Press Release

Outside trading hours - Regulated information*

Brussels, 9 February 2023 (07.00 a.m. CET)

KBC Group: Fourth-quarter result of 818 million euros

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

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

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

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

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

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

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

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

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

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

Johan Thijs
Chief Executive Officer

Financial highlights in the fourth quarter of 2022

- **Net interest income** increased by 9% quarter-on-quarter and by 20% year-on-year (17% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The net interest margin for the quarter under review amounted to 2.10%, up 20 basis points quarter-on-quarter and 25 basis points on the year-earlier quarter. Loan volumes went up by 7% year-on-year (stable quarter-on-quarter) and deposits excluding debt certificates increased by 2% quarter-on-quarter and 8% year-on-year. These volume growth figures were calculated on an organic basis (excluding the changes in the scope of consolidation and forex effects).

- Technical income from our **non-life insurance activities** (premiums less charges, plus the ceded reinsurance result) was down 12% on the level recorded in the previous quarter but up 4% on the year-earlier quarter. The year-on-year increase was related to higher premium income and lower technical charges, partially offset by a lower ceded reinsurance result. The combined ratio for 2022 amounted to an excellent 89%. Sales of our **life insurance** products were up 85% and 34% on the level recorded in the previous and year-earlier quarters, respectively.

- **Net fee and commission income** was down 3% on its level in the previous quarter and 6% on the year-earlier quarter (down 9% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The quarter-on-quarter decrease was due mainly to the higher level of distribution fees paid.

- **Trading & fair value result** was more than double its level of the previous quarter and up 156 million euros on the negative 39 million euros recorded in the year-earlier quarter. The quarter-on-quarter increase was attributable primarily to a significantly higher dealing room result and a higher result related to the insurer's equity portfolio.

- **All other income items combined** were up 34 million euros on the figure recorded in the previous quarter, but down 12 million euros on their year-earlier level. The quarter-on-quarter increase was due mainly to an increase in net other income (resulting in part from realised losses on the sale of bonds in the previous quarter).

- **Costs** excluding bank taxes were up 10% on their level in the previous quarter and 11% on their year-earlier level (9% excluding recently consolidated Raiffeisenbank Bulgaria). The cost/income ratio for 2022 amounted to 54%. In that calculation, certain non-operating items have been excluded. Excluding all bank taxes, the cost/income ratio amounted to 48%.

- The quarter under review included an 82-million-euro net **loan loss impairment** charge, compared to a net charge of 79 million euros in the previous quarter, and a net release of 62 million euros in the year-earlier quarter. The net charge in the quarter under review included 40 million euros in respect of the loan book and a 42-million-euro increase in the reserve for geopolitical and emerging risks. As a consequence, the credit cost ratio for 2022 amounted to 0.08%, compared to -0.18% for full-year 2021 (a negative sign implies a positive impact on the results).

- Our **liquidity position** remained strong, with an LCR of 152% and NSFR of 136%. Our **capital base** remained robust, with a fully loaded common equity ratio of 15.4%.

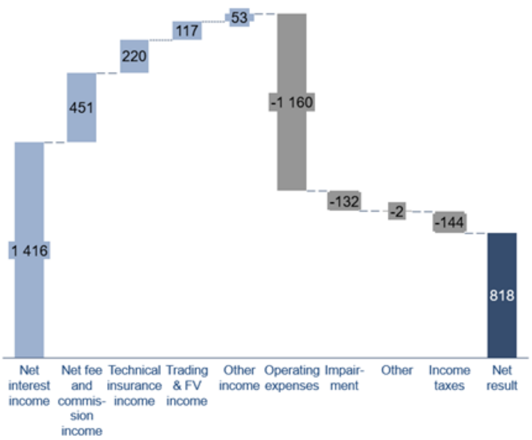
The cornerstones of our strategy

Our strategy rests on the following principles:

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

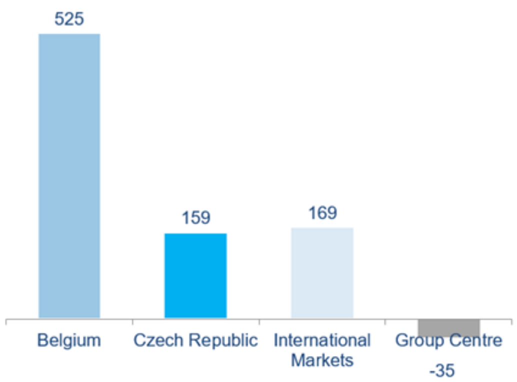
Breakdown of 4Q2022 result

(in millions of EUR)



Contribution of the business units to 4Q2022 group result

(in millions of EUR)



Overview of results and balance sheet

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

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

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

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

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

Analysis of the quarter (4Q2022)

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

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

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

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

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

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

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

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

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

Operating expenses

1 160 million euros

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

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

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

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

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

Loan loss impairment

82-million-euro net charge

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity, solvency and liquidity

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

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

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

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

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

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

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

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

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

- **Net interest income** up 16% to 5 161 million euros. This was attributable in part to the improvement in reinvestment yields in all core countries, lending and deposit volume growth (see below), increased income related to funding, the consolidation of Raiffeisenbank Bulgaria since the third quarter of 2022, higher net interest income on the insurer's bond portfolio and a positive forex effect (appreciation of the Czech koruna partly offset by depreciation of the Hungarian forint against the euro). That was partly offset by the negative effect of a number of factors, including pressure on lending margins in almost all core countries, the abolishment during the third quarter of negative interest rates charges on current accounts held by corporate entities and SMEs, and no positive effect of ECB tiering since the end of July 2022. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of customer lending rose by 7% and deposits excluding debt certificates rose by 8% year-on-year. The net interest margin in 2022 came to 1.96%, up 15 basis points year-on-year.

- **Technical insurance result** up 14% to 971 million euros. The non-life insurance technical result was up 9% on the figure for the year-earlier period, thanks to higher premium income (+8%), which more than offset the increase in technical charges (+4%) and a lower ceded reinsurance result. The non-life combined ratio for 2022 amounted to an excellent 89%, the same as the year-earlier figure. Life insurance sales were up 6% to 2 085 million euros due to higher sales of unit-linked insurance products, only partly offset by lower sales of guaranteed-interest products.

- **Net fee and commission income** up slightly by 1% to 1 847 million euros. Excluding the impact of the consolidation of Raiffeisenbank Bulgaria in the third quarter of 2022, net fee and commission income fell by 1%. The organic decrease was attributable to higher distribution fees paid in relation to banking products and increased sales of non-life insurance and lower entry fees for asset management services, partly offset by higher fees for banking services, while management fees for asset management services roughly stabilised. At the end of December 2022, total assets under management had fallen by 13% to 206 billion euros, due entirely to a negative market performance (-15%), partly offset by good net inflows of direct client money.

- **Trading & fair value income** more than doubled to 406 million euros. This was attributable primarily to a less negative change in the market value of derivatives used for asset/liability management purposes and a higher dealing room result.

- **All other income items combined** down 17% to 227 million euros. This came about mainly because of lower net other income (driven by losses on the sale of low yielding bonds) and the lower net realised result from debt instruments at fair value through OCI, partially offset by higher dividend income.

- **Operating expenses** up 10% to 4 818 million euros. They included bank taxes of 646 million euros, up by 23% compared to the reference period, partly due to an extraordinary payment to the deposit guarantee fund related to Sberbank Hungary and a new bank and insurance tax in Hungary in the period under review. Excluding bank taxes, the effect of the consolidation of Raiffeisenbank Bulgaria, forex effects and various one-off items (see further), operating expenses increased by 7%. This was mainly attributable to inflation-linked wage drift, higher ICT expenses, higher professional fees and increased marketing and facility costs. The main one-off items in the period under review were an extraordinary profit bonus for staff (compared to a smaller Covid-related bonus in the reference period), some one-off costs relating to the sale of the Irish portfolios (compared to a higher impact in the reference period) and some one-off integration costs related to Raiffeisenbank Bulgaria and euro adoption costs. The cost/income ratio came to 56%, or an adjusted 54% when certain non-operating items are excluded (compared to 55% for full-year 2021). When bank taxes are fully excluded, the cost-income ratio for the period under review improved to 48% (compared to 51% for full-year 2021).

- **Loan loss impairment**: a net charge of 154 million euros, compared to a net release of 334 million in the reference period. 2022 included the full release of the remainder of the previously recorded provision for the coronavirus crisis, a small net release for individual loans, a new provision for geopolitical and emerging risks (which now amounts to 429 million euros) and one-off impairment charges related to the sale agreements in Ireland. The large net release in the reference period was mainly attributable to a large partial write-back of the reserve set aside for the coronavirus crisis, partly offset by one-off impairment charges related to the sale agreements in Ireland. As a result, the credit cost ratio for the whole group amounted to 0.08%, compared to -0.18% for full-year 2021 (a negative figure implies a positive impact on the result). Impairment on assets other than loans amounted to 130 million euros (partially as a result of 63 million euros of modification losses in Hungary), up from 73 million euros in the reference period, due to various one-off items.

- The 2 864-million-euro **net result** for 2022 breaks down as follows: 1 759 million euros for the Belgium Business Unit (down 238 million euros on its year-earlier level), 800 million euros for the Czech Republic Business Unit (up 103 million euros), 441 million euros for the International Markets Business Unit (down 31 million euros on a comparable basis, i.e. excluding Ireland and Raiffeisenbank Bulgaria) and -135 million euros for the Group Centre (up 370 million euros on a comparable basis, i.e. including Ireland).

Recent ESG developments

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

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

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

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

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

Risk statement, economic views and guidance

Risk statement

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

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

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

Our view on economic growth

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

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

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

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

Our view on interest rates and foreign exchange rates

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

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

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

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

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

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

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

Statement of the auditor

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

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

For more information, please contact:

Kurt De Baenst, General manager Investor Relations, KBC-group
Tel +32 2 429 35 73 - E-mail: IR4U@kbc.be

Viviane Huybrecht, General Manager, Corporate Communication/Spokesperson, KBC Group
Tel +32 2 429 85 45 - E-Mail: pressofficekbc@kbc.be

* This news item contains information that is subject to the transparency regulations for listed companies.

KBC Group NV
Havenlaan 2 – 1080 Brussels
Viviane Huybrecht
General Manager
Corporate Communication /Spokesperson
Tel. + 32 2 429 85 45

Press Office
Tel. + 32 2 429 65 01 Stef Leunens
Tel. + 32 2 429 29 15 Ilse De Muyer
Tel. + 32 2 429 32 88 Pieter Kussé
Tel. + 32 2 429 85 44 Sofie Spiessens
pressofficekbc@kbc.be

KBC press releases are available at www.kbc.com or can be obtained by sending an e-mail to pressofficekbc@kbc.be

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