinated debts due to other enterprises linked by participating interests	51702	0	0

	Code	Current period
3. Charges as a result of subordinated liabilities	51703	201.574

4. For each subordinated loan, the following information: reference number, the ISO code of the currency, the amount of the loan in the currency of the loan, the remuneration arrangements, the due date and, if no due date is determined, the terms of duration, where appropriate the circumstances in which the institution is required to repay in advance, the conditions for the subordination and if appropriate, the conditions for the conversion into capital or into some other form of liability.

Detail of each subordinated loan :

Reference nummer	Currency	Amount	Maturity date or conditions governing the maturity	a) Circumstances in which the entreprise is required to repay this loan. b) Conditions for the suborditaion c) Conditions for conversion into capital
1	EUR	1.000.000	24/04/2018 - 24/04/2025 Deposits originated by KBC Group - AT1	a) Unconditional
2	EUR	500.000	05/03/2019 - 05/03/2024 Deposits originated by KBC Group - AT1	a) Unconditional
3	EUR	99.787	24/07/2014 - 24/07/024 Deposits originated by KBC Group - Tier2	a) Unconditional
4	EUR	49.889	01/08/2014 - 24/07/024 Deposits originated by KBC Group - Tier2	a) Unconditional
5	EUR	25.175	02/02/2015 - 24/07/024 Deposits originated by KBC Group - Tier2	a) Unconditional
6	EUR	9.958	06/03/2015 - 06/03/2025 Deposits originated by KBC Group - Tier2	a) Unconditional
7	EUR	749.859	07/09/2021 - 07/12/2026 Deposits originated by KBC Group - Tier2	a) Unconditional
8	EUR	748.346	03/09/2019 - 03/12/2024 Deposits originated by KBC Group - Tier2	a) Unconditional
9	EUR	749.935	18/10/2016 - 18/10/2023 Deposits originated by KBC Group - Holdco	a) Unconditional
10	EUR	24.986	04/10/2017 - 04/10/2027 Deposits originated by KBC Group - Holdco	a) Unconditional
11	EUR	499.745	27/06/2018 - 27/06/2023 Deposits originated by KBC Group - Holdco	a) Unconditional
12	EUR	749.755	25/01/2019 - 25/01/2024 Deposits originated by KBC Group - Holdco	a) Unconditional
13	EUR	498.971	24/01/2020 - 24/01/2030 Deposits originated by KBC Group - Holdco	a) Unconditional
14	EUR	497.918	16/06/2020 - 16/06/2027 Deposits originated by KBC Group - Holdco	a) Unconditional
15	EUR	748.653	10/09/2020 - 10/09/2025 Deposits originated by KBC Group - Holdco	a) Unconditional
16	EUR	746.363	14/01/2021 - 14/01/2028 Deposits originated by KBC Group - Holdco	a) Unconditional
17	EUR	498.299	31/05/2021 - 31/05/2031 Deposits originated by KBC Group - Holdco	a) Unconditional
18	EUR	450.479	23/06/2021 - 23/06/2023 Deposits originated by KBC Group - Holdco	a) Unconditional
19	EUR	747.667	01/12/2021 - 01/03/2026 Deposits originated by KBC Group - Holdco	a) Unconditional
20	GBP	450.686	21/09/2021 - 21/09/2026 Deposits originated by KBC Group - Holdco	a) Unconditional
21	EUR	748.272	21/01/2022 - 21/01/2027 Deposits originated by KBC Group - Holdco	a) Unconditional
22	EUR	500.867	23/02/2022 - 23/02/2024 Deposits originated by KBC Group - Holdco	a) Unconditional
23	EUR	186.582	28/02/2022 - 31/05/2031 Deposits originated by KBC Group - Holdco	a) Unconditional
24	EUR	749.555	29/03/2022 - 29/03/2025 Deposits originated by KBC Group - Holdco	a) Unconditional
25	EUR	100.000	20/06/2022 - 20/06/2034 Deposits originated by KBC Group - Holdco	a) Unconditional
26	EUR	748.902	29/06/2022 - 29/06/2024 Deposits originated by KBC Group - Holdco	a) Unconditional
27	EUR	747.175	25/08/2022 - 25/08/2030 Deposits originated by KBC Group - Holdco	a) Unconditional
28	EUR	100.000	16/09/2022 - 16/09/2034 Deposits originated by KBC Group - Holdco	a) Unconditional
29	GBP	478.111	20/09/2022 - 20/09/2027 Deposits originated by KBC Group - Holdco	a) Unconditional
30	EUR	997.717	23/11/2022 - 23/11/2026 Deposits originated by KBC Group - Holdco	a) Unconditional
31	USD	125.727	7/02/2005 - 7/02/2025 Deposits originated by KBC IFIMA	a) Fiscal requalification
32	EUR	498.733	10/04/2019 - 10/04/2025 Euro Medium Term Note	a) Unconditional
33	EUR	251.841	24/06/2019 - 25/01/2024 Euro Medium Term Note	a) Unconditional

XVIII. STATEMENT OF CAPITAL

	Code	Current period	Previous period
A. CAPITAL			
1. Subscribed capital			
a. Subscribed capital as at the end of the preceding period	20910P	xxxxxxxxxxxxxx	9.732.238
b. Subscribed capital as at the end of the period	(20910)	9.732.238	

	Code	Amounts (in thousands)	Number of shares (in units)
c. Changes during the period		0	0
d. Structure of the capital			
e. Categories of shares			
Ordinary shares entitled to dividend		9.732.238	995.371.469
f. Registered shares	51801	xxxxxxxxxxxxxx	995.371.469
g. Bearer and or dematerialized shares	51802	xxxxxxxxxxxxxx	

	Code	Uncalled capital	Called but unpaid capital
2. CAPITAL NOT PAID UP			
a. Uncalled capital	(20920)	0	xxxxxxxxxxxxxx
b. Called but unpaid capital	51803	xxxxxxxxxxxxxx	0
c. Shareholders still owing capital payment			

	Code	Current period (in thousands)
3. OWN SHARES		
a. Held by the reporting institution itself		
* Amount of capital held	51804	0
* Corresponding number of shares	51805	0
b. Held by its subsidiaries		
* Amount of capital held	51806	0
* Corresponding number of shares	51807	0
4. SHARE ISSUANCE COMMITMENTS		
a. Following the exercise of conversion rights		
* Amount of convertible loans outstanding	51808	0
* Amount of capital to be subscribed	51809	0
* Maximum corresponding number of shares to be issued	51810	0
b. Following the exercise of subscription rights		
* Number of subscription rights outstanding	51811	0
* Amount of capital to be subscribed	51812	0
* Maximum corresponding number of shares to be issued	51813	0
5. AUTHORIZED CAPITAL NOT ISSUED	51814	0

	Code	Current period
6. SHARES NOT REPRESENTING CAPITAL		
a. Repartition		
* Number of parts	51815	0
* Number of votes	51816	0
b. Breakdown by shareholder		
* Number of parts held by the reporting institution itself	51817	0
* Number of parts held by its subsidiaries	51818	0

B. SHAREHOLDER STRUCTURE OF THE INSTITUTION AT YEAR END, ACCORDING TO THE NOTIFICATIONS RECEIVED BY THE INSTITUTION

KBC Groep NV	Number of shares:	995.371.469

XIX. BREAKDOWN OF BALANCE SHEET, IF MORE THAN 15 MILLION EUROS, IN EUROS AND IN FOREIGN CURRENCY

	Code	Current period
1. Total Assets		
a. In Euro	51901	196.264.148
b. In foreign currency (equivalent in EUR)	51902	35.940.571
2. Total liabilities		
a. In Euro	51903	198.433.981
b. In foreign currency (equivalent in EUR)	51904	33.770.738

XX. FIDUCIARY TRANSACTIONS ACCORDING TO ARTICLE 27TER §1 PARAGRAPH 3

	Current period
Concerned assets and liabilities items	

XXI. STATEMENT OF GUARANTEED DEBTS AND OBLIGATIONS

	Current period
A. MORTGAGES (amount of enrollment or carrying amount of the collateralized buildings, if this is less)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties	

	Current period
B. PLEDGE OF THE TRADING FUND (total enrollment)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties	

	Current period
C. PLEDGE OF OTHER ASSETS (book value of pledged assets)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
Discounting, repurchase agreements and secured advances	20.450.443
Asset Pledge requirement KBC New York	149.550
Asset Pledge Bancontact	205.588
Asset Pledge National Bank of Belgium	16.784.357
Covered bonds	16.571.885
Securities lending	10.213
b. Off-balance sheet	
Cash & Bond Collateral wrt derivatives	1.729.545
Clearing Margin Derivatives	786.260
Collateral Derivatives	2.504.743
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties	

	Current period
D. COLLATERAL ON FUTURE ASSETS (total assets in question)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off-balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties	

XXII. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS WITH POTENTIAL CREDIT RISK (off balance sheet I and II)

	Codes	Current period	Previous period
1. Total contingent liabilities on behalf of affiliated companies	52201	2.218.527	2.390.252
2. Total contingent liabilities on behalf of companies linked by participating interests	52202	495	271
3. Total commitments with a potential credit risk to affiliated companies	52203	0	0
4. Total commitments with a potential risk with regard to companies linked by participating interests	52204	0	0

XXIII. OPERATING RESULTS (items I to XV of the income statement)

	Code	Current period	Previous period
1. Breakdown of operating income according to origin			
a. Interest and similar income	(40100)	3.944.677	2.665.020
* Belgian sites	52301	3.448.588	2.463.626
* Foreign offices	52302	496.089	201.394
b. Income from fixed-income securities: shares and other variable-yield securities	(40310)	15.393	10.319
* Belgian sites	52303	5.732	20
* Foreign offices	52304	9.661	10.300
c. Income from fixed-income securities: investments in affiliated companies	(40320)	2.341.040	295.100
* Belgian sites	52305	852.348	295.100
* Foreign offices	52306	1.488.692	0
d. Income from fixed-income securities: shares in companies linked by participating interests	(40330)	281	83
* Belgian sites	52307	281	83
* Foreign offices	52308	0	0
e. Income from fixed-income securities: other shares held as fixed financial assets	(40340)	261	757
* Belgian sites	52309	261	757
* Foreign offices	52310	0	0
f. Commissions received	(40400)	1.046.340	1.323.322
* Belgian sites	52311	1.014.061	1.295.006
* Foreign offices	52312	32.279	28.316
g. Profit on financial transactions	(40600)	-231.085	155.668
* Belgian sites	52313	-238.525	146.305
* Foreign offices	52314	7.440	9.363
h. Other operating income	(41400)	500.535	467.426
* Belgian sites	52315	497.856	446.731
* Foreign offices	52316	2.679	20.695
2. Employees on the personnel register			
a. Total number at the closing date	52317	8.627	8.979
b. Average number of employees in full-time equivalents	52318	7.978	8.201
* Management Personnel	52319	70	73
* Employees	52320	7.908	8.128
* Workers	52321	0	0
* Other	52322	0	0
c. Number of actual worked hours	52323	10.818.076	11.468.999
3. Personnel			
a. Remuneration and direct social benefits	52324	577.837	552.661
b. Employers' social security	52325	143.433	138.498
c. Employers' premiums for extra statutory insurance	52326	56.622	57.232
d. Other personnel	52327	19.377	26.865
e. Retirement and survivors' pensions	52328	7.290	5.790
4. Provisions for pensions and similar obligations			
a. Increase (+)	52329	6.423	9.920
b. Decrease (-)	52330	10.827	7.330

	Code	Current period	Previous period
5. Breakdown of other operating income if this represents a significant amount			
a. Leasing activities		279.754	226.397
b. Recalculations to / recuperations of group companies		161.332	160.690
c. Other		59.449	80.339
6. Other operating expenses			
a. Corporate taxes	52331	40.171	39.739
b. Other	52332	41.612	19.694
c. Analysis of other operating expenses if this represents a significant amount			
7. Operating revenue from affiliated companies	52333	7.850.483	3.139.246
8. Operating costs relating to affiliated companies	52334	7.305.870	3.804.927

XXIV. STATEMENT OF OFF BALANCE SHEET OPERATIONS ON SECURITIES, CURRENCIES AND OTHER FINANCIAL INSTRUMENTS WHICH BRING NO OBLIGATION WITH A POTENTIAL CREDIT RISK ACCORDING TO HEADING II OF THE OFF BALANCE SHEET ITEMS

	Code	Current period
A. TYPES OF OPERATIONS (amounts on the closing date of the accounts)		
1. Securities transactions		
a. Forward purchases and sales of securities and marketable securities	52401	0
* of which: not intended for hedging purposes	52402	0
2. Exchange transactions (amounts to be provided)		
a. Forward exchange contracts	52403	139.362.343
* of which: not intended for hedging purposes	52404	139.362.343
b. Currency and interest rate swaps	52405	41.006.000
* of which: not intended for hedging purposes	52406	38.038.643
c. Currency futures	52407	0
* of which: not intended for hedging purposes	52408	0
d. Options on currencies	52409	8.382.933
* of which: not intended for hedging purposes	52410	8.382.933
e. Forward exchange contracts	52411	0
* of which: not intended for hedging purposes	52412	0
3. Transactions in other financial instruments		
Forward transactions in interest rate (nominal / notional reference)		
a. Interest rate swap agreements	52413	612.915.241
* of which: not intended for hedging purposes	52414	491.246.029
b. Interest futures transactions	52415	14.117.092
* of which: not intended for hedging purposes	52416	14.117.092
c. Future Interest rate Agreements	52417	11.572.494
* of which: not intended for hedging purposes	52418	11.572.494
d. Interest rate options	52419	19.843.649
* of which: not intended for hedging purposes	52420	19.843.649
Other purchase and sales (sale / purchase price agreed between parties)		
e. Other option transactions	52421	4.631.947
* of which: not intended for hedging purposes	52422	4.631.947
f. Other futures transactions	52423	404.625
* of which: not intended for hedging purposes	52424	404.625
g. Other forward purchases and sales	52425	0
* of which: not intended for hedging purposes	52426	0

B. MICRO-COVERAGE TRANSACTIONS REFERRED TO IN ARTICLE 36BIS, §1

1. Coverage transaction at fair value

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	18.210.264	18.208.664	-1.307.360	-20.546	44.129	-64.675	52433	-1.286.814
Forward swaps							52434	
Swaptions							52435	
interest options							52436	
Other							52437	
TOTAL	18.210.264	18.208.664	-1.307.360	-20.546	44.129	-64.675	52438	-1.286.814

Explanatory description of the difference between market value and book value on the balance sheet (codes 52433 to 52437)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Ineffectiveness of coverage not recognized in the income statement

Amount of coverage ineffectiveness not recognized in the income statement at the end of the period.
Description and comments on the chosen method of calculating ineffectiveness :

Codes	Amount
52439	-570

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

2. Cash flow coverage

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	1.219.789	1.165.048	-30.864	11.255	18.778	-7.523	52440	-42.119
Forward swaps							52441	
Swaptions							52441	
interest options							52443	
Other							52444	
TOTAL	1.219.789	1.165.048	-30.864	11.255	18.778	-7.523	52445	-42.119

Explanatory description of the difference between market value and book value on the balance sheet (codes 52440 to 52444)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Ineffectiveness of coverage not recognized in the income statement

Amount of coverage ineffectiveness not recognized in the income statement at the end of the period.
Description and comments on the chosen method of calculating ineffectiveness :

Codes	Amount
52446	

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

* Positive value for asset, negative value for liability

C. MACRO-COVERAGE TRANSACTIONS REFERRED TO IN ARTICLE 36BIS, §1BIS, LID 1, 1°

1. Coverage transaction at fair value

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	81.934.997	81.884.825	1.984.414	-2.026	190.594	-192.619	52447	1.986.439
Forward swaps							52448	
Swaptions							52449	
interest options							52450	
Other							52451	
TOTAL	81.934.997	81.884.825	1.984.414	-2.026	190.594	-192.619	52452	1.986.439

Explanatory description of the difference between market value and book value on the balance sheet (codes 52447 to 52451)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
  Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
  Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Description of instruments covered and economic risks covered

-hedging of yield curve fluctuations by means of IRS.
  Including IRS with grandfathering label based on derogation from Article 36a §2, which will cease to apply from 2023 (valuation at market value from 1 January 2023).
-deferral (capitalisation) of foreign exchange transactions of CCIRS and FX swaps set up for non-EUR funding of intragroup participating interests (CZK, HUF and RON).

Ineffectiveness of coverage not recognized in the income statement

	Codes	Amount
Amount of coverage ineffectiveness not recognized in the income statement at the end of the period. Description and comments on the chosen method of calculating ineffectiveness :	52453	-11.075

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

* Positive value for asset, negative value for liability

2. Cash flow coverage

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	17.842.700	17.842.700	-996.705	-90.237	19.786	-110.023	52454	-906.468
Forward swaps							52455	
Swaptions							52456	
interest options							52457	
Other							52458	
TOTAL	17.842.700	17.842.700	-996.705	-90.237	19.786	-110.023	52459	-906.468

Explanatory description of the difference between market value and book value on the balance sheet (codes 52447 to 52451)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
  Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
  Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Description of instruments covered and economic risks covered

Hedging of yield curve fluctuations by means of IRS.

Ineffectiveness of coverage not recognized in the income statement

Amount of coverage ineffectiveness not recognized in the income statement at the end of the period.
Description and comments on the chosen method of calculating ineffectiveness :

Codes	Amount
52460	-12.604

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

* Positive value for asset, negative value for liability

D. COVERAGE RESULTS ON DISQUALIFIED TRANSACTIONS DEFERRED IN THE SUSPENSE ACCOUNT AND STILL SHOULD BE AMORTIZED AND AS REFERRED TO IN ARTICLE 36BIS, §4, 3° AND 4° - BREAKDOWN BY REMAINING TERM

1. Transactions referred to in Article 36bis, §4, 3° - Instruments remaining in the institution's assets

	=< 3 months	> 3 months =< 1 year	> 1 year =< 5 year	>= 5 year	Codes	Total
Suspense account asset (asset item XIII)						
Micro-coverage					52461	
macro coverage					52462	
Waiting account liabilities (liability item V)						
Micro-coverage					52463	
macro coverage					52464	

Description of financial instruments that no longer qualify as hedging transactions, but which remain within the institution's assets, indicating the type of coverage (micro coverage or macro coverage, fair value coverage or cash flow coverage), their current classification (banking or trading portfolio) and the original covered instruments

2. Transactions referred to in Article 36bis, §4, 4° - Instruments that are no longer part of the institution's assets

	=< 3 months	> 3 months =< 1 year	> 1 year =< 5 year	>= 5 year	Codes	Total
Suspense account asset (asset item XIII)						
Micro-coverage					52465	
macro coverage			1.961		52466	1.961
Waiting account liabilities (liability item V)						
Micro-coverage					52467	
macro coverage	-145	-2.349	-16.912		52468	-19.406

E. INTEREST RATE MANAGEMENT OPERATIONS WITHOUT TAKING ON ADDITIONAL RISK WITH A SECURITIZATION VEHICLE PROVIDED BY THE CREDIT INSTITUTION IS CONSOLIDATED (ARTICLE 36A, §1A, SECOND PARAGRAPH)

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	5.428.820	5.428.820	-304.764				52469	-304.764
Forward swaps							52470	
Swaptions							52471	
interest options							52472	
Other							52473	
TOTAL	5.428.820	5.428.820	-304.764				52474	-304.764

Explanatory description of the difference between market value and book value on the balance sheet (codes 52469 to 52473)

The difference between dirty MtM (market value) and accrued interest (book value) constitutes clean MtM determined by:

- yield curve valuations

Yield curve valuations are temporary fluctuations that add up to zero over the entire duration. Hedge accounting eliminates associated P&L volatility.

Securitization vehicles involved		Nature of operations and observations
Designation	Code LEI	
Loan Invest NV	635400VLKUYLHJTXS840	Securitization of mortgage loans and SME-loans.

* Positive value for asset, negative value for liability

XXV. EXTRAORDINARY RESULTS

	Code	Current period
1. Realised gains on transfer of fixed assets to affiliated companies	52501	0
2. Incurred losses on transfer of fixed assets to affiliated companies	52502	0
3. Breakdown of the other exceptional income if it comprises significant amounts		0
4. Breakdown of the other extraordinary costs if they comprise significant amounts		0

XXVI. INCOME TAXES

	Code	Current period
1. Income taxes for the year	52601	-64.147
a. Taxes and withholding taxes due or paid	52602	-61.524
b. Excess of income tax prepayments and of withholding taxes	52603	12
c. Estimated additional charges for income taxes	52604	-2.636
2. Income taxes for previous years	52605	-161
a. Additional income taxes due or paid	52606	-25
b. Additional charges for income taxes, estimated (included in liabilities)	52607	-136
3. Main sources of differences between the profit before tax, as stated in the financial statements, and the estimated taxable income		
Movements in taxable reserves and provisions		-145.840
The specific tax system applicable to gains and losses on shares		-261.064
The application of the foreign tax credit scheme on dividends received		-2.341.389
Innovation deduction		-12.000
Disallowed expenses (other than write-downs, losses on shares, revenue participation and corporation tax)		25.546
Recovery of tax losses		-388.602

4. Impact of extraordinary results on the amount of income taxes for the year

Realised gains and incurred losses on shares under financial fixed assets (gains not taxable and losses not deductible)		9.716
Write-downs (not deductible) and write-backs (not taxable) on shares under financial fixed assets		251.389

	Code	Current period
5. Sources of deferred taxes		
a. Deferred tax assets	52608	841.949
* Accumulated tax losses deductible from future taxable profits	52609	407.233
* Other deferred tax assets		434.717
Taxable impairments		309.415
Taxable supplies		113.628
Other taxable reserves		11.673
b. Passive deferrals	52610	0
* Breakdown of the passive deferrals		

XXVII. VALUE ADDED TAX AND TAXES BORNE BY THIRD PARTIES

	Code	Current period	Previous period
1. Charged value added tax			
a. To the reporting institution (deductible)	52701	287.351	256.633
b. By the reporting institution	52702	263.242	246.572
2. Amounts withheld on behalf of third parties as			
a. Payroll tax	52703	152.469	141.688
b. Withholding tax	52704	91.327	86.367

XXVIII. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS (INCLUDED TRANSACTIONS WITH RELATED PARTIES)

A. OFF BALANCE SHEET RIGHTS AND COMMITMENTS

	Code	Current period
1. Substantial commitments to acquire fixed assets		
2. Substantial commitments to dispose of fixed assets		

3. Amount, type and form of significant litigation and other significant commitments

Significant disputes pending:

We value claims brought against companies of the KBC group according to their risk assessment (probable, possible or unlikely). We create provisions for the files with a risk assessment of a probable loss (see Notes to the accounting policies). As long as the receivable is assessed as possible (the files with risk assessment potential loss), we do not make any provisions, but provide an explanation in the financial statements if they could have a significant impact on the balance sheet (i.e. if the receivable could lead to a possible outflow of more than 50 million euros). All other exposures (with risk-estimated improbable loss), regardless of their magnitude, that present little or no risk do not need to be disclosed. We list the most important files below. We keep the information limited so as not to interfere with the group's position in pending litigation.

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 USD 110,000,000 which had been transferred from Madoff (via a feeder fund KBC had lent to, 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").
A lengthy litigation process was conducted on the basis of preliminary objections in respect of the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees (as is the case for KBC Investments Ltd), as detailed in previous disclosures. In June 2015 the trustee amended the original claim which led to an increase of the amount claimed to USD 196,000,000.
A court ruling dismissing the claim of the Trustee was issued on 3 March 2017. The Trustee appealed and the Court of Appeal reversed the dismissal on 28 February 2019. A petition (i.e. writ of Certiorari) filed on 30 August 2019 was denied by the U.S. Supreme Court on 2 June 2020. As a consequence the merits of the case are handled by the Bankruptcy Court.
On August 30, 2021, in two other appeals by other defendants, the appellate court ("Court of Appeals for the Second Circuit") reversed the burden of proof from an initial burden on the Trustee to prove the defendant's lack of good faith to a burden on the defendant to prove its good faith.
On August 1, 2022, the bankruptcy court ruled on the regulation of the procedure. In this regard, the Bankruptcy Trustee amended its complaint on August 5, 2022 by reducing its claim to USD 86,000,000 in principal. KBC filed a motion to dismiss the amended complaint on November 18, 2022, citing the lack of specific jurisdiction of the US court. The final response in support of her motion must be filed on or before March 10, 2023. A hearing will take place in April 2023. Although the burden of proof has increased, KBC still believes it has sound and credible defences, both procedurally and substantively. , including showing good faith. The procedure can take several years.

Other significant liabilities.

The bank irrevocably guarantees all the sums, indebtedness, obligations and liabilities outstanding on 31 December 2022 of the following companies, which are consequently exempt from publication on a consolidated basis.

KBC Asset Management NV

4. Where appropriate, a brief description of the system of supplementary retirement or survivor benefit of the personnel or the executives, stating the measures taken to cover the resulting charges

A system of additional pension provisions, a supplementary death capital, orphan's interest and invalidity allowances is provided for all staff members. For all staff who have been employed since 2014, this is organised via the KBC Pension Fund in a "fixed contribution" plan. This means that the amount of these provisions depends on the employee's remuneration over the course of his career. For staff who were already in service before 2014, these provisions are organised within the framework of a "defined benefit" plan, which means that the amount of these provisions depends on the final remuneration, the number of years of service and the age at the time of retirement. Since 2014, the target plan to be achieved is therefore a closed plan (no more new accessions).

These pension provisions are fully financed by the employer by means of annual allowances that are charged to the result. These allowances in the defined benefit plan are calculated on an actuarial basis using the aggregate cost method. The allowances in the "defined contribution" plan are calculated as a percentage of the individual, actual remuneration; for contribution plans, a statutory minimum return guarantee is applicable, which currently amounts to 1.75%. The allowances are paid to the KBC Pension Fund, which is responsible for the management of the reserves thus formed, their payment and the administration.

In addition, a supplementary pension plan (fixed contribution plan) is provided, based exclusively on the personal contributions of the employees through deductions from salary payments. The legal return guarantee currently amounts to 1.75%. This plan was discontinued on 1 January 2019. In other words, no new accessions will take place and it only exists for those staff who were already members of this plan before 1/1/2019 and who have opted to continue the plan beyond 1/1/2019. Here too, the management, payment and administration of this plan has been entrusted to the KBC pension fund.

	Code	Current period
5. Pensions that are borne by the institution itself: the estimated amount of obligations arising from past services	52801	
Bases and methods of estimation		

6. Nature and business purpose of off balance sheet arrangements

Provided that the risks or benefits of such arrangements are material and to the extent that disclosure of the risks or benefits is necessary for assessing the financial situation of the institution;
where appropriate, the financial consequences of these operations for the facility must also be mentioned:

KBC Bank NV is a member of a VAT grouping.

KBC Bank has set up a company for investments in debt securities, called Loan Invest NV, which has acquired loans of KBC Bank, using funds received from the issuance of securities.

KBC Bank carries an important part of these securities on its balance sheet. The interest risk carried by Loan Invest NV is covered by interest rate swaps concluded between Home Loan Invest and KBC Bank, so that this operation has a limited effect on the ALM management of the bank and on the income statement. The balance sheet shows a decrease of loans for an amount of 7.377 million euros and an increase of investment securities for an amount of 5.428 million euros. KBC Bank NV has a subordinated claim on Loan Invest NV, worth 2.236 million euros.

The main reason for setting up this operation is to make part of the loans of KBC Bank more liquid, as the securities issued by Loan Invest NV and held by KBC Bank are eligible for refinancing with the ECB. As a consequence the main purpose of this operation is improving the liquidity risk of the bank.

Note that Loan Invest NV is listed as a “Special Purpose Entity”, included in the consolidated reporting of KBC Bank.

The annual accounts of Loan Invest NV are available at the Central Balance Sheet Office.

B. TRANSACTIONS WITH RELATED PARTIES

Indication of such transactions if they are significant, including the amount of these transactions, the nature of the relationship with the related party and any other information on transactions that would be required to obtain a better understanding of the financial situation of the institution:

Related party	The nature of the relationschip	Current period
CBC BANQUE SA	Other option transactions	7.725
	Guarantees given	80.342
	Guarantees received	1.612.408
	Interest rate options	334.993
	Options on currencies	53.105
	Interest rate swap agreements	13.205.202
	Forward exchange contracts	372.011
	Currency and interest rate swaps	5.625
CESKOSLOVENSKA OBCHODNA BANKA A.S.	Other option transactions	20.929
	Guarantees given	2.811
	Guarantees received	922.350
	Interest rate options	40.286
	Options on currencies	38.193
	Interest rate swap agreements	5.292.076
	Forward exchange contracts	244.436
CESKOSLOVENSKA OBCHODNI BANKA, A.S.	Other option transactions	170.348
	Guarantees given	4.566
	Guarantees received	731.995
	Interest rate options	616.130
	Options on currencies	597.799
	Interest rate swap agreements	63.464.621
	Forward exchange contracts	14.779.273
	Currency and interest rate swaps	771.802
K&H BANK ZRT.	Other option transactions	3.813
	Guarantees given	65.436
	Guarantees received	305.097
	Interest rate options	52.876
	Options on currencies	427.940
	Interest rate swap agreements	9.632.280
	Forward exchange contracts	1.533.036
	Currency and interest rate swaps	75.739
	Assets pledged as collateral	29.477
KBC ASSET MANAGEMENT NV	Guarantees given	377.314
	Guarantees received	3.100
	Forward exchange contracts	66.710
	Committed lines	30.000
KBC AUTOLEASE NV	Committed lines	561.500
KBC BAIL IMMOBILIER FRANCE SAS	Guarantees received	54.399
	Committed lines	15.748
KBC BANK BULGARIA EAD	Guarantees given	15.980
	Interest rate swap agreements	74.275
	Forward exchange contracts	285.360
	Assets pledged as collateral	291.136
KBC BANK IRELAND PLC	Guarantees given	819.298
	Guarantees received	2.599.270
	Forward exchange contracts	18.751
	Currency and interest rate swaps	338.245

Related party	The nature of the relationschip	
KBC COMMERCIAL FINANCE NV	Guarantees given	472.599
	Guarantees received	1.326
	Committed lines	3.200.000
KBC GLOBAL SERVICES	Committed lines	16.700
KBC GROEP NV	Interest rate swap agreements	500.000
KBC IFIMA SA	Other option transactions	438.753
	Guarantees given	353.690
	Interest rate swap agreements	333.195
KBC IMMOLEASE NV	Committed lines	146.292
KBC LEASE BELGIUM NV	Committed lines	221.948
KBC SECURITIES NV	Other option transactions	1.151
	Guarantees given	2.813
	Guarantees received	6.662
	Committed lines	500.000
KBC VERZEKERINGEN NV	Guarantees given	2.968
	Guarantees received	2.981.215
	Interest rate swap agreements	296.500
	Committed lines	8.000
	Currency and interest rate swaps	38.883
LOAN INVEST NV	Interest rate swap agreements	5.428.820
POELAERT INVEST NV	Interest rate swap agreements	35.840
	Committed lines	34.000
UNITED BULGARIAN BANK AD	Guarantees given	11.301
	Guarantees received	20.393
	Interest rate swap agreements	89.192
	Forward exchange contracts	727.728
	Assets pledged as collateral	810.490

C. Nature and financial impact of the significant events after the balance sheet date which are not taken into account in the income statement or the balance sheet

On 3 February 2023, KBC Bank Ireland, subsidiary of KBC Bank, closed the sale of substantially all of its assets and liabilities to Bank of Ireland.
The book value of KBC Bank Ireland on the balance sheet of KBC Bank already took into account this sale and some uncertainties about the future of KBC Bank Ireland.

XXIX. FINANCIAL RELATIONS WITH

	Code	Current period
A. DIRECTORS AND MANAGERS, INDIVIDUALS OR CORPORATE BODIES WHO CONTROL THE INSTITUTION DIRECTLY OR INDIRECTLY WITHOUT BEING RELATED TO IT OR OTHER COMPANIES CONTROLLED DIRECTLY OR INDIRECTLY BY THESE PEOPLE		
1. Amounts receivable from these persons	52901A	661.352
a. Conditions on amounts receivable		
b. Possibly refunded amount or amount which is waived	52901B	
All related party transactions occur at arm's length.		
2. Guarantees granted on their behalf	52902	0
a. Principal terms of the guarantees granted		
3. Other significant commitments undertaken in their favour	52903	0
a. Main conditions of these obligations		
4. Direct and indirect remuneration and pensions, included in P&L, provided that such disclosure does not concern exclusively or mainly the situation of a single identifiable person		
a. To directors and managers	52904	339
b. To former directors and former managers	52905	0

	Code	Current period
B. THE AUDITOR(S) AND THE PEOPLE HE (SHE) IS (ARE) RELATED TO		
1. Remuneration of the auditor(s)	52906	2.080
2. Fees for exceptional services or special services provided to the company by the auditor(s)		
a. Other audit services	52907	103
b. Tax advisory services	52908	0
c. Other non-audit services	52909	0
3. Fees for exceptional services or special services provided to the company by persons with whom the auditor(s) is(are) related		
a. Other audit services	52910	15
b. Tax advisory services	52911	0
c. Other non-audit services	52912	0

4. Statements in accordance with Article 3:64, §2 en §4 of the Company Code

XXX. POSITIONS IN FINANCIAL INSTRUMENTS

	Code	Current period
1. Financial instruments to be received by the institution on behalf of clients	53001	3.097.506
2. Financial instruments to be delivered by the institution to clients	53002	4.736.329
3. Financial instruments of clients held in custody by the institution	53003	231.367.584
4. Financial Instruments from clients given in custody by the institution	53004	154.681.077
5. Financial Instruments from clients held as collateral by the institution	53005	3.083.534
6. Financial Instruments from clients given as collateral by the institution	53006	0

XXXI. COUNTRY BY COUNTRY INFORMATION

Information to be provided by the institutions referred to in Article 4(1)(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No 648/2012 with the exception of those undertakings which draw up and publish consolidated accounts in accordance with the Royal Decree of 23 September 1992 on the consolidated accounts of credit institutions, investment firms and collective investment undertakings.

DENOMINATION of the branch, subsidiary or joint subsidiary Nature of activities	Financial year				
COUNTRY	Number of employees *in full-time equivalents*	Turnover (= Interest income and similar income + income from variable-income securities + commissions received + gain on financial transactions)	Profit (Loss) before taxes	Tax on the results	Government grants received

XXXII. DERIVATIVES NOT ESTIMATED AT FAIR VALUE

FOR EACH CATEGORY OF DERIVATIVE FINANCIAL INSTRUMENTS NOT BE VALUED ON THE BASIS OF FAIR VALUE

(in thousands EUR)

				Period		Previous Period	
Category of financial derivatives	Hedge risk	Speculation/ hedging	Volume	Book value	Fair value	Book Value	Fair value
Interest rate swaps	Interest rate risk	Hedging	121.669.212	-112.305	-564.039	-89.326	-1.530.295
Cross currency interest rate swaps	Interest- and currency risk	Hedging	1.228.414	10.751	-91.239	10.978	24.244

FINANCIAL FIXED ASSETS CARRIED AT AN AMOUNT IN EXCESS OF FAIR VALUE

	Book value	Fair value
Amount of individual assets or appropriate groupings of those assets		
Reasons for not reducing the book value		
Informations that suggest than the book value will be recovered		

XXXII. DECLARATION ON CONSOLIDATED ACCOUNTS

A. TO BE COMPLETED BY ALL CREDIT INSTITUTIONS

The institution has drawn up and has published consolidated annual accounts and a consolidated annual report*

~~**The institution does not draw up consolidated annual accounts nor a consolidated annual report because she is exempted due to following reason(s)***~~

The institution does not, solely nor jointly, control one or more subsidiaries governed by Belgian or foreign law*

The institution is a subsidiary of a parent company that draws up and publishes consolidated accounts, in which the annual accounts are included through consolidation*

Justification of compliance with the conditions set out in Article 4 of the Royal Decree of September 23rd 1992:

Name and full address of the registered office and, for institutions governed by Belgian law, the company number of the parent company publishing the consolidated accounts by virtue of which the exemption is granted

B. TO BE COMPLETED BY INSTITUTIONS WHICH ARE SOLELY OR JOINTLY-HELD SUBSIDIARIES

Name and full address of the registered office and, for companies governed by Belgian law, the company number of the parent company or companies preparing and publishing the consolidated accounts in which the accounts of the reporting institution are consolidated **:

KBC GROEP NV
HAVENLAAN 2, 1080 BRUSSEL
0403.227.515
The parent company draws up consolidated annual accounts and publishes these consolidated annual accounts.

If the parent company or companies are governed by foreign law, state the place where the above-mentioned consolidated accounts may be obtained **:

* Delete where appropriate

** If the accounts are consolidated at several levels, give details of the largest and smallest aggregate to which the reporting institution belongs as a subsidiary and for which consolidated accounts are prepared and published

C. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: Statement in accordance with article 133, paragraph 6 of the Company Law

	Code	Current period
D. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: Statement in accordance with article 134, paragraphs 4 and 5 of the Company Law		
1. Auditor's fees for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	53201	5.981
2. Fees for exceptional services or special services rendered in this group by the auditor(s)		
a. Other audit services	53202	269
b. Tax consultancy services	53203	0
c. Other non-audit services	53204	0
3. Fees for the people who are related to the auditor(s) for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	53205	0
4. Fees for exceptional services or special services rendered in this group by the people who are related to the auditor(s)		
a. Other audit services	53206	228
b. Tax consultancy services	53207	0
c. Other non-audit services	53208	2

XXXIII. INDICATIONS REGARDING RELATIONS WITH ASSOCIATED COMPANIES WITHIN THE MEANING OF
OF ARTICLE 1:21 OF THE COMPANIES AND ASSOCIATIONS CODE

	Code	Current period
commissaris op het niveau van de groep waarvan de vennootschap die de informatie	**53101**	**57.795**
- Holdings	53102	57.795
- Subordinated loans	53103	0
- Other claims	53104	0
commissaris op het niveau van de groep waarvan de vennootschap die de informatie	**53105**	**94.778**
- On more than one year	53106	94.778
- within one year	53107	0
3. Debts to associates	**53108**	**91.204**
- On more than one year	53109	63.239
- within one year	53110	27.966
4. Personal and real guarantees :	**53111**	**23.996**
- made by the company or irrevocably promised as security for debts or liabilities of associates	53112	22.372
- Held by associates or irrevocably promised as security for the debts or obligations of the company	53113	1.623
5. Other significant financial commitments :	**53114**	**0**

10				9	EUR	
NAT.	Date Filed	N°	P.	E.	D.	**C-inst 7.0**

Social Balance Sheet

NAME:	KBC BANK				
Legal Form:	NV				
Address:	Havenlaan			N°.: 2	Box:
Postal Code:	1080	Municipality:	BRUSSELS		
Country:	België				
Register of Legal Persons (RLP) - Chamber of Commerce:			Brussels		
Internet address*:		http://www.kbc.be			

Company Number: 0462.920.226

concerning the financial year covering the period from 01/01/2022 till 31/12/2022

Previous period from 01/01/2021 till 31/12/2021

The amounts of the previous financial year are / ~~are not~~ ** identical to those which have been previously published.

SOCIAL REPORT (in euro)

Numbers of joint industrial committees which are competent for the enterprise:	310				

STATEMENT OF THE PERSONS EMPLOYED

EMPLOYEES RECORDED IN THE STAFF REGISTER

During the current period	Codes	Total	1. Male	2. Female
Average number of employees				
Full-time	1001	5.360	3.221	2.139
Part-time	1002	3.046	665	2.381
Total of full-time equivalents (VTE)	1003	7.644	3.705	3.939
Number of hours actually worked				
Full-time	1011	7.407.467	4.592.720	2.814.748
Part-time	1012	2.866.984	572.365	2.294.619
Total	1013	10.274.451	5.165.084	5.109.367
Personnel costs				
Full-time	1021	528.258.374,33	343.511.951,00	184.746.423,32
Part-time	1022	203.609.759,60	47.878.667,10	155.731.092,50
Total	1023	731.868.133,93	391.390.618,10	340.477.515,83
Advantages in addition to wages	1033	14.421.246,77	7.712.237,25	6.709.009,52

During the previous period	Codes	P. Total	1P. Male	2P. Female
Average number of employees	1003	7.879	3.816	4.063
Number of hours actually worked	1013	10.884.977	5.438.947	5.446.030
Personnel costs	1023	712.398.878,35	379.819.972,12	332.578.906,23
Advantages in addition to wages	1033	15.262.780,02	8.137.447,79	7.125.332,23

At the closing date of the current period	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees recorded in the personnel register	105	5.300	2.996	7.545,7
By nature of the employment contract				
Contract for an indefinite period	110	5.298	2.996	7.543,7
Contract for a definite period	111	2	0	2,0
Contract for the execution of a specifically assigned work	112	0	0	0
Replacement contract	113	0	0	0
According to the gender and by level of education				
Male	120	3.185	650	3.657,2
primary education	1200	0	0	0
secondary education	1201	203	79	259,2
higher education (non-university)	1202	1.838	437	2.156,5
university education	1203	1.144	134	1.241,6
Female	121	2.115	2.346	3.888,4
primary education	1210	0	0	0
secondary education	1211	168	264	367,4
higher education (non-university)	1212	1.220	1.587	2.408,8
university education	1213	727	495	1.112,3
By professional category				
Management staff	130	51	6	54,0
Employees	134	5.249	2.990	7.491,7
Workers	132	0	0	0
Other	133	0	0	0

HIRED TEMPORARY STAFF AND PERSONNEL PUT AT THE ENTERPRISE'S DISPOSAL

During the current period	Codes	1. Temporary personnel	2. Persons put at the disposal of the enterprise
Average number of employees	150	23	0
Number of hours actually worked	151	43.537	0
Charges of the enterprise	152	2.363.487,24	0

TABLE OF PERSONNEL CHANGES DURING THE CURRENT PERIOD

ENTRIES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees recorded on the personnel register during the financial year	205	455	40	487
By nature of the employment contract				
Contract for an indefinite period	210	446	40	478
Contract for a definite period	211	9	0	9
Contract for the execution of a specifically assigned work	212	0	0	0
Replacement contract	213	0	0	0

DEPARTURES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
The number of employees with a in the staff register listed date of termination of the contract during the period	305	557	291	752
By nature of the employment contract				
Contract for an indefinite period	310	548	291	743
Contract for a definite period	311	9	0	9
Contract for the execution of a specifically assigned work	312	0	0	0
Replacement contract	313	0	0	0
According to the reason for termination of the employment contract				
Retirement	340	53	151	140
Unemployment with company bonus	341	0	0	0
Dismissal	342	43	9	50
Other reason	343	461	131	562
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	350	0	0	0

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE CURRENT PERIOD

	Codes	Male	Codes	Female
Total number of official advanced professional training projects at company expense				
Number of participating employees	5801	3.543	5811	4.127
Number of training hours	5802	52.666	5812	49.667
Costs for the company	5803	4.308.647,92	5813	5.018.851,24
of which gross costs directly linked to the training	58031	4.129.534,72	58131	4.810.214,44
of which paid contributions and deposits in collective funds	58032	179.113,20	58132	208.636,80
of which received subsidies (to be deducted)	58033	0,00	58133	0,00
Total number of less official and unofficial advance professional training projects at company expense				
Number of participating employees	5821	3.882	5831	4.442
Number of training hours	5822	107.779	5832	120.416
Costs for the company	5823	6.951.259,39	5833	7.954.017,06
Total number of initial professional training projects at company expense				
Number of participating employees	5841	0	5851	0
Number of training hours	5842	0	5852	0
Costs for the company	5843	0,00	5853	0,00

Valuation rules KBC Bank

1. General

The accounting principles and valuation rules are conform to Belgian accounting legislation and the provisions of the Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The annual accounts are made up as at 31 December after profit appropriation.
In conformity with Article 3 of the above-mentioned Royal Decree, the annual accounts are drawn up according to the principle of a true and fair view. A transparent, clear and consistent financial reporting is important for KBC Bank as a financial institution. As such, KBC aims to align as much as possible, within the possibilities of the Belgian accounting law and the systems, with the international accounting standards IFRS, as applied for the consolidated annual accounts.

2. Valuation rules

CURRENCY TRANSLATION

All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate at balance sheet date. Negative and positive valuation differences, except for those relating to the financing of shares and investments in foreign

currency and to dotation capital for foreign branches, are recorded in the profit and loss account.

Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.

For transactions that entailed funding (lending), the rate of the day is used if there is no exchange rate.
Income and charges denominated in foreign currency are stated in the profit and loss account at the rate prevailing when they wererecognised. Foreign-currency income and expenditure which is hedged in advance is recorded in euros on the basis of the fixed rate.

Translation of the financial statements of foreign branches outside the euro zone:
balance sheet items are translated at the closing exchange rate prevailing at year-end, profit and loss account items are translated based on average rates. For this purpose, each month’s profit or loss is translated into euros at the rate prevailing at the end of that month.

The translation difference at balance sheet date, resulting from translating the profit and loss account on the basis of average rates, is taken to the profit and loss account as profit on financial transactions.

AMOUNTS RECEIVABLE

Interest collected in advance and similar income (including such additional compensation as fees for foreign loans) for the entire loan period cannot be taken to the profit and loss account immediately, and is therefore posted to an accruals and deferrals heading. At month-end, the amount earned is written to the profit and loss account.

Origination and processing fees charged are taken to profit and loss immediately on the inception of the loans and advancesconcerned, credit insurance premiums are taken to the profit and loss account annually when paid.

Commissions due (payable in advance) for bank guarantees given are recorded in the profit and loss account immediately. The commissions received by KBC Bank for credit broking are charged to the profit and loss account when the credit is disbursed.

Amounts receivable arising from advances and cash deposits are recorded in the balance sheet for the amount made available. The difference between the amount made available and the nominal value (discount) is recognised on an accruals basis according to the straight- line method as interest receivable via the accruals and deferrals accounts.

Dated commercial credit, consumer credit, home loans and receivables arising from leasing contracts are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs to be paid by customers. Interest received

but not yet due (interest collected in advance) is recorded in the profit and loss account on an accruals basis via the accruals and deferrals headings.

The other amounts receivable are recognised in the balance sheet at nominal value.
Loans and advances that are transferred through securitisation operations where the transfer qualifies as a sale under NBB/BNB guidelines no longer constitute bank assets and consequently may not appear on the balance sheet of KBC Bank, although the amount is required to be recorded in the contingent accounts. Until the securitisation operation comes to an end, the entry in the contingent accounts is required to be adjusted at the end of each month to reflect customers' loan repayments. Any gains realised on the sale of securitised assets are taken to the profit and loss account immediately at the time of the sale.

If the sales price is made up entirely or in part of a variable element dependent on the buyer's operating profit, this element will only be taken to the profit and loss account when the operating profit is known and this element is therefore fixed.

In synthetic securitisation operations, the (credit) risk in respect of the underlying (loan) portfolio is all that is transferred to a thirdparty, and this by means of a credit default swap, for example, and not through the effective transfer/sale of the (loan) receivables.

In other words, the loans remain on the balance sheet. Transactions used to hedge the company's own loan receivables arerecognised as guarantees given or received. Transactions relating to the trading portfolio are recorded as interest rate swaps.

Both types of transaction are marked to market and taken to profit and loss, unless carried out on an illiquid market (in this case, positive valuation differences are posted to an accruals and deferrals heading, and negative valuation differences to the profit and loss account).
For loans with an uncertain outcome, general provisions are set aside and specific write-downs are charged. All interest and various other receivables which have remained unpaid for three months after having become payable will not be recognised in the profit
and loss account.
Non-specific write-downs are calculated for domestic loans with an uncertain outcome on the basis of the principal amount whose repayment is uncertain, the percentage susceptible to reclassification (that portion of the 'uncertain outcome' portfolio that might become 'doubtful') and the loss percentage.
For loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis and charged to the assets heading in the annual accounts in which the risks appear, in order to cover the losses which are considered certain or likely
to ensue on the outstanding loans. Interest due and charges are written to reserves.
Loans are classified as irrecoverable and doubtful if the loan balance is payable and if debt-recovery procedures have been initiated in or out of court.
The amount of any security is equal to the principal amount registered. Personal security is recorded in the accounts in the amount that can be obtained if execution is levied.

SECURITIES

Securities are recognised at acquisition cost at the time of purchase, excluding costs and less subscription fees. The ancillary costs attendant on acquisition are charged directly to the result.

- *Investment portfolio*

Fixed-income investment securities are recorded at acquisition cost, less or plus the matured portion of the premium or discount. The difference between the acquisition cost and the redemption value is reflected as an interest item in the profit and loss account on an accruals basis over the remaining term to maturity of the securities. It is included in the profit and loss account on a discounted basis, based on the internal rate of return at the time of purchase.

Perpetual debt is valued at the lower of acquisition cost and market value.

If redemption of a security is uncertain or doubtful, an impairment is recorded according to the principles that apply for the valuation of amounts receivable.

If securities are sold, their carrying value is determined on a case-by-case basis. Gains or losses are posted directly to the profit and loss account.

Listed shares and other variable-yield securities are valued each month at the lower of acquisition cost and market value at balance sheet date. Other securities are valued at least once a year, based on the annual accounts for the previous year. File administrators are responsible for ensuring that any significant negative developments during the course of the year are also dealt with.

No value impairments are posted for shares hedged against a decline in price by means of an option.

- *Trading portfolio*

Securities belonging to the trading portfolio are marked to market. The resulting valuation differences are recorded in the profit and loss account under heading VI: ‘Profit (Loss) on financial transactions’.

FINANCIAL FIXED ASSETS

Included in KBC Bank’s holdings or participating interests are the rights (shares) held in other companies with a view to creating specific, lasting ties with them.

If there are no lasting ties and the shares are acquired for resale, then this investment will not be considered a financial fixed asset, but rather as part of the investment portfolio, regardless of the size of the shareholding and the influence that could be exerted on the management of the company in question through this shareholding.

Participating interests and shares that are considered financial fixed assets are recognised at acquisition cost.

Write-downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospects of the company concerned.

Participating interests, shares and share certificates classified as financial fixed assets may be revalued if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

Regardless of whether they are represented by securities, subordinated loans and advances to associated companies and companies linked by participating interests are valued according to the same principles as non-subordinated loans and advances.

FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

All formation expenses referred to in the Royal Decree on the annual accounts of credit institutions are charged directly to the profit and loss account for the financial year as administrative expenses.

Capitalised goodwill is depreciated according to the straight-line method over a period of five years, unless the Board of Directors decides otherwise.

The following rules apply to software that has been developed in-house: all charges relating to continuity projects, as well as

any research expenses for investments, are taken directly to the profit and loss account. However, development expenses (both internal and external) for investments are capitalised as an intangible fixed asset and written off over a period of five years. Investments are large-scale projects that introduce or replace an important business objective or model. Systems software is depreciated at the same rate as hardware, being written off according to the straight-line method over a period of three years.. Software other than systems software is depreciated over five years. Core systems with a longer useful life are depreciated straight line over an eight-year period. Core systems are types of standard software, including back-end data applications, for processing operations during the day and updates of the general ledger balances on the mainframe.

At KBC Bank, intangible fixed assets recorded are capitalised at acquisition cost including ancillary costs, and are written off on an accruals basis during the first year of investment.

TANGIBLE FIXED ASSETS

All tangible fixed assets are recognised at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT, etc.).

The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis from the time they are available for use.

The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

When tangible fixed assets are sold, realised gains or losses are taken immediately to the profit and loss account. If these assets are destroyed, the remaining amount to be written off is charged directly to the result.

Tangible fixed assets that exhibit an incontestable and lasting appreciation in value compared to their carrying value may be revalued. This surplus is written off over the average residual useful life of the assets in question.

CREDITORS

Amounts owed as a result of advances or cash deposits received are recorded in the balance sheet in the amount made available, plus or minus any difference between this amount and the redemption price of the portion that has already accrued. The difference between the amount made available and the nominal value is reflected as interest on an accruals basis in the profit and loss account.

PROVISIONS FOR LIABILITIES & CHARGES

Provisions for liabilities and charges are intended to cover losses or charges, the nature of which is clearly defined and which at balance sheet date are either likely or certain to be incurred, but the amount of which is uncertain.

- Pensions

Concerned here are commitments with regard to retirement and survivor's pensions, benefits paid out on early retirement and other similar pensions or allowances (related mainly to employees' leaving employment early and end-of-career schemes).

- Taxation

This provision covers the commitments that may arise from a change in the tax base or in the calculation of tax. It is set aside in anticipation of additional tax charges (not yet assessed) for past financial years, for the amount that is disputed.

- Other liabilities and charges

This is a residual heading in respect of the provisions referred to above and includes provisions for legal disputes, commitment credit and indirect taxes.

FUND FOR GENERAL BANK RISKS

A fund for general banking risks is created as a general buffer for the expected future credit losses calculated on a 1-year time horizon (one year expected credit loss) inherent in the normal loan portfolio and fixed-interest securities for which there are no payment difficulties (loans with a probability of default from 1 to 9).

FINANCIAL INSTRUMENTS

-Valuation rules for trading and non-trading activities

Where trading activities are concerned, the unrealised profit or loss on revaluation is recognised at least at the end of every month. This revaluation takes into account any interest flows that have already been recognised on an accruals basis. In the event of a sale, liquidation or expiration, the profit/loss on the position is recognised immediately. Where illiquid currencies or securities are concerned, no profit on revaluation is recognised.

The existing strategic positions the dealing room takes for its own account via derivatives with a view to generating a profit on the long term by way of capital gains or interest spreads are valued according to the same principles used for illiquid interest rate positions.

For non-trading activities, where interest rate instruments are concerned, the gains or losses realised are only recognised on an accruals basis over the corresponding term. The valuation of non-interest-rate instruments (e.g., share option premiums) matches the valuation of the hedged position. In addition, non-trading activities carried out for the purpose of general, long-term management of interest rate products denominated in a foreign currency (macro-hedging) are also valued according to the 'lower of cost and market' principle, along with the associated on-balance-sheet products. Profit or loss on similar transactions carried out for general EUR ALM interest rate management purposes is recognised solely on an accruals basis.

Option premiums that are paid in advance are only taken to the profit and loss account on the due date or on liquidation, with the exception of option premiums for caps, floors and collars that have been concluded for hedging purposes (accruals-basis recognition). In the meantime, they are posted under the 'Other assets' or 'Other liabilities' items. Option premiums relating to trading activities are revalued at least at the end of every month.

-Valuation of derivatives

All derivatives are always recorded under specific off-balance-sheet headings on the transaction date. Amounts are released from the off-balance-sheet headings once the outcome of the transaction is definitive, even if the underlying term only starts at that time for certain interest rate products (e.g., FRAs).

Trading transactions are marked to market, and the mark-to-market (dirty price) value is recognised in the trading results.

Non-trading transactions are included in interest income on an accruals basis, which is the case for interest payable and interest receivable relating to interest rate swaps and foreign currency interest rate swaps. The swap difference arising on FX swaps (and FX outrights) is also released to the results on an accruals basis. The results from interest rate futures and FRAs are included in the profit and loss account spread over the term of the underlying hedged item. Equity swaps are treated in the same way as interest rate swaps. In practice, equity swaps (just like options) are only recorded in the trading book and consequently marked to market. KBC Bank makes use of the derogation allowed by the NBB/BNB to Article 36*bis* of the Royal Decree on the annual accounts of credit institutions. This derogation makes it possible to take interest rate derivatives that do not meet the microhedging criteria to the profit and loss account on an accruals basis (interest rate derivatives classified as ALM or treasury management instruments).

-Hedging criteria for forward interest rate transactions:

The general criteria are set out in Article 36*bis* of the Royal Decree on the annual accounts of credit institutions of 23 September 1992:

- the hedged item, the hedged homogeneous whole, the homogeneous or not homogeneous and in time evolving whole of assets, liabilities, off-balance rights and/or obligations, as well as with regard to highly probable future cash flows, must expose the credit institution to a risk of interest rate fluctuation;
- the transaction must be recorded in the books as a hedge from its inception;
- there must be a close correlation between fluctuations in the value or highly probable future cash flows of the hedged item and the hedging instrument; in the case of hedging options, a correlation between fluctuations in the value of the hedged item and those of the underlying must be established.

In addition, specific company criteria apply. All these criteria must be met: if one criterion is no longer satisfied, the hedge will be considered a trading transaction and be subject to the appropriate accounting treatment.

Hedging combinations that involve derivatives and are terminated before maturity will be considered trading transactions once the underlying position to be hedged no longer exists. The result of hedging instruments on termination of hedging combinations is either recognized immediately in the income statement if the hedged items have disappeared, or spread in the income statement over the shorter of (i) the remaining originally determined term of the hedge and (ii) the effective remaining term of the hedged items if the hedged items remain in the institution's assets.

Future interest rate positions can be hedged if it is reasonably certain that the position will actually materialise. Moreover, the amount, term and interest rate conditions must be sufficiently certain.

-Calculation of unrealised profit/loss on revaluation

Derivatives are always valued on a contract basis; positive and negative valuation differences are not netted in the accounting records. Only for calculating capital adequacy requirements relative to market risks is the market risk calculated on a net basis per counterparty.

For forward interest rate and similar products (namely forward foreign exchange products), valuation occurs on the basis of the net present value of future, determinable cash flows using a single yield curve per currency, which is used throughout the bank. Any adjustments for operational and liquidity risks are deducted from the initial revaluation. Options are valued according to the usual valuation models. For interest rate products, calculations are always based on the assumption of a liquid market, provided the underlying currencies are liquid.

If a credit granted to a counterparty is classified as ‘doubtful’ or ‘irrecoverable’, the receivables and commitments stemming from off-balance-sheet products involving the same counterparty will be given the same classification. For loans and advances, write-downs may be recorded; for commitments, provisions will be set aside.

3. Change in the valuation rules

No changes.

KBC Bank NV
Company annual report for financial year 2022

Pursuant to Article 119 of the Companies Code, KBC Bank NV has combined the reports for its company and consolidated financial statements. You can find this 'combined' report in the 'Report of the Board of Directors' section of the KBC Bank Annual Report.

The accounting information provided in the 'Report of the Board of Directors' is based on the consolidated IFRS accounting policies. In order to provide the reader of the company financial statements, based on Belgian accounting policies (B-GAAP), with a true and fair view of the company, an additional brief explanation is given. In addition, other information to be published that is not included in the 'Report of the Board of Directors' has been included here too.

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Notes to the company annual accounts

The annual accounts have been prepared according to Belgian accounting standards (B-GAAP).

Balance sheet

KBC Bank NV (x1000 EUR)	31/12/2022	31/12/2021	Difference
Assets	**232 204 719**	**214 425 088**	**17 779 631**
Cash and cash balances with central banks	39 582 511	34 371 851	5 210 660
Amounts receivable from credit institutions	20 710 905	16 561 708	4 149 197
Loans and advances to customers	97 684 465	87 213 576	10 470 888
Bonds and other fixed-income securities	46 419 428	52 001 150	-5 581 722
Shares and other variable-yield securities	425 556	432 856	-7 299
Financial fixed assets	13 847 476	12 948 509	898 967
Formation expenses, tangible and intangible fixed assets	1 832 008	1 733 915	98 092
Other assets	977 601	952 502	25 099
Accrued charges and deferred income	10 724 770	8 209 021	2 515 749
Liabilities	**232 204 719**	**214 425 088**	**17 779 631**
Amounts payable to credit institutions	34 933 732	39 519 228	-4 585 495
Amounts payable to clients	137 519 734	124 540 777	12 978 957
Debts represented by securities	12 359 542	12 206 838	152 704
Other amounts payable	2 415 771	2 577 406	-161 635
Accrued charges and deferred income	12 975 766	6 672 487	6 303 280
Provisions for liabilities and charges and deferred taxes	66 019	113 581	-47 562
Fund for general banking risks	106 693	162 173	-55 480
Subordinated liabilities	16 079 952	13 491 242	2 588 710
Equity	15 747 510	15 141 357	606 153

Total assets

Total assets were up 17.8 billion euros on their year-earlier level. This increase is explained in the sub-headings in this document.

The branches abroad held 3.82% of the bank’s total assets (3.06% at the end of 2021).

Netting on the balance sheet

The criteria for offsetting are met if KBC currently has a legally enforceable right to set off the recognised financial assets and financial liabilities and intends either to settle the transactions on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Netting disclosure (x1000 EUR)	Gross amounts		Netting	Netted amounts	
	Assets	Liabilities		Assets	Liabilities
repos - reverse repos	14 671 095	20 128 624	8 440 357	6 230 738	11 688 267

Cash, cash balances with central banks and amounts receivable from credit institutions

Depending on conditions on the interbank market, excess cash is deposited at central banks or placed on the interbank market. The required amount of MREL instruments depends on the balance sheet total.

Loans and advances to customers

'Loans and advances to customers' rose by 10.5 billion euros to 97.7 billion euros, owing primarily to an increase in home loans of 2.9 billion euros, in current account advances of 0.8 billion euros and a higher term loan volume of 5.6 billion euros.

Bonds and other fixed-income securities

The total portfolio of fixed-income securities fell by 5.6 billion euros to 46.4 billion euros, which was mainly accounted for by a reduction in bonds issued by a KBC Group company (ČSOB) (4.7 billion euros) and by repayments of Home Loan Invest notes (1.3 billion euros).

Securities issued by public authorities represented 48.12% of the portfolio.

Financial fixed assets

'Financial fixed assets' rose by 0.9 billion euros to 13.8 billion euros, owing to the acquisition of KBC Bank Bulgaria (+1 billion euros), the reversal of a write-down on KBC Bank Ireland (+0.3 billion euros) and a repayment of a subordinated loan of -0.3 billion euros by Home Loan Invest.

Other asset items

'Deferred charges and accrued income' was mostly made up of accrued interest and the revaluation of derivatives (such as IRS). The item increased by 2.5 billion euros due mainly to the effect of mark-to-market valuation of derivatives.

Amounts payable to credit institutions

Amounts payable to credit institutions fell by 4.6 billion euros to 35.0 billion euros, owing to a repayment of the amount borrowed under TLTRO (-9.1 billion euros), a lower volume of financing in the dealing room and cash desk (-5.4 billion euros), an increased volume of repo transactions (+8.7 billion euros) and an increased volume of amounts payable to credit institutions at the branches abroad (+0.8 billion euros).

Amounts payable to clients and debts represented by securities

Total client deposits went up by 13.2 billion euros to 149.9 billion euros. Amounts payable to clients increased by 13.0 billion euros, and debts represented by securities increased by 0.2 billion euros. These amounts reflect:

- an increase in regulated savings deposits and demand deposits (11.6 billion euros)
- an increase in time deposits (2.4 billion euros)
- a decline in the short position in the dealing room (-0.7 billion euros)

Fund for general banking risks

The 0.06-billion-euro decline relates to a reversal of collective impairment on loans.

Accrued charges and deferred income

'Accrued charges and deferred income' was made up primarily of interest payable and the revaluation of derivatives. The increase of 6.3 billion euros was mainly attributable to the effect of mark-to-market accounting. Developments in this section must be assessed together with those in 'Deferred charges and accrued income' on the Assets side.

Subordinated liabilities

'Subordinated liabilities' went up by 2.6 billion euros, owing to the issue of a Senior Holdco instrument (5.4 billion euros), fully underwritten by KBC Group NV, and to a Senior Holdco instrument that had reached maturity (-2.75 billion euros).

Equity

Equity rose by 0.6 billion euros to 15.7 billion euros.

Clearing of derivative positions

Derivative assets and derivative liabilities against central clearing houses are cleared day by day by cash settlement (assets against cash collateral received and liabilities against cash collateral paid). The table below shows the positions before and after 'cash collateral' settlement.

Clearing disclosure (x1000 EUR)	Gross amounts		Netting		Netted amounts	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives	35 289 157	35 315 676	25 558 593	22 846 403	9 730 564	12 469 273

Profit and loss account

KBC Bank NV (x1000 EUR)	31/12/2022	31/12/2021	Difference
Gross income from ordinary activities	5 632 081	3 338 556	2 293 525
Operating charges	-2 497 273	-2 283 515	-213 758
Write-downs and provisions	21 664	152 180	-130 516
Profit on ordinary activities	3 156 473	1 207 222	1 949 251
Extraordinary result	227 623	-285 047	512 669
Taxes	-62 298	-74 055	11 758
Result for the period to be appropriated	**3 321 798**	**848 119**	**2 473 678**

(x1000 EUR)	31/12/2022	31/12/2021	Difference
Net interest income	2 244 264	1 472 390	771 873
Income from variable-yield securities	2 356 974	306 259	2 050 715
Net commissions	761 394	936 814	-175 420
Results from financial transactions	-231 085	155 668	-386 753
Other operating income	500 535	467 426	33 109
Gross income from ordinary activities	**5 632 081**	**3 338 556**	**2 293 525**

‘Gross income from ordinary activities’ came to 5.6 billion euros, up 2.3 billion euros on its 2021 level.

Details of this increase are given in the table above.
- ‘Net interest income’ rose sharply from the previous financial year, due mainly to the increase in interest rates in Belgium.
- ‘Income from variable-yield securities’ went up by 2.1 billion euros on account of dividends paid from the subsidiaries.
- ‘Net commissions’ went down by 175.4 million euros owing to commissions paid to KBC Group companies (-58 million euros), due to lower commission income in general because of the uncertain investment climate.
- ‘Results from financial transactions’ went down by 386.7 million euros, due primarily to a negative development in the results from derivatives in the trade portfolio (-497 million euros), partly offset by positive dealing room results (+49 million euros).
- ‘Other operating income’ went up slightly by 33.0 million euros.

(x1000 EUR)	31/12/2022	31/12/2021	Difference
General administrative charges	-2 143 124	-1 974 158	-168 967
Depreciation of tangible and intangible fixed assets	-272 365	-249 925	-22 440
Other operating charges	-81 783	-59 433	-22 351
Operating charges	**-2 497 273**	**-2 283 515**	**-213 758**

Operating charges (including ‘Depreciation of tangible and intangible fixed assets’ and ‘Other operating charges’) rose by -213.8 million euros, due in part to higher bank taxes (-32 million euros), staff expenses (-39 million euros) and IT costs (-36 million euros).

(x1000 EUR)	31/12/2022	31/12/2021	Difference
Write-downs on loans	-44 798	-25 405	-19 392
Write-downs on investment portfolio	1 541	242	1 299
Provisions (incl. Fund for general banking risks)	64 921	177 344	-112 423
Write-downs and provisions	**21 664**	**152 180**	**-130 516**

In financial year 2022, net reversal of provisions was significantly lower than in the previous financial year, owing to a lower reversal of the provision set aside for the coronavirus crisis, as well as to a provision set aside to cover the consequences of the Russia-Ukraine conflict and emerging risks (net +86 million euros).

The development in the **extraordinary result** of +512.7 million euros is attributable to a reversal of 250 million euros of the write-down made in the previous financial year on the participating interest in KBC Bank Ireland (300 million euros).

Income tax was down slightly on its level for financial year 2021, and remains limited as a result of outstanding tax losses carried forward and the specific tax system for dividends received from subsidiaries.

Events after the balance sheet date

On 3 February 2023, KBC Bank Ireland, a subsidiary of KBC Bank, finalised the sale of virtually all of its assets and liabilities to Bank of Ireland. This sale was already factored into the carrying value of KBC Bank Ireland on the KBC Bank balance sheet and some uncertainties about the future of KBC Bank Ireland.

Additional information

Information on branch offices

KBC Bank has 10 branches abroad, more specifically in New York, London, Paris, Rotterdam, Singapore, Hong Kong, Shanghai, Dublin, Düsseldorf and Milan, as well as a branch in Mumbai which no longer has any commercial activities.

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF KBC BANK NV ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of KBC Bank NV (the "Company"). This report includes our report on the annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 27 April 2022, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the Company's annual accounts for seven consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the Company's annual accounts, which comprise the balance sheet as at 31 December 2022, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR '000' 232.204.719 and a profit and loss account showing a profit for the year of EUR '000' 3.321.798.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2022, and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory Auditor's responsibilities for the audit of the annual accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the annual accounts of the current period. This matter was addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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Estimation uncertainty with respect to impairment allowances for receivables on clients

Description of the Key Audit Matter

The appropriateness of the impairment allowances for receivables on clients requires significant management judgement. Measuring impairment allowances for receivables on clients requires an assessment of the risk that a counterparty will not respect all of its contractual obligations. As disclosed in Note 8 to the annual accounts, for the measurements of the fund for general banking risks and of the impairment allowances, the Company applies a methodology which is partly aligned with the IFRS accounting policies.

The geopolitical and emerging risks that have arisen in the course of 2022 limit the ability of the credit models to adequately reflect all the consequences of the resulting economic conditions.
At year-end 31 December 2022, information regarding impairment allowances for receivables on clients and on the fund for general banking risks is included respectively in line 40900 and line 41300 of the profit and loss accounts, in application of the valuation rules as described in Note 8 to the annual accounts (chapters “Receivables” and “Fund for general banking risks”). At year-end 31 December 2022, the receivables on clients amount to EUR ‘000’ 97.684.465.

The identification of impairment, the determination of the recoverable amount and the determination of the fund for general banking risks, are part of the estimation process at the Company and are, amongst others, based on macroeconomic scenarios, credit risk models, default triggers, the financial condition of the counterparty, the expected future cash flows or the value of collateral as well as expert inputs.

The use of different modelling techniques, scenarios and assumptions could lead to different estimates of impairment charges on receivables on clients or to a different fund for general banking risks. As the receivables on clients represent the majority of the Company's balance sheet and given the related estimation uncertainty on impairment charges, including the fund for general banking risks, we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

Our audit procedures included an assessment of the overall governance of the Company's credit and impairment process, including the geopolitical and emerging risks element of the provisions. We have assessed and tested the design and operating effectiveness of the controls within the loan origination process, risk management process and the estimation process for determining impairment allowances. For loan impairment allowances determined on an individual basis we have performed, for a sample of corporate and SME credit files, a detailed review; we challenged the default triggers and the quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default.

For the determination of the fund for general banking risks, we challenged the macroeconomic scenarios and, together with our experts, we tested the underlying models including the Company’s model approval and independent validation process, as well as the expert inputs.

In our view, the impairments and the fund for general banking risks estimated by management, are within a reasonable range of outcomes in view of the overall receivables on clients and the related uncertainties.

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Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the annual accounts in Belgium. A statutory audit does not provide any assurance as to the Company's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

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- Conclude on the appropriateness of the board of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor’s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report, of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies’ and Associations’ Code and the Company’s articles of association.

Statutory auditor’s responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors’ report, certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and of certain requirements of the Companies’ and Associations’ Code, and to report on these matters.

Aspects related to the directors’ report

In our opinion, after having performed specific procedures in relation to the directors’ report, the directors’ report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 3:5 and 3:6 of the Companies’ and Associations’ Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors’ report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Regarding non-financial information, as mentioned in the directors’ report, the information is provided at the level of the highest Belgian consolidating entity, KBC Group NV, in the directors’ report on the consolidated accounts.

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Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 3:12, §1, 8° of the Companies' and Associations' Code, includes, both in terms of form and content, the information required under this Code, including, but not limited to, in relation to salaries and education, and does not present any material inconsistencies with the information we have at our disposition in our engagement.

Statements related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the annual accounts and our registered audit firm remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the annual accounts.

Other statements

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' and Associations' Code that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.
- We have evaluated the property effects resulting from the decision of the board of directors dated 17 March 2022 as described in section "Conflict of interest that fell within the scope of article 7:115, 7:116 or 7:117 of the CAC" of the directors' report and we have no remarks to make in this respect.
- During the year an interim dividend has been distributed in relation to which we have prepared the attached report, in accordance with the legal requirements.

Diegem, 31 March 2023

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave
Accredited auditor

Jeroen Bockaert
Accredited auditor

Appendix: Statutory auditor's report on 3 August 2022 to the board of directors of KBC Bank NV on the statement of assets and liabilities in connection with the distribution of an interim dividend

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KBC BANK NV

Statutory auditor's review report on the statement of assets and liabilities in connection with the distribution of an interim dividend (art. 7:213 CAC)

3 August 2022

To the attention of the board of directors of KBC Bank NV

STATUTORY AUDITOR'S REVIEW REPORT OF KBC BANK NV ON THE STATEMENT OF ASSETS AND LIABILITIES IN CONNECTION WITH THE DISTRIBUTION OF AN INTERIM DIVIDEND (art. 7:213 CAC)

In our capacity of statutory auditor, we issue our review report on the statement of assets and liabilities as of 30 June 20221 to the board of directors of KBC Bank NV (the "Company"), in accordance with article 7:213 of the Companies' and Associations' Code (hereafter "CAC") and the Company's Articles of Association.

We have performed the review of the accompanying statement of assets and liabilities (the "Statement") of the Company as of 30 June 2022, prepared in accordance with the financial reporting framework applicable in Belgium.

Responsibility of the board of directors for the preparation of the statement of assets and liabilities

The board of directors is responsible for the preparation of this statement of assets and liabilities of the Company as of 30 June 2022 in accordance with the financial reporting framework applicable in Belgium and with the principles of article 3:1, §1, 1° CAC, and for the compliance with the requirements of article 7:213, 1° and 2° CAC.

Responsibility of the statutory auditor

We are responsible for formulating a conclusion on the statement of assets and liabilities based on our review. We conducted our review in accordance with ISRE 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". Such review of the Statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, a review does not enable us to obtain assurance that we would become aware of all material matters that might be identified in an audit.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Company's accompanying statement of assets and liabilities as of 30 June 2022, showing a balance sheet total of EUR 242.813.477.246, a result of the current year of EUR 2.377.848.342 and retained earnings of EUR 2.657.217.801, has not been prepared, in all material respects, in accordance with the financial reporting framework applicable in Belgium.

Limitation of use of our report

This report is prepared solely to address the requirements of article 7:213 CAC, and may not be used for any other purpose.

Diegem, 3 August 2022

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave
Accredited auditor

Jeroen Bockaert
Accredited auditor

Appendix: Statement of assets and liabilities as of 30 June 2022

K B C   B A N K   N V

Staat van activa en passiva per 30/06/2022

ACTIVA	30/06/2022
in eenheden EURO	
I. Kas, tegoeden bij centrale banken, postcheque- en girodiensten	**46,960,088,088**
II. Bij de centrale bank herfinancierbaar overheidspapier	**299,448,713**
III. Vorderingen op kredietinstellingen	**29,000,580,564**
A. Onmiddellijk opvraagbaar	3,671,995,921
B. Overige vorderingen (op termijn of met opzegging)	25,328,584,643
IV. Vorderingen op cliënten	**94,515,087,388**
V. Obligaties en andere vastrentende effecten	**44,156,841,353**
A. Van publiekrechtelijke emittenten	23,827,523,023
B. Van andere emittenten	20,329,318,330
VI. Aandelen en andere niet-vastrentende effecten	**333,845,854**
VII. Financiële vaste activa	**12,753,622,583**
A. Deelnemingen in verbonden ondernemingen	9,935,941,311
B. Deelnemingen in ondernemingen waarmee een deelnemingsverhouding bestaat	98,076,720
C. Andere aandelen die tot de financiële vaste activa behoren	18,214,057
D. Achtergestelde vorderingen op verbonden ondernemingen en ondernemingen waarmee een deelnemingsverhouding bestaat	2,701,390,495
VIII. Oprichtingskosten en immateriële vaste activa	**57,277,693**
IX. Materiële vaste activa	**1,756,486,859**
X. Eigen aandelen	**0**
XI. Overige activa	**1,313,088,016**
XII. Overlopende rekeningen	**11,667,110,134**
TOTAAL ACTIVA	**242,813,477,246**

PASSIVA	30/06/2022
in eenheden EURO	
I. Schulden aan kredietinstellingen	**49,474,615,005**
A. Onmiddellijk opvraagbaar	6,710,697,258
B. Mobiliseringsschulden wegens herdiscontering van handelspapier	0
C. Overige schulden op termijn of met opzegging	42,763,917,747
II. Schulden aan cliënten	**139,611,160,772**
A. Spaargelden / spaardeposito's	51,164,880,875
B. Andere schulden	88,446,279,897
1) onmiddellijk opvraagbaar	79,326,388,307
2) op termijn of met opzegging	9,119,891,590
3) wegens herdiscontering van handelspapier	0
III. In schuldbewijzen belichaamde schulden	**8,433,988,833**
A. Obligaties en andere vastrentende effecten in omloop	4,927,712,668
B. Overige schuldbewijzen	3,506,276,165
IV. Overige schulden	**1,053,227,682**
V. Overlopende rekeningen	**11,989,409,875**
VI. A. Voorzieningen voor risico's en kosten	**106,934,137**
1. Pensioen- en soortgelijke verplichtingen	18,664,133
2. Belastingen	0
3. Overige risico's en kosten	88,270,004
B. Uitgestelde belastingen	**0**
VII. Fonds voor algemene bankrisico's	**101,914,714**
VIII. Achtergestelde schulden	**14,523,020,696**
EIGEN VERMOGEN	**17,519,205,531**
IX. KAPITAAL	**9,732,238,065**
A. Geplaatst kapitaal	9,732,238,065
B. Niet opgevraagd kapitaal (-)	
X. Uitgiftepremies	**2,066,338,687**
XI. Herwaarderingsmeerwaarden	**0**
XII. Reserves	**685,562,637**
A. Wettelijke reserve	672,589,389
B. Onbeschikbare reserves	0
1. voor eigen aandelen	0
2. andere	0
C. Belastingvrije reserves	12,973,248
D. Beschikbare reserves	0
XIII. Overgedragen winst (overgedragen verlies (-))	**2,657,217,801**
Winst van het boekjaar	**2,377,848,342**
TOTAAL PASSIVA	**242,813,477,246**

Additional information

Ratios used

Common equity ratio

A risk-weighted measure of the group's solvency based on common equity tier-1 capital 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’.

Information on how this ratio is calculated can be found in the ‘How do we manage our capital?’ section.

Coverage 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 'Loan and investment portfolio' table in the ‘How do we manage our risks?’ 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%

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 'Loan and investment portfolio' table in the ‘How do we manage our risks?’ section. We also use the same methodology to calculate this ratio for each business unit.

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%

The calculation includes only a partial impact of transfers between categories that underlie the management overlay of the expected collective coronacrisis ECL, as these are determined based on a collective statistical approach and thus cannot be fully individually linked to specific credits. See also Note 4.2.1.

Cost/income ratio

Gives an impression of relative cost efficiency (costs relative to income). We also use the same methodology to calculate this ratio for each business unit.

Calculation (in millions of EUR or %)	Reference	2022	2021
Cost/income ratio			
Operating expenses (A)	'Consolidated income statement': component of 'Operating expenses'	4 308	3 905
/			
Total income (B)	'Consolidated income statement': component of 'Total income'	7 261	6 457
=(A) / (B)		59.3%	60.5%

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. A negative figure indicates a net reversal of impairment and hence a positive impact on the results. We also use the same methodology to calculate this ratio for each business unit.

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%

To calculate the ratio without the collective impairments due to corona, the numerator is reduced by the reversal of 494 million euros (in 2021) and the increase of 783 million euros (in 2020). In this case, the credit cost ratio is 0.09% in 2021 and 0.16% in 2020.

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'	157 663	157 650
+			
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	1 052	3 537
+			
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'	4 830	6 056
+			
Other exposures to credit institutions (D)		4 392	4 009
+			
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	8 984	7 924
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 581	3 703
+			
Non-loan-related receivables (H)		- 350	- 818
+			
Other (I)	Component of Note 4.1	9 248	- 1 171
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		188 400	180 891

*As of the third quarter of 2021, the pending sales transactions related to the Irish loan portfolio resulted in a shift to the balance sheet item 'Non-current assets held for sale and disposal groups'. The loan portfolio still includes Ireland.

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%

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	209 271	218 124
/			
Required amount of stable funding (B)		153 767	147 731
= (A) / (B)		136%	148%

Net interest margin

Gives an idea of the net interest income (one of the most important sources of revenue for the group) relative to the average total interest-bearing assets of the banking activities. We also use the same methodology to calculate this ratio for each business unit.

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%

* After excluding all divestments and volatile short-term assets used for liquidity management.

Total assets under management

Total assets under management (AuM) comprise third-party assets and KBC group 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 assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets. 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. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure, in view of the related work and any fee income linked to them.

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

Management certification

“I, Luc Popelier, Chief Financial Officer of KBC Bank, certify on behalf of the Executive Committee of KBC Bank NV that, to the best of my knowledge, the financial statements, which are based on the relevant standards for annual accounts, fairly present in all material respects the assets, the financial condition and results of KBC Bank NV and its consolidated subsidiaries, and that the annual report provides a fair overview of the development, results and the situation of KBC Bank NV and its consolidated subsidiaries, as well as an overview of the main risks and uncertainties to which they are exposed.”