

**Long-Term Issuer Rating** A+

Outlook: stable

Short-Term Rating: L2

Preferred Sen. Unsec. Debt: A+ (only Bank)

Non-Preferred Sen. Unsec. Debt: A (only Group)

Tier 2 Capital: BBB+

AT1 Capital: BBB-

**15 December 2022**

## Rating Action:

### Creditreform Rating affirms KBC Group NV's (Group) long-term issuer rating at 'A+' (Outlook: stable) and confirms the credit rating of KBC Bank NV main subsidiaries of the Group

Creditreform Rating (CRA) has affirmed KBC Group NV's long-term issuer rating at 'A+' and the short-term rating at 'L2'. The rating outlook is stable.

At the same time, we affirm KBC Group NV's non-preferred senior unsecured debt at 'A', affirm the Tier 2 capital at 'BBB+' and affirm the AT1 capital at 'BBB-'.

Concurrently we set the issuer rating of the Group's subsidiary KBC Bank NV, which reflects KBC NV's (Group) issuer rating, in line with our methodology. Furthermore, we affirm its preferred senior unsecured debt at 'A+', affirm the Tier 2 capital at 'BBB+' and affirm the AT1 capital at 'BBB-'.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update.

## Key Rating Driver

CRA has affirmed the rating of KBC Group NV and its bank capital and debt instruments as a result of its periodic monitoring process for the following reasons:

- Significant profit increase in 2021; one of the largest financial institutions in Belgium
- Remarkable improvement of almost all earnings ratios; above average performance of earnings metrics
- Notable improvement of asset write-down ratios and NPL-ratio; however, ongoing worsening of PPL-ratio
- Moderate reduction of all capital ratios, but still above average capitalization

## Company Overview

KBC Group NV (hereafter: KBC) is an integrated bank insurance group created in 1998 by the merger of two Belgian banks (Kredietbank and CERA Bank) and a Belgian insurance company (ABB Insurance) with headquarters in Brussels. The Group is a non-operating holding company of its insurance and banking activities and is the single point of entry in a resolution case for the Group. KBC's most significant asset is its bank KBC Bank NV (€303bn assets). With 37,207 employees (FTE's in 2021) and about 1,159 bank branches, KBC serves approximately 12 million customers and had total assets of €320 billion in 2021.

KBC acts as a bank insurance group in its core markets Belgium, Bulgaria, the Czech Republic, Hungary, Ireland and Slovakia. In addition, KBC is represented to a limited extent in several other countries in order to support its corporate clients. The focus of the Group is the retail and private banking business, as well as business activities with small and medium-sized enterprises and mid-cap clients. The Group is divided into three business units and the *Group Centre*: The Group's *Belgium Business Unit* includes all activities such as banking business, insurance business and the asset management business in Belgium, whereas the *Czech Republic Business Unit* includes

### Analysts

Tobias Stroetges

t.stroetges@creditreform-rating.de

Lead-Analyst

Philipp J. Beckmann

p.beckmann@creditreform-rating.de

Senior Analyst

Artur Kapica

a.kapica@creditreform-rating.de

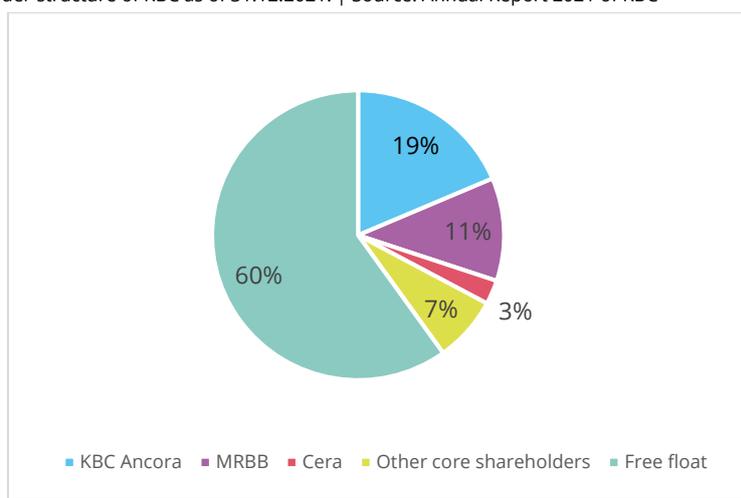
Person Approving Credit Ratings

Neuss, Germany

all the Group's activities in the Czech Republic. By contrast, the *International Markets Business Unit* comprises the Group's activities in Ireland, Hungary, Slovakia and Bulgaria. KBC's *Group Centre*, however, comprises the Group's capital and liquidity management, as well as the funding of the Group and other administrative and holding activities.

The shareholder structure of KBC is as follows:

Chart 1: Shareholder structure of KBC as of 31.12.2021. | Source: Annual Report 2021 of KBC

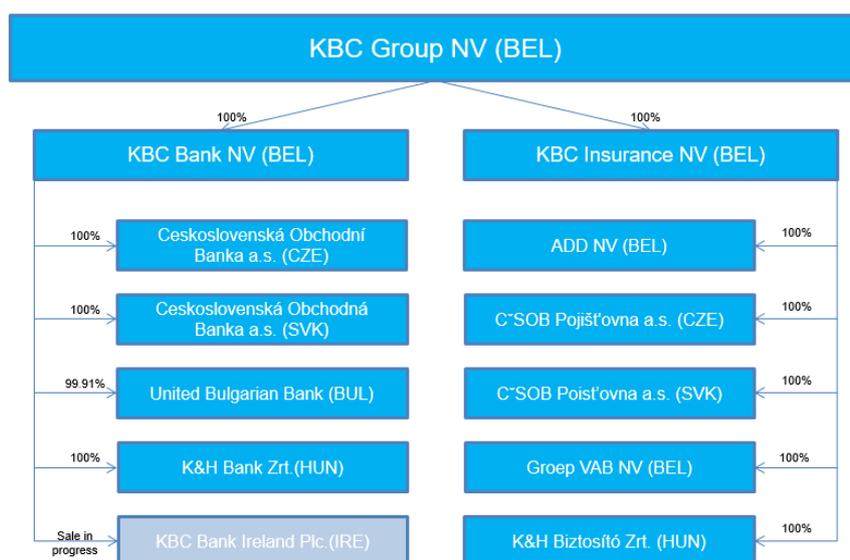


The shareholders of KBC are composed of 40% core shareholders (KBC Ancora, MRBB, Cera and other core shareholders) and 60% free float, whereby The Capital Group Companies Inc. is the most significant shareholder among the non-core shareholders. KBC concluded a shareholder agreement between these core shareholders in order to ensure shareholder stability and guarantee continuity within the Group, as well as to support and coordinate its general policy. KBC's core shareholders act in concert at the General Meeting of the Group and are represented on its Board.

Recent changes in the Group structure are as follows: KBC acquired 99.44% of the shares of OTP Banka Slovensko (SVK) at the end of 2020 (fully consolidated from 1 January 2021), whereas in 2021 the Group achieved the rest of the shares through a squeeze-out bid. In October 2021, OTP Banka Slovensko merged with ČSOB in Slovakia. Furthermore, KBC acquired all the shares of NN's Bulgarian pension and life insurance businesses at the beginning of 2021. Moreover, KBC Bank Ireland confirmed in October 2021 the entrance of a legally binding agreement with Bank of Ireland Group. Thereby, Bank of Ireland Group acquires substantially all of KBC Bank Ireland's performing assets and liabilities. The remaining non-performing mortgage loan portfolio of KBC Ireland, which are not part of the agreement, were sold to Pepper Finance Corporation in February 2022. The execution of these two transactions would ultimately result in KBC Group's withdrawal from the Irish market. In 2022, Ireland will be transferred to the Group Centre. In November 2021, KBC reached an agreement with Raiffeisen Bank International regarding the acquisition of 100% of the shares in Raiffeisenbank (Bulgaria) EAD. The transaction has been completed by mid-2022. Moreover, KBC intends to develop to a so-called "Clean HoldCo", which is finalized in mid-2022, in order to ensure that KBC's HoldCo senior debt is eligible for the subordinated MREL target.

The main subsidiaries and investments of KBC can be found in the following Chart 2:

Chart 2: Main subsidiaries and investments of KBC at year-end 2021 | Source: Own presentation based on data of Annual Report 2021 of KBC



## Rating Considerations and Rationale

KBC Group NV's credit rating affirmation was primarily driven by sound profitability metrics, coupled with high asset quality. KBC has overcome the effects of the Corona crisis well, so we do not expect any significant deterioration in the financial situation due to the economic slow-down in the coming years.

### Profitability

KBC Group NV was able to lift its profitability significantly compared with 2020, recovering from the Corona crisis. It is also noteworthy, that the bank's net profit for the year was higher than in pre-covid. Operating income rose slightly from €7.2bn to €7.6bn, with net interest income and net insurance income approximately corresponding to the previous year's values. However, net fee & commission income improved moderately from €1.6bn to €1.8bn due to higher income from asset management and banking services. Moreover, the bank achieved significantly higher net profit, which came in at €2.6bn in 2021 (2020: €1.4bn). This was mainly due to the massive decrease in impairment/cost of risk from €1.1bn in 2020 to a net reversal of €0.3bn in 2021. With regard to KBC's earnings ratios. All of them except the cost income ratio improved over the last year. The most significant improvements were apparent in the ROE and RORWA. While the ROE improved from 6.7% in 2020 to 11.3% in 2021 due to the massive increase in net profit, RORWA rose from 1.4% in 2020 to 2.5% in 2021, also attributable to the rise of net profits. Additionally, ROA improved slightly to 0.8% and CIR worsened marginally to 59% due to the stronger increase in operating expenses than operating profits. Overall KBC's earnings ratios are remarkable, but still below pre-crisis level.

As of June 2022, net interest income as the main source of income increased by 13.2% YOY due to a higher loan exposure and interest rate hikes in the Czech Republic and Hungary. Moreover, net fee & commission income rose by 5% YOY, mainly driven by an increase in fees from asset management services. In summary, operating income was up 12% YOY. On the other hand, operating expenses increased significantly by 13% YOY, which was among others attributable to high inflation and an extraordinary profit bonus for the staff. Furthermore, with the enhancement in impairment/cost of risk on assets mainly due to the sale of the Ireland business, net profits decreased by 6% YOY.

## Asset Situation and Asset Quality

In a risk environment that is recovering slightly from the covid crisis on KBC's markets, asset quality has generally improved. The bank's NPL ratio (stage 3 loans over net loans to customer) dropped significantly from 3.4% to 2.6%, which is even below the pre-covid level and represents an above average ratio. However, the potential problem loan ratio (stage 2 loans over net loans to customers) increased from 12.2% to 14.5%, while the ratio of reserves over NPLs decreased moderately to 63.1%, but is still above its level of the pre-covid year 2019 with 51.3%. The increase of the stage 2 ratio is driven by a collective shift of the exposure linked to the geopolitical and emerging risks. Moreover, with the onset of the economic recovery in Belgium, which accounts for about half of KBC's credit exposure, the bank was able to lower its asset write-downs significantly due to net reversals, achieving a remarkably favorable cost of risk ratio. With respect to its RWA-ratio and total assets, both continue to develop positively since 2019 up to €340bn in 2021 with regard to the latter and a RWA-ratio of 30.8%. The decrease of its RWA-ratio was attributable to a stronger increase of its total assets than the increase of RWAs. Overall, we consider the bank's RWA-ratio to be above average.

As of June 2022, KBC's NPL-ratio and potential problem loan ratio decreased moderately to 1.9%, and 13.7% respectively, which is mainly attributable to the strong increase in customer loans. In addition, KBC was able to reduce its RWA-ratio slightly to 28.7%, as KBC's balance sheet grew strongly in comparison to the small increase in RWA-exposure. The strong 8.7% increase in total assets was largely due to higher repurchase agreements, which increased the cash balance significantly.

## Refinancing, Capital Quality and Liquidity

As total equity of KBC increased more dynamically than its assets, the total equity ratio increased marginally to 6.8%. With respect to its capital ratios, the bank's CET1 ratio decreased heavily from 17.6% to 15.6% due to the small increase of its total RWA and the reduction of the bank's CET1 capital, mainly determined by an increase of dividends. Furthermore, KBC's AT1 capital did not change over the fiscal year, which results due to the former in a reduction of its T1 ratio from 19% to 16.9%. Total Capital ratio decreased even more from 21.2% to 18.6% due to an additional reduction of T2 capital. However, all regulatory ratios are still above average and the buffer of the capital ratios to the SREP minimum requirements are still very comfortable. With regard to the liquidity situation, it remains remarkable with a liquidity coverage ratio moderately above the previous year's level at 167% and an above average NSFR of 148%.

As of June 2022, KBC's CET1 ratio increased moderately to 15.9%, whereas its T1 Ratio and total capital ratio went up to 17.3% and 18.2%, respectively. With a liquidity coverage ratio of 158% and a NSFR of 142%, KBC's liquidity position remains stable.

## Environmental, Social and Governance (ESG) Score Card

KBC has one significant and two moderate ESG rating drivers

- Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the corporate governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to KBC's strong and stable economic track record, the implemented ESG policies and its diversified business model.

- Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral due to the relatively low amount of green bonds, whereas Corporate Behaviour is rated positive due to the bank's business activities in accordance with the ideas and beliefs of the society.

**ESG  
Bank Score**

3,8 / 5

Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
<= 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	1.2 Exposure to Environmental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )

Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
( - )	Negative
( - - )	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage <https://creditreform-rating.de/en/about-us/regulatory-requirements.html>. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

## Outlook

The outlook of the Long-Term Issuer Rating of KBC is 'stable'. In the medium term, CRA expects no significant deterioration in profitability and asset quality, due to the war in Ukraine and rising consumer prices. In the short term, rising consumer prices may have an impact on KBC's profitability. In the medium to long term, rising interest rates will lead to increasing profitability for KBC's substantial lending business. Asset quality and capital ratios (due to RWAs) will strongly depend on the economic development in Belgium.

## Scenario Analysis

Best-case scenario: AA-

Worst-case scenario: A

### Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an "AA-" rating in the "best case" scenario and an "A" rating in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade KBC's long-term issuer credit rating and its bank capital and debt instruments if we see that KBC is able to improve its quality of assets, in particular by reducing its potential problem loans. Furthermore, a significant improvement of KBC capital ratios might lead to an upgrade as well.

By contrast, a downgrade of the Group's long-term issuer credit rating and its bank capital and debt instruments is likely if we see a lasting decline of KBC's profitability and a reduction of the banks' capital ratios. In particular, we will observe the ongoing Economic development in Belgium and the impact on KBC's asset quality and its business activities in general.

## CRA's rating actions at a glance

KBC Group NV:

- Long-Term Issuer Rating affirmed at 'A+', stable outlook
- Short-term rating affirmed at 'L2'
- Non-preferred senior unsecured debt affirmed at 'A' (only Group)
- Tier 2 capital affirmed at 'BBB+'
- AT1 capital affirmed at 'BBB-'

KBC Bank NV:

- Long-Term Issuer Rating affirmed at 'A+', stable outlook
- Short-term rating affirmed at 'L2'
- Preferred senior unsecured affirmed at 'A+' (only Bank)
- Tier 2 capital affirmed at 'BBB+'
- AT1 capital affirmed at 'BBB-'

## Ratings Detail

### Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **A+ / stable / L2**

### Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred senior unsecured debt (PSU): **A+ (only Bank)**  
 Non-preferred senior unsecured debt (NPS): **A (only Group)**  
 Tier 2 (T2): **BBB+**  
 Additional Tier 1 (AT1): **BBB-**

### Rating History

Please consult our website [www.creditreform-rating.de](http://www.creditreform-rating.de) for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	12.06.2018	A / stable / L2
Rating Update	15.07.2019	A / stable / L2
Monitoring	29.11.2019	A / stable / L2
Monitoring	24.03.2020	A / watch negative / L2
Rating Update	25.11.2020	A / negative / L2
Monitoring	05.07.2021	A / negative / L2 ( watch unwatch)
Rating Update	01.10.2021	A+ / stable / L2
Rating Update	15.12.2022	A+ / stable / L2
Bank Capital and Debt Instruments	Rating Date	Result
Senior Unsecured / T2 / AT1 (Initial)	12.06.2018	A- / BBB- / BB+
PSU / NPS / T2 / AT1	15.07.2019	n.r. / BBB+ / BBB- / BB+
PSU / NPS / T2 / AT1	29.11.2019	- / A- / BBB- / BB+
PSU / NPS / T2 / AT1 (watch negative)	24.03.2020	- / A- / BBB- / BB+
PSU / NPS / T2 / AT1	25.11.2020	- / A- / BBB / BB+
PSU / NPS / T2 / AT1 (watch unwatch)	05.07.2021	- / A- / BBB / BB+
PSU / NPS / T2 / AT1	01.10.2021	- / A / BBB+ / BBB-
PSU / NPS / T2 / AT1	15.12.2022	- / A / BBB+ / BBB-
Subsidiaries of the Bank	Rating Date	Result
KBC Bank NV		

LT / Outlook / Short-Term (Initial)	04.12.2018	A / stable / L2
Rating Update	15.07.2019	A / stable / L2
Monitoring	29.11.2019	A / stable / L2
Monitoring	24.03.2020	A / watch negative / L2
Rating Update	25.11.2020	A / negative / L2
Monitoring	05.07.2021	A / negative / L2 ( watch unwatch)
Rating Update	01.10.2021	A+ / stable / L2
Rating Update	15.12.2022	A+ / stable / L2
<b>Bank Capital and Debt Instruments of KBC Bank NV</b>		
Senior Unsecured / T2 / AT1 (Initial)	04.12.2018	A- / BBB- / BB+
PSU / NPS / T2 / AT1	15.07.2019	A- / - / BBB- / BB+
PSU / NPS / T2 / AT1	29.11.2019	A / - / BBB- / BB+
PSU / NPS / T2 / AT1 (watch negative)	24.03.2020	A / - / BBB- / BB+
PSU / NPS / T2 / AT1	25.11.2020	A / - / BBB / BB+
PSU / NPS / T2 / AT1 (watch unwatch)	05.07.2021	A / - / BBB / BB+
PSU / NPS / T2 / AT1	01.10.2021	A+ / - / BBB+ / BBB-
PSU / NPS / T2 / AT1	15.12.2022	A+ / - / BBB+ / BBB-

## Appendix

Figure 2: Group income statement<sup>1</sup> | Source: eValueRate / CRA

Income Statement (EUR m)	2021	%	2020	2019	2018
<b>Income</b>					
Net Interest Income	4.451	-0,4	4.467	4.618	4.543
Net Fee & Commission Income	1.836	+14,0	1.610	1.735	1.719
Net Insurance Income	853	-0,2	855	724	701
Net Trading & Fair Value Income	157	> +100	45	210	254
Equity Accounted Results	-5	-54,5	-11	7	16
Dividends from Equity Instruments	45	-13,5	52	82	82
Other Income	217	+29,9	167	260	213
<b>Operating Income</b>	<b>7.554</b>	<b>+5,1</b>	<b>7.185</b>	<b>7.636</b>	<b>7.528</b>
<b>Expense</b>					
Depredation and Amortisation	415	+8,6	382	360	325
Personnel Expense	2.457	+5,5	2.329	2.357	2.343
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	1.583	+4,3	1.518	1.595	1.612
<b>Operating Expense</b>	<b>4.455</b>	<b>+5,3</b>	<b>4.229</b>	<b>4.312</b>	<b>4.280</b>
<b>Operating Profit &amp; Impairment</b>					
<b>Operating Profit</b>	<b>3.099</b>	<b>+4,8</b>	<b>2.956</b>	<b>3.324</b>	<b>3.248</b>
Cost of Risk / Impairment	-319	< -100	1.109	208	-62
<b>Net Income</b>					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>3.418</b>	<b>+85,1</b>	<b>1.847</b>	<b>3.116</b>	<b>3.310</b>
Income Tax Expense	804	+97,5	407	627	740
Discontinued Operations	-	-	-	-	-
<b>Net Profit</b>	<b>2.614</b>	<b>+81,5</b>	<b>1.440</b>	<b>2.489</b>	<b>2.570</b>
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	2.614	+81,5	1.440	2.489	2.570

Figure 3: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2021	%	2020	2019	2018
Cost Income Ratio (CIR)	58,98	+0,12	58,86	56,47	56,85
Cost Income Ratio ex. Trading (CIRex)	60,23	+1,00	59,23	58,07	58,84
Return on Assets (ROA)	0,77	+0,32	0,45	0,86	0,91
Return on Equity (ROE)	11,33	+4,64	6,69	12,31	13,09
Return on Assets before Taxes (ROAbT)	1,00	+0,43	0,58	1,07	1,17
Return on Equity before Taxes (ROEbT)	14,81	+6,23	8,58	15,41	16,86
Return on Risk-Weighted Assets (RORWA)	2,50	+1,09	1,41	2,51	2,71
Return on Risk-Weighted Assets before Taxes (RORWAbT)	3,27	+1,46	1,81	3,15	3,49
Net Financial Margin (NFM)	1,81	-0,03	1,84	1,95	2,00
Pre-Impairment Operating Profit / Assets	0,91	-0,01	0,92	1,14	1,14
Cost of Funds (COF)	0,67	-0,01	0,68	1,12	1,07
Change in %-Points					

<sup>1</sup> Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have necessary to match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets | Source: eValueRate / CRA

Assets (EUR m)	2021	%	2020	2019	2018
Cash and Balances with Central Banks	40.653	+65,4	24.583	8.356	18.691
Net Loans to Banks	7.920	+24,9	6.343	5.399	5.069
Net Loans to Customers	159.727	+0,1	159.621	155.816	147.052
Total Securities	67.793	-5,6	71.783	65.633	62.707
Total Derivative Assets	5.290	-26,3	7.179	5.799	5.189
Other Financial Assets	25.870	-10,8	28.990	26.645	23.126
<b>Financial Assets</b>	<b>307.253</b>	<b>+2,9</b>	<b>298.499</b>	<b>267.648</b>	<b>261.834</b>
Equity Accounted Investments	37	+54,2	24	25	215
Other Investments	518	-6,7	555	570	561
Insurance Assets	15.303	+6,3	14.399	15.144	14.340
Non-current Assets & Discontinued Ops	10.001	> +100	19	29	14
Tangible and Intangible Assets	4.799	+2,4	4.687	4.705	4.068
Tax Assets	1.296	-20,2	1.624	1.433	1.549
Total Other Assets	1.139	+21,7	936	1.037	1.227
<b>Total Assets</b>	<b>340.346</b>	<b>+6,1</b>	<b>320.743</b>	<b>290.591</b>	<b>283.808</b>

Figure 5: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2021	%	2020	2019	2018
Net Loans/ Assets	46,93	-2,84	49,77	53,62	51,81
Risk-weighted Assets/ Assets	30,75	-1,09	31,84	34,09	33,43
NPLs*/ Net Loans to Customers	2,55	-0,84	3,39	3,57	4,50
NPLs*/ Risk-weighted Assets	3,90	-1,41	5,31	5,62	6,97
Potential Problem Loans**/ Net Loans to Customers	14,48	+2,31	12,17	11,91	11,55
Reserves/ NPLs*	63,05	-5,16	68,21	51,32	53,26
Reserves/ Net Loans	1,61	-0,70	2,31	1,83	2,40
Cost of Risk/ Net Loans	-0,20	-0,89	0,69	0,13	-0,04
Cost of Risk/ Risk-weighted Assets	-0,30	-1,39	1,09	0,21	-0,07
Cost of Risk/ Total Assets	-0,09	-0,44	0,35	0,07	-0,02
Change in %- Points					

\* NPLs are represented by Stage 3 Loans where available.  
 \*\* Potential Problem Loans are Stage 2 Loans where available.

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (EUR m)	2021	%	2020	2019	2018
Total Deposits from Banks	38.047	+9,9	34.605	18.731	23.684
Total Deposits from Customers	199.476	+4,7	190.553	173.184	159.644
Total Debt	26.616	+7,0	24.877	30.184	32.245
Derivative Liabilities	5.850	-13,7	6.780	6.106	5.705
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	7.212	-1,8	7.341	6.463	8.320
<b>Total Financial Liabilities</b>	<b>277.201</b>	<b>+4,9</b>	<b>264.156</b>	<b>234.668</b>	<b>229.598</b>
Insurance Liabilities	32.668	+3,6	31.520	32.241	31.352
Non-current Liabilities & Discontinued Ops	4.262	-	-	-	-
Tax Liabilities	435	-12,7	498	476	380
Provisions	466	-37,4	744	698	865
Total Other Liabilities	2.237	-2,5	2.295	2.286	1.980
<b>Total Liabilities</b>	<b>317.269</b>	<b>+6,0</b>	<b>299.213</b>	<b>270.369</b>	<b>264.175</b>
<b>Total Equity</b>	<b>23.077</b>	<b>+7,2</b>	<b>21.530</b>	<b>20.222</b>	<b>19.633</b>
<b>Total Liabilities and Equity</b>	<b>340.346</b>	<b>+6,1</b>	<b>320.743</b>	<b>290.591</b>	<b>283.808</b>

Figure 7: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2021	%	2020	2019	2018
Total Equity/ Total Assets	6,78	+0,07	6,71	6,96	6,92
Leverage Ratio	6,50	-0,10	6,60	6,80	6,10
Common Equity Tier 1 Ratio (CET1)*	15,50	-2,10	17,60	17,10	16,00
Tier 1 Ratio (CET1 + AT1)*	16,90	-2,10	19,00	18,70	17,00
Total Capital Ratio (CET1 + AT1 + T2)*	18,60	-2,60	21,20	20,60	19,20
SREP/ CET1 Minimum Capital Requirements	10,45	+0,03	10,42	10,68	10,32
MREL / TLAC Ratio	27,70	-0,20	27,90	10,40	10,10
Net Loans/ Deposits (LTD)	80,07	-3,69	83,77	89,97	92,11
Net Stable Funding Ratio (NSFR)	148,00	+2,00	146,00	136,00	136,00
Liquidity Coverage Ratio (LCR)	167,00	+20,00	147,00	138,00	139,00
Change in %-Points					

\* Fully-loaded where available

Figure 8: Income statement of KBC Bank NV | Source: eValueRate / CRA

Income Statement (EUR m)	2021	%	2020	2019	2018
<b>Income</b>					
Net Interest Income	4.054	+1,0	4.015	4.153	4.033
Net Fee & Commission Income	2.211	+11,9	1.975	2.085	2.063
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	40	+2,6	39	75	168
Equity Accounted Results	-5	-54,5	-11	3	12
Dividends from Equity Instruments	14	-26,3	19	35	29
Other Income	97	+12,8	86	201	167
<b>Operating Income</b>	<b>6.411</b>	<b>+4,7</b>	<b>6.123</b>	<b>6.552</b>	<b>6.472</b>
<b>Expense</b>					
Depreciation and Amortisation	313	+14,2	274	233	209
Personnel Expense	1.816	+8,4	1.676	1.738	1.735
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	1.836	-4,2	1.917	1.836	1.808
<b>Operating Expense</b>	<b>3.965</b>	<b>+2,5</b>	<b>3.867</b>	<b>3.807</b>	<b>3.752</b>
<b>Operating Profit &amp; Impairment</b>					
<b>Operating Profit</b>	<b>2.446</b>	<b>+8,4</b>	<b>2.256</b>	<b>2.745</b>	<b>2.720</b>
Cost of Risk / Impairment	-357	< -100	1.068	204	-59
<b>Net Income</b>					
Non-Recurring Income	13	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>2.816</b>	<b>&gt; +100</b>	<b>1.188</b>	<b>2.541</b>	<b>2.779</b>
Income Tax Expense	681	> +100	255	501	598
Discontinued Operations	-	-	-	-	-
<b>Net Profit</b>	<b>2.135</b>	<b>&gt; +100</b>	<b>933</b>	<b>2.040</b>	<b>2.181</b>
Attributable to minority interest (non-controlling interest)	-	-	-	35	171
Attributable to owners of the parent	2.135	> +100	933	2.005	2.010

Figure 9: Key earnings figures of KBC Bank NV | Source: eValueRate / CRA

Income Ratios (%)	2021	%	2020	2019	2018
Cost Income Ratio (CIR)	61,85	-1,31	63,16	58,10	57,97
Cost Income Ratio ex. Trading (CIRex)	62,24	-1,33	63,56	58,78	59,52
Return on Assets (ROA)	0,70	+0,38	0,33	0,80	0,88
Return on Equity (ROE)	11,51	+5,70	5,81	12,33	13,05
Return on Assets before Taxes (ROAbT)	0,93	+0,51	0,42	1,00	1,12
Return on Equity before Taxes (ROEbT)	15,18	+7,79	7,39	15,36	16,63
Return on Risk-Weighted Assets (RORWA)	2,24	+1,24	1,00	2,27	2,55
Return on Risk-Weighted Assets before Taxes (RORWAbT)	2,96	+1,68	1,28	2,83	3,25
Net Financial Margin (NFM)	1,81	-0,03	1,84	1,95	2,00
Pre-Impairment Operating Profit / Assets	0,81	+0,01	0,79	1,08	1,09
Cost of Funds (COF)	0,68	-0,04	0,72	1,12	1,07
Change in %- Points					

Figure 10: Development of assets of KBC Bank NV | Source: eValueRate / CRA

Assets (EUR m)	2021	%	2020	2019	2018
Cash and Balances with Central Banks	40.602	+65,5	24.538	8.328	18.804
Net Loans to Banks	7.918	+24,9	6.342	5.397	5.068
Net Loans to Customers	157.663	+0,0	157.650	153.781	144.810
Total Securities	48.528	-7,7	52.586	46.260	44.387
Total Derivative Assets	5.308	-26,5	7.225	5.847	5.235
Other Financial Assets	26.303	-10,0	29.230	27.418	24.117
<b>Financial Assets</b>	<b>286.322</b>	<b>+3,2</b>	<b>277.571</b>	<b>247.031</b>	<b>242.421</b>
Equity Accounted Investments	38	+52,0	25	25	185
Other Investments	315	-7,9	342	360	350
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	10.001	> +100	19	1	14
Tangible and Intangible Assets	4.283	+0,8	4.250	4.301	3.604
Tax Assets	1.189	-22,8	1.541	1.340	1.474
Total Other Assets	843	+29,5	651	859	892
<b>Total Assets</b>	<b>302.991</b>	<b>+6,5</b>	<b>284.399</b>	<b>253.917</b>	<b>248.940</b>

Figure 11: Development of asset quality of KBC Bank NV | Source: eValueRate / CRA

Asset Ratios (%)	2021	%	2020	2019	2018
Net Loans/ Assets	52,04	-3,40	55,43	60,56	58,17
Risk-weighted Assets/ Assets	31,39	-1,27	32,67	35,38	34,34
NPLs*/ Net Loans to Customers	2,90	-0,40	3,30	3,50	4,30
NPLs*/ Risk-weighted Assets	4,29	-1,54	5,83	6,19	7,74
Potential Problem Loans**/ Net Loans to Customers	14,63	+2,35	12,28	12,03	11,69
Reserves/ NPLs*	63,05	-5,15	68,21	51,31	53,24
Reserves/ Net Loans	1,63	-0,71	2,34	1,86	2,43
Cost of Risk/ Net Loans	-0,23	-0,90	0,68	0,13	-0,04
Cost of Risk/ Risk-weighted Assets	-0,38	-1,52	1,15	0,23	-0,07
Cost of Risk/ Total Assets	-0,12	-0,49	0,38	0,08	-0,02
Change in %-Points					

\* NPLs are represented by Stage 3 Loans where available.  
 \*\* Potential Problem Loans are Stage 2 Loans where available.

Figure 12: Development of refinancing and capital adequacy of KBC Bank NV | Source: eValueRate / CRA

Liabilities (EUR m)	2021	%	2020	2019	2018
Total Deposits from Banks	38.049	+9,9	34.613	18.731	23.684
Total Deposits from Customers	225.752	+4,7	215.703	201.300	192.902
Total Debt	1.252	-16,3	1.496	2.538	1.934
Derivative Liabilities	5.877	-13,6	6.804	6.121	5.712
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	7.199	-1,8	7.329	6.460	5.926
<b>Total Financial Liabilities</b>	<b>278.129</b>	<b>+4,6</b>	<b>265.945</b>	<b>235.150</b>	<b>230.158</b>
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	4.262	-	-	-	-
Tax Liabilities	85	-8,6	93	107	95
Provisions	548	-22,3	705	662	723
Total Other Liabilities	1.421	-10,6	1.589	1.452	1.255
<b>Total Liabilities</b>	<b>284.445</b>	<b>+6,0</b>	<b>268.332</b>	<b>237.371</b>	<b>232.231</b>
<b>Total Equity</b>	<b>18.546</b>	<b>+15,4</b>	<b>16.067</b>	<b>16.546</b>	<b>16.709</b>
<b>Total Liabilities and Equity</b>	<b>302.991</b>	<b>+6,5</b>	<b>284.399</b>	<b>253.917</b>	<b>248.940</b>

Figure 13: Development of capital ratios of KBC Bank NV | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2021	%	2020	2019	2018
Total Equity/ Total Assets	6,12	+0,47	5,65	6,52	6,71
Leverage Ratio	5,61	+0,26	5,35	5,45	5,20
Common Equity Tier 1 Ratio (CET1)*	15,68	+0,52	15,16	14,70	14,80
Tier 1 Ratio (CET1 + AT1)*	17,26	+0,48	16,78	16,37	15,90
Total Capital Ratio (CET1 + AT1 + T2)*	19,26	+0,11	19,15	18,54	18,40
SREP/ CET1 Minimum Capital Requirements	10,75	+0,30	10,45	11,15	10,80
MREL / TLAC Ratio	-	-	-	-	-
Net Loans/ Deposits (LTD)	69,84	-3,25	73,09	76,39	75,07
Net Stable Funding Ratio (NSFR)	148,00	+2,00	146,00	136,00	136,00
Liquidity Coverage Ratio (LCR)	167,00	+20,00	147,00	138,00	139,00
Change in %-Points					

\* Fully-loaded where available

### Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

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With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website [www.creditreform-rating.de](http://www.creditreform-rating.de). The rating was carried out on the basis of the rating methodology for [bank ratings \(v3.1\)](#), the methodology for the [rating of bank capital and unsecured debt instruments \(v2.1\)](#), the methodology for the rating of [Government-Related Banks \(v2.0\)](#) the methodology for the rating of [Institutional Protection Scheme Banks \(v1.0\)](#) as well as the rating methodology for [Environmental, Social and Governance Score for Banks \(v1.0\)](#) in conjunction with Creditreform's basic document [Rating Criteria and Definitions \(v1.3\)](#).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

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On 15 December 2022, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to KBC Group NV and its subsidiaries, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. Rating Endorsement Status:

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No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services

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To prepare this credit rating, CRA has used following substantially material sources:

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Creditreform Rating AG

## Contact information

Creditreform Rating AG  
Europadamm 2-6  
D-41460 Neuss

Phone +49 (0) 2131 / 109-626

Fax +49 (0) 2131 / 109-627

E-Mail [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
[www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch

Chairman of the Board: Michael Bruns  
HR Neuss B 10522