

Rating Object	Rating Information
KBC Bank N.V.	Long Term Issuer Rating / Outlook: A+ / stable Short Term: L2
Creditreform ID: 0462920226	Type: Update / Unsolicited
Rating Date: 07 November 2023 Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.2" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3"	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured (PSU): A+ Non-Preferred Senior Unsecured (NPS): - Tier 2 (T2): BBB Additional Tier 1 (AT1): BBB-
Rating History: www.creditreform-rating.de	

Our rating of KBC Bank N.V. is reflected by our rating opinion of KBC Group N.V. (Group) due to its group structure. Therefore we refer to our rating report of KBC Group N.V. (Group) from 07 November 2023.

Rating Action

Creditreform Rating affirms KBC Group N.V.'s (Group) Long-Term Issuer Rating at A+ (Outlook: stable)

Creditreform Rating (CRA) affirms KBC Group N.V.'s (Group) Long-Term Issuer Rating at A+. The rating outlook is stable.

CRA affirms KBC Group N.V.'s Non-Preferred Senior Unsecured Debt at A, downgrades Tier 2 Capital to BBB and affirms AT1 Capital at BBB-.

CRA affirms the Long-Term Issuer Rating of the Group's subsidiary KBC Bank N.V. at A+, which reflects KBC Group N.V.'s (Group) Long-Term Issuer Rating, in line with our methodology. Concurrently we affirm KBC Bank N.V.'s Preferred Senior Unsecured Debt at A+, downgrade Tier 2 Capital to BBB and affirm 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.

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Key Rating Drivers

- Integrated bank insurance group with large footprint in its Belgian home market and several Eastern Europe jurisdictions
- Moderate increase in net income in 2022 contributes to further improvement of the group's already strong profitability metrics
- Although exhibiting a high stage 2 ratio, overall asset quality remains good underpinned by a relatively low and further falling NPL ratio and ample loan loss reserves
- Declining but still satisfactory capital ratios as well as an adequate buffer above regulatory minimum requirements

Quantitative:	Good	
Earnings	Very Good	
Assets	Good	
Capital	Satisfactory	
Liquidity	Very Good	
Qualitative:	Good	

The rating of KBC Group N.V. is prepared on the basis of group (KBC Group N.V.) consolidated accounts.

Rating Action: The Long-Term Issuer Rating of KBC Group N.V. is affirmed at A+. The rating outlook is stable. The rating of Non-Preferred Senior Unsecured Debt at A, Tier 2 Capital is downgraded to BBB and AT1 Capital is affirmed at BBB-.

The Long-Term Issuer Rating of the group's subsidiary KBC Bank N.V. was affirmed at A+, which reflects KBC Group N.V.'s (Group) Long-Term Issuer Rating, in line with our methodology.

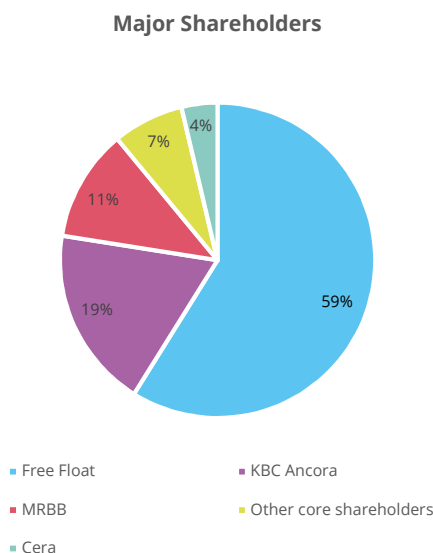
KBC exhibits good asset quality, while maintaining a sound liquidity position and a satisfactory capital position. The group's earnings profile remains a key rating strength. Overall, KBC's fiscal year 2022 was characterized by moderately growing net profits backed by expanding net interest and trading income and the acquisition of Raiffeisenbank Bulgaria EAD (RBB). Against the backdrop of strong H1-23 business results, we expect continued growth of KBC's net income on a full-year basis in 2023, which should translate into further improving profitability metrics.

Company Overview

KBC Group N.V. (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 (total assets: EUR 322.1bn). With some 42,000 employees in 2022 and more than 1,200 branches, KBC serves approximately 13 million customers and had total assets of EUR 355.9bn in 2022.

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 reports its results along 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 all activities conducted in the Czech Republic. The *International Markets Business Unit* comprises the group's activities Hungary, Slovakia and Bulgaria. Last but not least, *Group Centre* includes the group's capital and liquidity management, as well as the funding of the group and other administrative and holding activities. Given the imminent sale of its Irish operations (for more see below), all Irish activities were reallocated from the *International Markets Business Unit* to the *Group Centre* in 2022.

Chart 1: Major shareholders of KBC as of 31.12.2022 | Source: Annual Report 2022



The shareholders of KBC are composed of 41% core shareholders (KBC Ancora, MRBB, Cera and other core shareholders) and 59% free float, whereby The Capital Group Companies Inc. is the most significant shareholder among 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: By the end of June 2022, KBC Group NV developed into a so-called “Clean HoldCo” in order to ensure that KBC’s HoldCo senior debt is eligible for the subordinated MREL target.

In July 2022, KBC acquired 100% of the shares in Raiffeisenbank Bulgaria EAD (RBB) from Raiffeisen Bank International for EUR 1bn. Following the completion of the transaction, RBB was renamed to KBC Bank Bulgaria. In April 2023, the latter was merged with United Bulgarian Bank AD (UBB), a Bulgarian banking subsidiary that had already been owned by KBC.

KBC also started to withdraw from the Irish market in 2022. Firstly, in February, KBC Ireland sold almost its entire non-performing mortgage loan portfolio (EUR 1.1bn) to private equity investor CarVal. Furthermore, Bank of Ireland acquired substantially all of KBC Bank Ireland’s performing assets and liabilities in February 2023. For a total consideration of EUR 6.5bn, performing mortgages (EUR 7.6bn), performing commercial and consumer loans (EUR 0.1bn), non-performing mortgages (EUR 0.1bn) and deposits (EUR 1.8bn) were transferred to Bank of Ireland. On the whole, the transaction positively impacted KBC’s Q1-23 financials, providing a non-recurring gain of around EUR 0.4bn and lifting the CET1 ratio by 0.9 pp via RWA relief of EUR 4bn.

Business Development

Profitability

Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different banks as well as within the scope of consolidation as comparable as possible.

KBC reported a dynamic increase in operating income (+11.9% yoy) for its fiscal year 2022. Above all, this development was driven by a strong expansion in net interest income (+16% yoy), reflecting among others the consolidation from Raiffeisenbank Bulgaria (renamed to KBC Bank Bulgaria) which contributed EUR 70mn to NII in H2-22. Moreover, net interest income was boosted by positive exchange rate effects and growing loan balances amidst rising asset yields in the course of recent interest rate hikes.

Trading and securities income almost doubled to EUR 0.3bn on the back of positive changes in the market value of derivatives. Moreover, the group’s sizeable insurance operations helped to lift operating income. Net insurance income was up 13.7% and came in at EUR 1bn. Non-life insurance contributed the bulk (EUR 0.8bn) to this result, with premium income increasing by 8.8% yoy.

By contrast, net fee income essentially stagnated (+0.6% yoy) last year. While fee income from banking services - in particular from payment services - came in 7.5% higher than in the previous year, the overall growth in fee income was curbed by contracting asset managements fees. Against the backdrop of a weak capital market performance in 2022, KBC assets under managements declined by 13% yoy, leading to slightly lower asset management fees.

Also growing vividly, but somewhat lagging operating income, operating expenses went up from EUR 4.5bn to EUR 4.9bn. In view of high inflationary pressures, personnel and IT-expenses edged up. Also, an additional profit bonus for staff was paid and some costs related to the sale

of the Irish portfolio and the integration of Raiffeisenbank Bulgaria were booked. The bank also had to pay an extra EUR 78mn following the introduction of a special tax for the banking and insurance sector in Hungary.

In 2022, KBC was confronted with sharply rising loan loss provisions amidst the Russian invasion into Ukraine and the associated geopolitical uncertainty. After a notable reversal in provisions in 2021 (EUR 0.3bn), the group added EUR 0.2bn to its loan loss provisions in 2022. That being said, KBC's Belgian and Czech operations contributed the bulk to the additional loan loss provisioning. Also, the group added EUR 16mn of loan loss reserves explained by the consolidation of Raiffeisenbank Bulgaria.

As a result of the aforementioned developments, KBC's pre-tax profit slightly declined to EUR 3.4bn (-2% yoy). However, thanks to a lower income tax burden than in the previous year, net profit rose moderately to EUR 2.7bn (+4.9% yoy) in 2022.

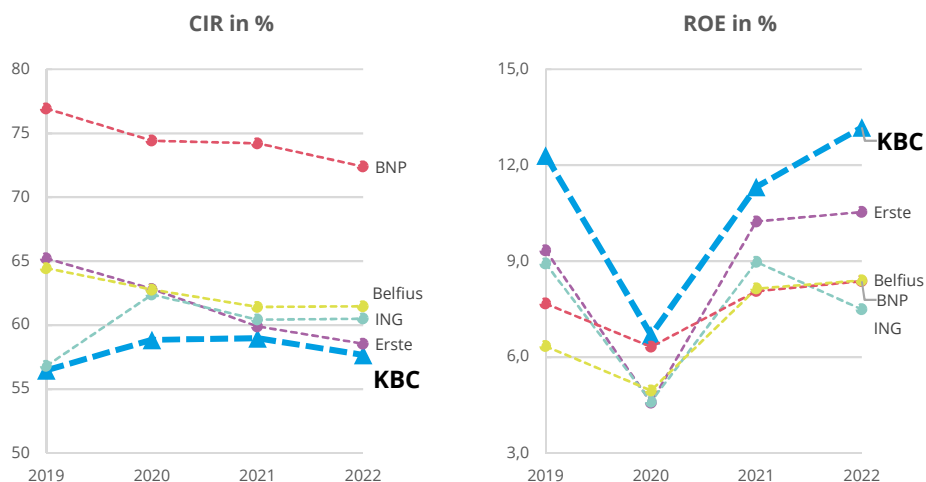
We note that KBC scores high or very high on most profitability metrics we assess and the majority of them have further improved over the last year. The most significant improvements were observed in the RoE and the net financial margin (NFM). While the RoE improved from 11.3% in 2021 to 13.2% in 2022 on the back of the increase in net profit but also driven by a sharp decline in equity (see section refinancing, capital for more), the NFM rose from 1.8% to 2.0% thanks to the brighter interest rate environment. Additionally, the cost income ratio (CIR) improved slightly from 59% to 57,7% in 2022, as growth in operating income outpaced above expenses.

Six months into the year, KBC reported another set of strong financials, with operating income growing by 16% yoy. Apart from a EUR 405mn gain on the sale of the loan and deposit portfolios of KBC Bank Ireland in Feb-23, which we classify as a non-recurring revenue item, the group's underlying business momentum also remained strong. Net interest income came in at EUR 2.7bn (+12% yoy) in H1-23, supported by increased term deposits at more favorable margins and the consolidation of Raiffeisenbank Bulgaria. Meanwhile, growth in net fee and commission income regained some momentum (+4% yoy) as KBC generated higher fees for banking services and AuM benefitted from net inflows and market price appreciation.

Operating expenses grew by +7.7% to EUR 2.5bn, mirroring the ongoing inflation induced wage drift, as well as upward pressure on ICT and facility expenses. To be sure, overall spending growth is somewhat distorted by bank and insurance taxes (EUR 622mn), which are typically booked in the first quarter of the year. With a net release of EUR 18mn (net charge of EUR 48mn in H1-22), the impairment result also made a positive contribution to net income, reflecting lower perceived geopolitical and emerging risks. Summing all up, net income came in at EUR 1.8bn in H1-23 equivalent to a 38% yoy increase. Against this backdrop, we expect a another expansion of KBC's net income on a full-year basis in 2023, accompanied by further improving profitability metrics.

As indicated by Chart 2 below, key earning metrics of KBC compare well with competitors. Like KBC, BNP Paribas and ING Groep both operate substantial franchises in Belgium, however the CIR of both banks has been structurally higher than KBC's in recent years. The same holds true for Erste Group, which has a large footprint in Eastern European in common with KBC Group. KBC also continues to assert its dominance with regard to RoE, reflecting its very strong profitability. Moreover, we note that the RoE gap with competitors has widened more recently. Competitors RoE ranged between 7.5 and 10.5% in 2022, substantially trailing KBC.

Chart 2: CIR & ROE of KBC Group NV in comparison to the peer group | Source: eValueRate / CRA



Asset Situation and Asset Quality

KBC's balance sheet total expanded by 4.6% in 2022. While net loans to banks fell precipitously and the securities portfolio remained stable at 2021 levels, net loans to customers (excl. reverse repos), which account for half of the group's asset base, grew by 11.5%. Adjusted for the loans now consolidated on the balance sheet as a result of the acquisition of Raiffeisenbank Bulgarien, growth was still 9%. Term loans saw the strongest growth (+10.7% yoy), followed by mortgages (+7.7% yoy) and consumer credit (+2.2%).

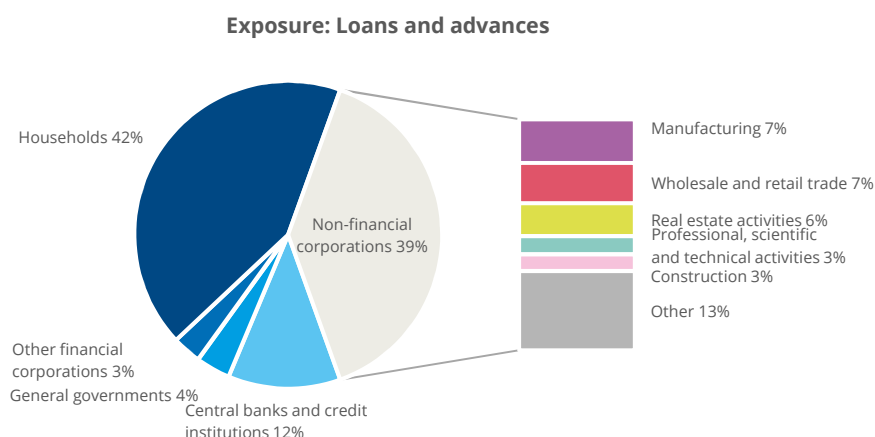
The weighted country risk assessment score (CRAS) of KBC's on-balance sheet exposures is 4, indicating moderate asset risks. The bulk of KBC's on-balance sheet exposures are concentrated in Belgium (49%) and the Czech Republic (23%), high income countries with mature economies. As of end-2022, however, KBC had also notable exposures (8.5%) in Bulgaria and Hungary, jurisdictions which are associated with somewhat higher operational and economic risk in our view.

According to Chart 3, the group's exposures are relatively evenly split across households (42%) and non-financial corporations (39%). Credit to households primarily consists of retail mortgages (Q2-23: 37% of loans) while the outstanding volume of more risky consumer credit remains at moderate levels: (Q2-23: EUR 7.6bn). Credit to non-financial corporations is generally well diversified across industries with limited sector concentrations. The corporate loan book is dominated by credit to manufacturing and trade, exposure to commercial real estate is moderate and no single industry accounts for more 90% of CET1 capital.

We consider KBC's asset quality profile to be good. Its NPL ratio (see annex for our NPL definition) has consistently trended lower in recent years, falling from 3.6% in 2019 to 2.2% in 2022. Non-performing legacy exposures in Ireland (mainly private dwelling house and buy to let) were unwound in 2022, when KBC disposed of EUR 1.1bn of NPLs to private equity. It is noteworthy, however, that KBC reported a rather strong increase of its stage 2 ratio last year driven by collective transfers from stage 1 portfolios. The share of stage 2 loans rose from 14.7% (2021) to a

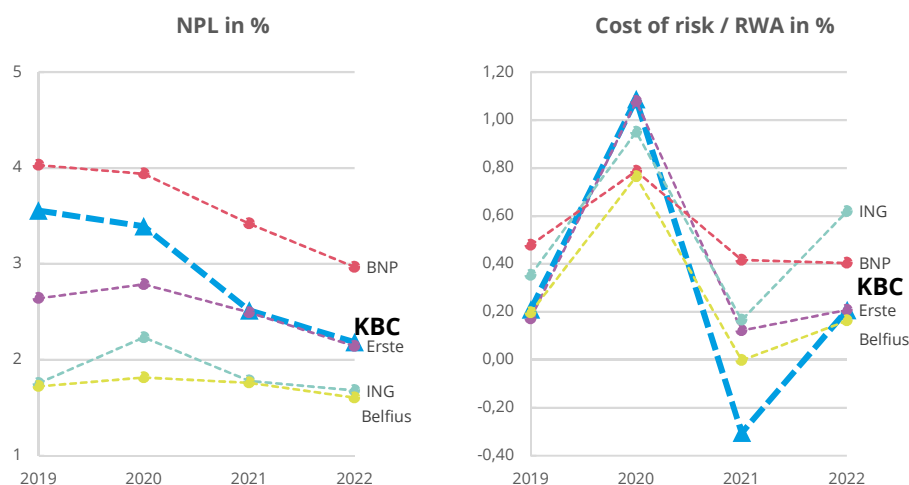
high 20.9%, indicating potential vulnerabilities of the loan portfolio related to rising energy prices and heightened geopolitical tensions. This is also reflected by our cost of risk measures. After 2021 had seen a substantial net reversal of credit risk provisions, KBC's cost of risk turned positive again. At 21bp of RWA (2021: -31bp) and 6bp of total assets (2021: -9bp), however, we still consider the overall level as sound. We also note that with a reserve / NPL ratio of 87.5% at year-end 2022, KBC appears well prepared to absorb any unforeseeable asset quality shocks.

Chart 3: Distribution loans and advances | Source: eValueRate / CRA / Pillar 3



As highlighted by Chart 4, asset quality has generally improved for KBC as for its peers over the last years. In terms of its NPL ratio, KBC's performance has been closely aligned with Erste Group AG in 2021-22. Although the asset quality gap towards Benelux banks ING Groep NV and Belfius Bank has been partially closed, both banks still reported lower levels of impaired loans (1.6%-1.7%) in 2022. By contrast, BNP Paribas has structurally higher NPLs than KBC. As regards cost of risk / RWA, KBC's 2022 performance was broadly on par with that of Erste Group AG and Belfius Bank, while ING Groep and BNP Paribas exhibited substantially higher provisioning needs.

Chart 4: NPL ratio and Cost of risk / RWA of KBC Group NV in comparison to the peer Group | Source: eValueRate / CRA



By the end of H1-23, there were no signs of a deterioration in asset quality. Compared to year-end 2022, stage 2 exposures decreased somewhat and the NPL ratio came in at 2.1%. Still, we believe that weakening growth dynamics in of KBC's key markets coupled with high inflation will

adversely affect creditors repayment capacities. Against this backdrop, we anticipate a moderate increase of the NPL ratio going forward.

Refinancing, Capital Quality and Liquidity

KBC's operates a primarily deposit funded business model (2022: 67% of liabilities) and the group has strong retail deposit franchises in its core markets. Except for Slovakia (150%) the loan-to-deposit ratio stood well below 100% in all core markets in 2022 - a fact that points to a liquidity surplus and mitigates refinancing risk in our view. Last year, customer deposits posted strong growth (+12.5 yoy) and the total volume of customer funds deposited at KBC totalled EUR 224.4bn.

Within KBC's funding mix, customer funding is supplemented by limited amounts of interbank and wholesale funds. More recently, the reliance on bank deposits was reduced significantly with the outstanding amount down from EUR 38bn to EUR 24.8bn. Although KBC made a large repayment of EUR 9.1bn last year, funds obtained from the ECB under the TLTO III programme still account for the bulk of bank deposits (year-end 2022: EUR 15.4bn).

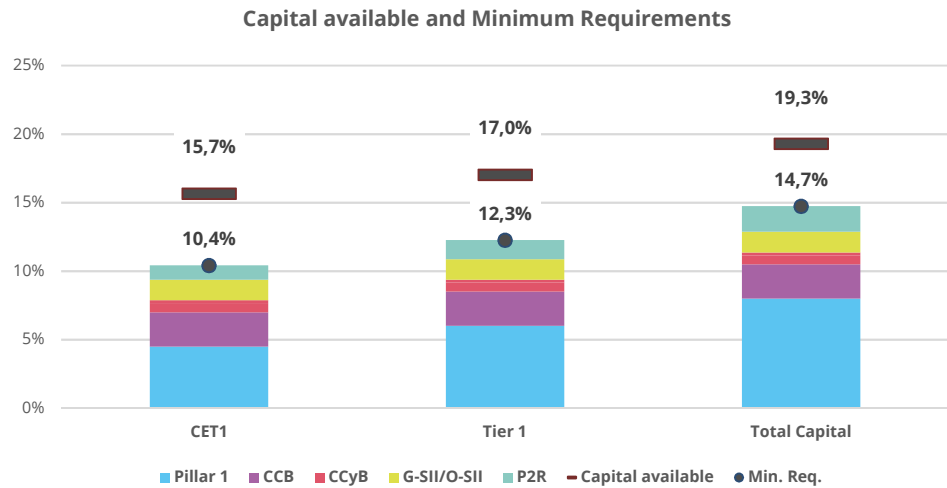
The group's market funding activities are diversified across instruments and have a well laddered maturity profile. Senior unsecured HoldCo debt accounts for about 2/3 of market funds, followed by covered bonds (17%). KBC also issues Tier1 and Tier2 instruments on the group level and then downstreams these funds to its banking subsidiary KBC Bank NV.

Given KBC's insurance operations, technical provisions and liabilities under the inserers investment contracts constituted another 9% of total liabilities in 2022. These insurance related liabilities fell by 6.3% to EUR 30.6bn last year.

Meanwhile, the equity position on KBC's balance sheet declined rather sharply (-9.8% yoy). Apart from dividends worth EUR 3.6bn, the rapid rise in interest rates, which adversely affected the value of the group's bondholdings, ate into equity. Other comprehensive income (OCI) turned negative last year and detracted EUR 1.4bn from equity. Together with an expanding balance sheet (+4.6% yoy), the lower in equity base resulted in a fall of KBC's equity ratio from 6.8% (2021) to 5.9% in 2022.

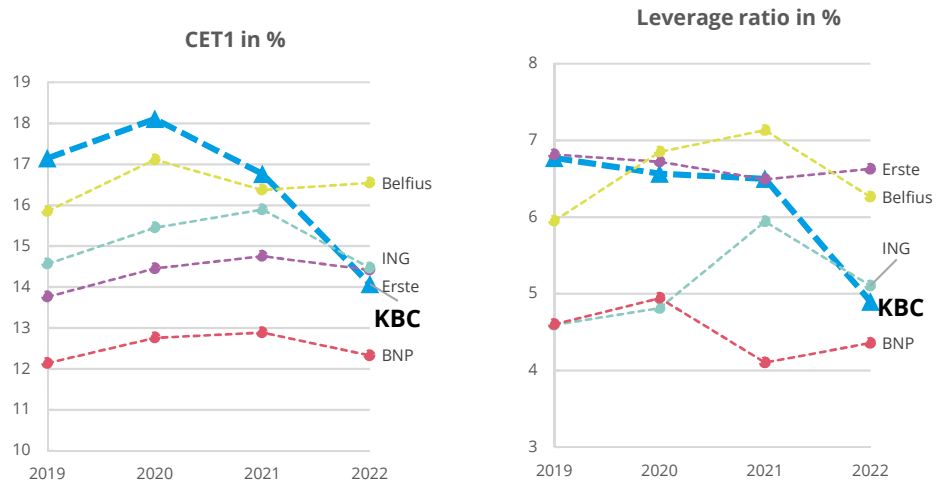
In the same vein, the regulatory capital ratios reported in KBC's pillar 3 filing followed a downward trajectory. The CET1 ratio (transitional) dropped from 16.8% in 2021 to 14.1% in 2022. We note however, that the decline in KBC's fully loaded CET1 ratio which posted at 15.3% at year end (2021: 15.5%) was significantly smaller. The difference between both figures is explained by the net result for 2022 and the proposed final dividend. Generally, KBC has an ECB approval to calculate its regulatory capital metrics according to the so called Danish compromise method, which allows equity holdings in insurance activities to count towards regulatory capital. Despite last year's decline, KBC remains satisfactorily capitalised, with a total CET1 buffer amounting to 394bp. At year-end, KBC's CET1 requirement stood at 10.14%, incorporating a P2R of 1.05%, an O-SII buffer of 1.5% and a systemic risk buffer of 0.19%. The latter was introduced by the National Bank of Belgium in May 2022, the amount corresponds to 9% of the RWA for the exposures secured by residential real estate in Belgium.

Chart 5: Regulatory capital ratios & requirements KBC Group N.V. Q2-23 | Source: eValueRate / CRA / P3



Compared with its peers, KBC's CET1 ratio is broadly on par with ING and Erste Group, however Belfius displays somewhat higher capital ratios. KBC's leverage ratio (transitional) dropped precipitously to 4.9% in 2022 (2021: 6.5%), reflecting the temporary exclusion of central bank exposures, which was phased out in March 2022. Among its peers, only French BNP Paribas operated with a lower leverage ratio last year. By the end of June 2023, KBC's CET1 and leverage ratio improved to 15.7% and 5.2% respectively.

Chart 6: CET1 and Leverage ratios of KBC Group N.V. in comparison to the peer group | Source: eValueRate / CRA



As KBC Group N.V. has chosen the single point of entry approach, hence it does not issue Preferred Senior Unsecured debt. Preferred Senior Unsecured debt which is issued by the group's operating entity KBC Bank N.V. instead. Due to the seniority structure, KBC's Non-Preferred Senior Unsecured debt is rated A. KBC's Tier 2 Capital is rated BBB based on the KBC's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 Capital is rated BBB-, reflecting the capital structure, seniority and a high bail-in risk in the event of resolution.

Environmental, Social and Governance (ESG) Score Card

Creditreform Bank Rating
Environmental, Social and Governance (ESG) Bank Score
KBC Group NV (Avenue du Port 2, 1080 Brussels)

Creditreform
Rating

KBC Group 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 "Considering the Impact of ESG Factors".

Outlook

The outlook of the Long-Term Issuer Rating of KBC Groep NV is stable. In the medium term, CRA expects no significant deterioration in asset quality, while at the same time, profitability should continue to improve backed by rising interest rates.

Scenario Analysis

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of AA- in the “Best-Case-Scenario” and a Long-Term Issuer Rating of A in the “Worst-Case-Scenario”. The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. 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 Rating and the ratings of Bank Capital and Senior Unsecured Debt in particular if we see observe notable and sustainable improvements in the bank’s capitalisation and/or underlying asset quality. At the same time, the lender’s strong earnings profile should not deteriorate substantially.

By contrast, a downgrade of KBC’s Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt could occur if profitability deteriorates significantly, for instance due to higher risk costs in the medium term, asset quality deteriorates significantly, or capitalization erodes excessively.

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.

Appendix

Bank ratings KBC Bank NV

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.

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

Bank Capital and Debt Instruments Ratings KBC Bank NV

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 (PSU): **A+**
 Non-Preferred Senior Unsecured (NPS): **-**
 Tier 2 (T2): **BBB**
 Additional Tier 1 (AT1): **BBB-**

Rating History

Please consult our website 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
Rating Update	07.11.2023	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-

Creditreform Bank Rating

KBC Bank N.V. (Group) as parent of
KBC Bank N.V.

Subsidiaries of the Bank	Rating Date	Result
PSU / NPS / T2 / AT1	07.11.2023	- / A / BBB / BBB-
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
Rating Update	07.11.2023	A+ / stable / L2
Bank Capital and Debt Instruments of KBC Bank NV		
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-
PSU / NPS / T2 / AT1	07.11.2023	A+ / - / BBB / BBB-

Tables KBC Group N.V.

Figure 2: Income statement¹ | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	5.162	+16,0	4.451	4.467	4.618
Net Fee & Commission Income	1.847	+0,6	1.836	1.610	1.735
Net Insurance Income	970	+13,7	853	855	724
Net Trading & Fair Value Income	305	+94,3	157	45	210
Equity Accounted Results	-10	+100,0	-5	-11	7
Dividends from Equity Instruments	60	+33,3	45	52	82
Other Income	119	-45,2	217	167	260
Operating Income	8.453	+11,9	7.554	7.185	7.636
Expense					
Depreciation and Amortisation	431	+3,9	415	382	360
Personnel Expense	2.561	+4,2	2.457	2.329	2.357
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	109	+26,7	86	-	-
Other Provisions	-	-	-	-	-
Other Expense	1.774	+18,5	1.497	1.518	1.595
Operating Expense	4.875	+9,4	4.455	4.229	4.312
Operating Profit & Impairment					
Operating Profit	3.578	+15,5	3.099	2.956	3.324
Cost of Risk / Impairment	227	< -100	-319	1.109	208
Net Income					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	3.351	-2,0	3.418	1.847	3.116
Income Tax Expense	608	-24,4	804	407	627
Discontinued Operations	-	-	-	-	-
Net Profit	2.743	+4,9	2.614	1.440	2.489
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	2.743	+4,9	2.614	1.440	2.489

Figure 3: Key earnings figures | Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	57,67	-1,30	58,98	58,86	56,47
Cost Income Ratio ex. Trading (CIRex)	59,83	-0,40	60,23	59,23	58,07
Return on Assets (ROA)	0,77	+0,00	0,77	0,45	0,86
Return on Equity (ROE)	13,18	+1,86	11,33	6,69	12,31
Return on Assets before Taxes (ROAbT)	0,94	-0,06	1,00	0,58	1,07
Return on Equity before Taxes (ROEbT)	16,11	+1,29	14,81	8,58	15,41
Return on Risk-Weighted Assets (RORWA)	2,49	-0,01	2,50	1,41	2,51
Return on Risk-Weighted Assets before Taxes (RORWAbT)	3,05	-0,23	3,28	1,81	3,15
Net Financial Margin (NFM)	1,96	+0,15	1,81	1,84	1,95
Pre-Impairment Operating Profit / Assets	1,01	+0,09	0,91	0,92	1,14

Change in %-Points

¹ 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)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	51.427	+26,5	40.653	24.583	8.356
Net Loans to Banks	4.254	-46,3	7.920	6.343	5.399
Net Loans to Customers	178.052	+11,5	159.727	159.621	155.816
Total Securities	67.583	-0,3	67.793	71.783	65.633
Total Derivative Assets	2.486	-53,0	5.290	7.179	5.799
Other Financial Assets	21.780	-15,8	25.870	28.990	26.645
Financial Assets	325.582	+6,0	307.253	298.499	267.648
Equity Accounted Investments	32	-13,5	37	24	25
Other Investments	571	+10,2	518	555	570
Insurance Assets	13.517	-11,7	15.303	14.399	15.144
Non-current Assets & Discontinued Ops	8.054	-19,5	10.001	19	29
Tangible and Intangible Assets	5.320	+10,9	4.799	4.687	4.705
Tax Assets	1.312	+1,2	1.296	1.624	1.433
Total Other Assets	1.484	+30,3	1.139	936	1.037
Total Assets	355.872	+4,6	340.346	320.743	290.591

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

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	50,03	+3,10	46,93	49,77	53,62
Risk-weighted Assets ¹ / Assets	30,90	+0,24	30,66	31,75	0,00
NPL ² / Loans to Customers ³	2,18	-0,33	2,51	3,39	3,56
NPL ² / Risk-weighted Assets ¹	3,45	-0,30	3,75	5,22	5,47
Potential Problem Loans ⁴ / Loans to Customers ³	20,94	+6,22	14,72	12,31	10,42
Reserves ⁵ / NPL ²	87,50	-1,56	89,05	93,42	93,29
Cost of Risk / Loans to Customers ³	0,13	+0,34	-0,21	0,71	0,14
Cost of Risk / Risk-weighted Assets ¹	0,21	+0,51	-0,31	1,09	0,21
Cost of Risk / Total Assets	0,06	+0,16	-0,09	0,35	0,07

Change in %-Points

1 RWA: Pillar 3, EU CR1

2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

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

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	24.819	-34,8	38.047	34.605	18.731
Total Deposits from Customers	224.407	+12,5	199.476	190.553	173.184
Total Debt	28.339	+6,5	26.616	24.877	30.184
Derivative Liabilities	7.172	+22,6	5.850	6.780	6.106
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	14.553	> +100	7.212	7.341	6.463
Total Financial Liabilities	299.290	+8,0	277.201	264.156	234.668
Insurance Liabilities	30.601	-6,3	32.668	31.520	32.241
Non-current Liabilities & Discontinued Ops	2.020	-52,6	4.262	-	-
Tax Liabilities	283	-34,9	435	498	476
Provisions	511	+9,7	466	744	698
Total Other Liabilities	2.360	+5,5	2.237	2.295	2.286
Total Liabilities	335.065	+5,6	317.269	299.213	270.369
Total Equity	20.807	-9,8	23.077	21.530	20.222
Total Liabilities and Equity	355.872	+4,6	340.346	320.743	290.591

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	5,85	-0,93	6,78	6,71	6,96
Leverage Ratio ¹	4,90	-1,60	6,50	6,60	6,80
Common Equity Tier 1 Ratio (CET1) ²	14,07	-2,69	16,77	18,11	17,15
Tier 1 Ratio (CET1 + AT1) ²	15,44	-2,77	18,20	19,58	18,66
Total Capital Ratio (CET1 + AT1 + T2) ²	17,04	-2,82	19,87	21,46	20,61
CET1 Minimum Capital Requirements ¹	10,14	+0,48	9,65	9,65	9,91
Net Stable Funding Ratio (NSFR) ¹	136,10	-11,55	147,65	151,83	136,00
Liquidity Coverage Ratio (LCR) ¹	151,62	-15,74	167,36	147,00	138,00

Change in %-Points

1 Pillar 3 EU KM1

2 Regulatory Capital Ratios: Pillar 3 EU KM1

Tables KBC Bank N.V.

Figure 8: Income statement of KBC Bank N.V. | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	4.724	+16,5	4.054	4.015	4.153
Net Fee & Commission Income	2.256	+2,0	2.211	1.975	2.085
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	313	> +100	40	39	75
Equity Accounted Results	-10	+100,0	-5	-11	3
Dividends from Equity Instruments	19	+35,7	14	19	35
Other Income	79	-18,6	97	86	201
Operating Income	7.381	+15,1	6.411	6.123	6.552
Expense					
Depreciation and Amortisation	383	+22,4	313	274	233
Personnel Expense	1.860	+2,4	1.816	1.676	1.738
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	2.316	+26,1	1.836	1.917	1.836
Operating Expense	4.559	+15,0	3.965	3.867	3.807
Operating Profit & Impairment					
Operating Profit	2.822	+15,4	2.446	2.256	2.745
Cost of Risk / Impairment	155	< -100	-357	1.068	204
Net Income					
Non-Recurring Income	-	-	13	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	2.667	-5,3	2.816	1.188	2.541
Income Tax Expense	470	-31,0	681	255	501
Discontinued Operations	-	-	-	-	-
Net Profit	2.197	+2,9	2.135	933	2.040
Attributable to minority interest (non-controlling interest)	-	-	-	-	35
Attributable to owners of the parent	2.197	+2,9	2.135	933	2.005

Figure 9: Key earnings figures of KBC Bank N.V. | Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	61,77	-0,08	61,85	63,16	58,10
Cost Income Ratio ex. Trading (CIRex)	64,50	+2,27	62,24	63,56	58,78
Return on Assets (ROA)	0,68	-0,02	0,70	0,33	0,80
Return on Equity (ROE)	12,33	+0,82	11,51	5,81	12,33
Return on Assets before Taxes (ROAbT)	0,83	-0,10	0,93	0,42	1,00
Return on Equity before Taxes (ROEbT)	14,97	-0,21	15,18	7,39	15,36
Return on Risk-Weighted Assets (RORWA)	-	-	-	-	-
Return on Risk-Weighted Assets before Taxes (RORWAbT)	-	-	-	-	-
Net Financial Margin (NFM)	1,96	+0,15	1,81	1,84	1,95
Pre-Impairment Operating Profit / Assets	0,88	+0,07	0,81	0,79	1,08

Change in %-Points

Figure 10: Development of assets of KBC Bank N.V. | Source: eValueRate / CRA

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	51.385	+26,6	40.602	24.538	8.328
Net Loans to Banks	4.253	-46,3	7.918	6.342	5.397
Net Loans to Customers	176.084	+11,7	157.663	157.650	153.781
Total Securities	50.236	+3,5	48.528	52.586	46.260
Total Derivative Assets	2.518	-52,6	5.308	7.225	5.847
Other Financial Assets	22.400	-14,8	26.303	29.230	27.418
Financial Assets	306.876	+7,2	286.322	277.571	247.031
Equity Accounted Investments	33	-13,2	38	25	25
Other Investments	351	+11,4	315	342	360
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	8.054	-19,5	10.001	19	1
Tangible and Intangible Assets	4.745	+10,8	4.283	4.250	4.301
Tax Assets	1.068	-10,2	1.189	1.541	1.340
Total Other Assets	961	+14,0	843	651	859
Total Assets	322.088	+6,3	302.991	284.399	253.917

Figure 11: Development of asset quality of KBC Bank N.V. | Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	54,67	+2,63	52,04	55,43	60,56
Risk-weighted Assets ¹ / Assets	0,00	+0,00	0,00	0,00	0,00
NPL ² / Loans to Customers ³	-	-	-	-	-
NPL ² / Risk-weighted Assets ¹	-	-	-	-	-
Potential Problem Loans ⁴ / Loans to Customers ³	-	-	-	-	-
Reserves ⁵ / NPL ²	-	-	-	-	-
Cost of Risk / Loans to Customers ³	-	-	-	-	-
Cost of Risk / Risk-weighted Assets ¹	-	-	-	-	-
Cost of Risk / Total Assets	0,05	+0,17	-0,12	0,38	0,08

Change in %-Points

1 RWA: Pillar 3, EU CR1

2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

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

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	24.792	-34,8	38.049	34.613	18.731
Total Deposits from Customers	252.383	+11,8	225.752	215.703	201.300
Total Debt	1.132	-9,6	1.252	1.496	2.538
Derivative Liabilities	7.233	+23,1	5.877	6.804	6.121
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	14.541	> +100	7.199	7.329	6.460
Total Financial Liabilities	300.081	+7,9	278.129	265.945	235.150
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	2.020	-52,6	4.262	-	-
Tax Liabilities	179	> +100	85	93	107
Provisions	417	-23,9	548	705	662
Total Other Liabilities	1.579	+11,1	1.421	1.589	1.452
Total Liabilities	304.276	+7,0	284.445	268.332	237.371
Total Equity	17.812	-4,0	18.546	16.067	16.546
Total Liabilities and Equity	322.088	+6,3	302.991	284.399	253.917

Figure 13: Development of capital and liquidity ratios of KBC Bank N.V. | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	5,53	-0,59	6,12	5,65	6,52
Leverage Ratio	4,59	-1,02	5,61	5,35	5,45
Common Equity Tier 1 Ratio (CET1) ²	-	-	-	-	-
Tier 1 Ratio (CET1 + AT1) ²	-	-	-	-	-
Total Capital Ratio (CET1 + AT1 + T2) ²	-	-	-	-	-
CET1 Minimum Capital Requirements ¹	-	-	-	-	-
Net Stable Funding Ratio (NSFR) ¹	-	-	-	-	-
Liquidity Coverage Ratio (LCR) ¹	-	-	-	-	-

Change in %-Points

1 Pillar 3 EU KM1

2 Regulatory Capital Ratios: Pillar 3 EU KM1

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 table clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
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. The rating was carried out on the basis of the following methodologies and [Rating Criteria and Definitions \(v1.3\)](#):

- [Bank ratings \(v3.2\)](#)
- [Rating of bank capital and unsecured debt instruments \(v2.1\)](#)
- [Environmental, Social and Governance Score for Banks \(v1.0\)](#)

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

<https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html>

On 07 November 2023, the rating was presented by the analysts to the rating committee and adopted in a resolution.

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

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: The rating of KBC Group N.V. (Group) was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

Conflict of Interests

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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- No ancillary services in the regulatory sense were carried out for this rating object.

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

1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank
5. Public and internal market analyses
6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings

as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report or in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

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