KBC Group Quarterly Report 2Q2023

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KBC GROUP
2Q 2023 report

Forward-looking statements

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

Management certification

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

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This report contains information that is subject to transparency regulations for listed companies. Date of release: 10 August 2023

Second-quarter result of 966 million euros

KBC Group – overview (consolidated, IFRS)	2Q2023	1Q2023	2Q2022	1H2023	1H2022
Net result (in millions of EUR)	966	882	887	1 848	1 339
Basic earnings per share (in EUR)	2.29	2.08	2.10	4.37	3.15
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*576*	*299*	*652*	*875*	*884*
Czech Republic	*276*	*184*	*244*	*461*	*443*
International Markets	*190*	*108*	*45*	*298*	*122*
Group Centre	*-76*	*291*	*-54*	*215*	*-109*
Parent shareholders' equity per share (in EUR, end of period)	51.2	51.9	46.5	51.2	46.5

'We generated an excellent net profit of 966 million euros in the second quarter of 2023. Compared to the previous quarter, our result benefited from higher net interest income, better insurance service results, a higher level of net fee and commission income and higher trading & fair value income, as well as the traditional seasonal spike in dividend income. Net other income fell, however, as the previous quarter had included a significant positive one-off gain related to the sale of our Irish portfolio in February. Costs decreased significantly, due entirely to the fact that the bulk of the bank and insurance taxes for the full year were booked in the previous quarter. We also recorded a small net impairment charge, as opposed to a net release in the previous quarter. Consequently, when adding up the results for the first and second quarters, our net profit for the first half of 2023 amounted to 1 848 million euros, up by 38% year-on-year.

Our solvency position remained strong with a fully loaded common equity ratio of 16.5%. The results of the recent EBA stress test reflect our strong fundamentals in this regard. Our liquidity position remained excellent, as illustrated by an NSFR of 145% and LCR of 152%, both well above the minimum legal target of 100%.

After having received the approval of the ECB, our Board of Directors decided to distribute 1.3 billion euros surplus capital in the form of a share buyback. The share buyback will start as soon as possible and end by August 2024. In line with our general dividend policy, we will also pay out an interim dividend of 1 euro per share in November 2023 as an advance on the total dividend for financial year 2023. We also plan to further optimise our capital structure by filling up our Pillar 2 Requirement with additional tier-1 and tier-2 capital. Lastly, we received a final ECB decision following model reviews of predominantly our Belgian corporate and SME loan portfolio, leading to a RWA add-on of approximately 8.2 billion euros in the third quarter of 2023. However, the impact of this add-on will be mitigated by a 1.7 billion euros RWA release in the third quarter of 2023, an expected RWA relief of approximately 2 billion euros before year-end 2023 due to model simplification and the fact that roughly 4.5 billion euros of the RWA add-on is frontloading of the IRB Basel IV impact in 2025. You can read more about these capital-related items in the section entitled 'Our guidance' in our quarterly report.

Last but not least, we celebrated a special anniversary in June 2023. Twenty-five years have passed since the merger between the Kredietbank, CERA Bank and ABB Insurance led to the creation of our group. In that time, we have evolved from a new Belgian bank-insurer to a bank-insurance group with a focus on five European core markets and a frontrunner in digitalisation. More than anything else, it is the story of our thousands of employees who give their best every day to win and keep the trust of our customers and hence constitute the most important factor in the success that our group has become. I'd like to sincerely thank all those employees, as well as all our customers, shareholders and all other stakeholders for their continuing trust and support. We look forward with enthusiasm to the next 25 years.'

Johan Thijs
Chief Executive Officer

The cornerstones of our strategy

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

Financial highlights in the second quarter of 2023

Net interest income increased by 6% quarter-on-quarter and by 13% year-on-year. The net interest margin for the quarter under review amounted to 2.11%, up 7 basis points on the previous quarter and 20 basis points on the year-earlier quarter. Loan volumes were up 2% quarter-on-quarter and 4% year-on-year. Deposits excluding debt certificates – and also excluding volatile low-margin short-term deposits at KBC Bank's foreign branches as they are driven by short-term cash management opportunities – were up 0.5% quarter-on-quarter and 2% year-on-year. In the quarter under review, net inflows in term deposits and mutual funds more than offset the net outflows in current accounts and savings accounts. Volume growth figures were calculated on an organic basis (excluding the changes in the scope of consolidation and forex effects).

Insurance revenues before reinsurance were up 6% and 10% on the previous and year-earlier quarters, respectively. The insurance service result (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held) amounted to 122 million euros (compared to 111 million euros and 180 million euros in the previous and year-earlier quarters, respectively) and breaks down into 89 million euros for non-life insurance and 34 million euros for life insurance. The non-life combined ratio for the first six months of 2023 amounted to an excellent 84%, compared to 87% for full-year 2022. Non-life insurance sales increased by 13% year-on-year, while life insurance sales were up 52% and 72% on the level recorded in the previous and year-earlier quarters, respectively.

Net fee and commission income was up 1% and 8% on its level in the previous and year-earlier quarters, respectively. Fees for our management activities rose by 2% quarter-on-quarter, while banking services-related fees were stable on balance. Year-on-year, fees for both our asset management and banking service activities increased by 6% and 9%, respectively.

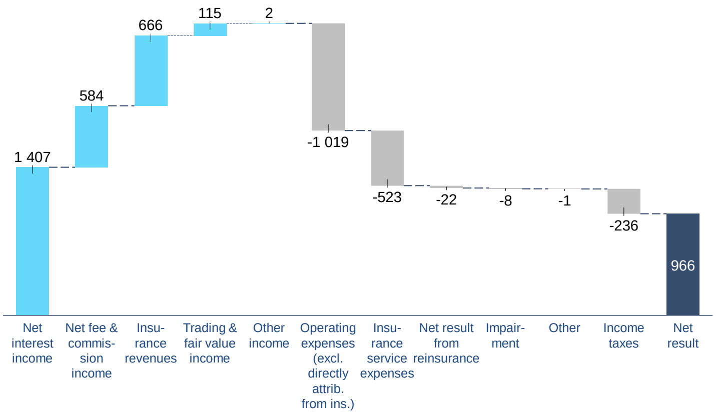
Trading & fair value income was up 28% compared to the previous quarter and approximately three times the level recorded in the year-earlier quarter. **Net other income** was in line with its normal run rate and clearly well down on the previous quarter, as that quarter had included a one-off 405-million-euro gain related to the finalisation of the sale of the loan and deposit portfolios in Ireland. **Dividend income** was almost four times its level in the previous quarter, as the second quarter traditionally includes the bulk of dividend income for the full year.

Operating expenses without bank and insurance taxes were up 1% on their level in the previous quarter and 12% on their year-earlier level. The cost/income ratio for the first six months of 2023 came to 49%, the same level as for full-year 2022. In that calculation, certain non-operating items have been excluded and bank and insurance taxes spread evenly throughout the year. Excluding all bank and insurance taxes, the cost/income ratio for the first six months of 2023 amounted to 40%, compared to 45% for full-year 2022.

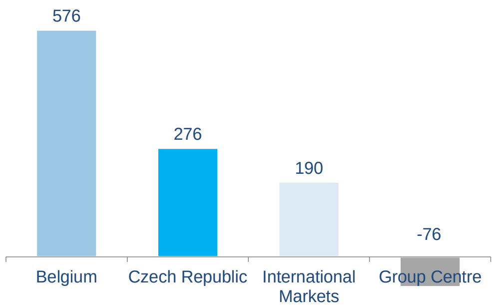
The quarter under review included a 23-million-euro net **loan loss impairment release**, compared to a net release of 24 million euros in the previous quarter and a net charge of 9 million euros in the year-earlier quarter. The credit cost ratio for the first six months of 2023 amounted to -0.04%, compared to 0.08% for full-year 2022. A negative figure implies a positive impact on the result.

Our **liquidity position** remained strong, with an LCR of 152% and NSFR of 145%. Our **capital base** remained robust, with a fully loaded common equity ratio of 16.5%.

Breakdown of 2Q2023 result
(in millions of EUR)



Contribution of the business units to 2Q2023 group result
(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS, KBC Group (simplified; in millions of EUR)	2Q2023	1Q2023	4Q2022	3Q2022	2Q2022	1H2023	1H2022
Net interest income	1 407	1 324	1 417	1 297	1 248	2 731	2 448
Insurance revenues before reinsurance	666	631	621	621	603	1 297	1 181
Non-life	*567*	*543*	*526*	*527*	*506*	*1 109*	*997*
Life	*100*	*88*	*94*	*94*	*98*	*188*	*184*
Dividend income	30	8	10	22	21	37	28
Net result from financial instr. at fair value through P&L[1]	115	90	90	35	38	206	127
Net fee and commission income	584	576	549	557	542	1 160	1 112
Insurance finance income and expense	-82	-66	-63	-39	2	-148	6
Net other income	54	498	-103	3	69	552	116
Total income	2 775	3 060	2 520	2 496	2 522	5 835	5 020
Operating expenses (excl. directly attributable from insurance)	-1 019	-1 501	-1 036	-952	-944	-2 520	-2 339
Total operating expenses without bank and insurance taxes	*-1 090*	*-1 077*	*-1 143*	*-1 041*	*-973*	*-2 167*	*-1 975*
Total bank and insurance taxes	*-51*	*-571*	*-15*	*-23*	*-94*	*-622*	*-608*
Minus: op.expenses allocated to insurance service expenses	*123*	*147*	*121*	*112*	*123*	*270*	*244*
Insurance service expenses before reinsurance	-523	-490	-467	-504	-421	-1 013	-937
Of which Insurance commission paid	*-82*	*-77*	*-79*	*-81*	*-79*	*-159*	*-148*
Non-Life	*-457*	*-418*	*-416*	*-445*	*-442*	*-876*	*-872*
Life	*-66*	*-72*	*-51*	*-59*	*21*	*-138*	*-65*
Net result from reinsurance contracts held	-22	-30	-15	-15	-2	-52	10
Impairment	-8	26	-132	-102	-28	18	-48
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*23*	*24*	*-82*	*-79*	*-9*	*47*	*6*
Share in results of associated companies & joint ventures	-1	-3	-2	-3	-2	-4	-5
Result before tax	1 202	1 062	867	920	1 126	2 264	1 701
Income tax expense	-236	-180	-139	-168	-240	-416	-362
Result after tax	966	882	727	752	887	1 848	1 339
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**966**	**882**	**727**	**752**	**887**	**1 848**	**1 339**
Basic earnings per share (EUR)	2.29	2.08	1.71	1.77	2.10	4.37	3.15
Diluted earnings per share (EUR)	2.29	2.08	1.71	1.77	2.10	4.37	3.15

Key consolidated balance sheet figures, IFRS, KBC Group (in millions of EUR)	30-06-2023	31-03-2023	31-12-2022	30-09-2022	30-06-2022
Total assets	368 077	347 355	354 545	362 204	368 691
Loans & advances to customers, excl. reverse repos	182 005	179 520	178 053	177 098	168 982
Securities (equity and debt instruments)	71 839	70 291	67 160	65 730	66 568
Deposits from customers excl. debt certificates & repos	224 710	219 342	224 407	217 538	217 293
Insurance contract liabilities	16 295	16 282	16 158	16 298	17 087
Liabilities under investment contracts, insurance	12 751	12 164	12 026	12 004	12 193
Total equity	22 853	23 141	21 819	21 027	20 898

Selected ratios KBC Group (consolidated)	1H2023	FY2022
Return on equity	18%	13%
evenly spreading bank and insurance taxes through the year[3]	19%	13%
Cost/income ratio, group		
- excl. non-operating items & evenly spreading bank & insurance taxes through the year	49%	49%
- excl. all bank and insurance taxes	40%	45%
Combined ratio, non-life insurance	84%	87%
Common equity ratio (CET1), Basel III Danish Compromise, fully loaded [transitional]	16.5% [15,7%]	15.3% [14.1%]
Credit cost ratio[4]	-0.04%	0.08%
Impaired loans ratio	2.0%	2.1%
for loans more than 90 days past due	1.0%	1.1%
Net stable funding ratio (NSFR)	145%	136%
Liquidity coverage ratio (LCR)	152%	152%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 16% in 1H2023 when non-operating items are also excluded.
4 A negative figure indicates a net impairment release (positively affecting results).

Analysis of the quarter (2Q2023)

Total income: 2 775 million euros

-9% quarter-on-quarter and +10% year-on-year

Net interest income amounted to 1 407 million euros in the quarter under review, up 6% on its level in the previous quarter and 13% on its level in the year-earlier quarter. The quarter-on-quarter increase was due in part to the higher commercial transformation result in all core countries, higher net interest income on inflation-linked bonds, increased term deposits at better margins, slightly higher lending income (with volume growth more than offsetting lower margins in most countries) and the higher number of days in the quarter. This was partly offset by the impact of the remaining Irish portfolio being sold in February 2023, the increase in the funding cost of participations and the higher cost related to the minimum required reserves held with the central banks in Hungary and Bulgaria. The year-on-year increase was attributable primarily to the sharply increased commercial transformation result, the consolidation of Raiffeisenbank Bulgaria as of the third quarter of 2022 and increased term deposits at better margins, partly offset by lower lending income, the absence of a TLTRO and ECB tiering impact, the sale of the remaining Irish portfolio in February 2023, lower net interest income on inflation-linked bonds, the higher funding cost of participations & MREL and the higher cost related to the minimum required reserves held with the central banks in Hungary and Bulgaria. Consequently, the net interest margin for the quarter under review amounted to 2.11%, up 7 and 20 basis points quarter-on-quarter and year-on-year, respectively.

The volume of customer loans was up 2% quarter-on-quarter and 4% year-on-year. Customer deposits excluding debt certificates were up 3% quarter-on-quarter and more or less stable year-on-year. When excluding volatile low-margin short-term deposits at KBC Bank's foreign branches (as they are driven by short-term cash management opportunities), customer deposits were up 0.5% quarter-on-quarter and 2% year-on-year. In the quarter under review, net inflows in term deposits and mutual funds more than offset the net outflows in current accounts and savings accounts. In the growth figures above, the forex-related impact and the effects of changes in the scope of consolidation have been eliminated.

For an indication of the expected net interest income for full-year 2023, please refer to the section entitled 'Our guidance'.

Insurance revenues before reinsurance contributed 666 million euros to total income and were up 6% and 10% on their performance in the previous and year-earlier quarters, respectively. The '**insurance service result**' (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held; the two latter items are not part of total income) amounted to 122 million euros and breaks down into 89 million euros for non-life insurance and 34 million euros for life insurance. The **non-life** insurance service result fell 8% quarter-on-quarter, as increased service expenses more than offset the positive effects of increased revenues and the improved reinsurance result. The non-life insurance service result was up 45% year-on-year, due mainly to higher insurance revenues which more than compensated for higher insurance service expenses and a worse reinsurance result. The **life** insurance service result more than doubled quarter-on-quarter, thanks to a combination of higher revenues and lower insurance service expenses, whereas year-on-year it fell 72%, due entirely to higher insurance service expenses (almost fully explained by the fact that the reference quarter had been positively impacted by a one-off parameter update). **Insurance finance income and expense** amounted to -82 million euros in the quarter under review, compared to -66 million euros in the previous quarter and 2 million euros in the year-earlier quarter (changes related to interest rate movements and stock market developments).

The combined ratio of the non-life insurance activities amounted to an excellent 84% for the first six months of 2023, compared to 87% for full-year 2022. Non-life insurance sales came to 577 million and increased by 13% year-on-year, with growth in all countries and classes. Sales of life insurance products amounted to 727 million euros and were up 52% and 72% on the levels recorded in the previous and year-earlier quarters, respectively, due to the strong increase in the sale of unit-linked products in Belgium (related to the successful launch of new structured product in the quarter under review). Overall, the share of guaranteed-interest products and unit-linked products in our total life insurance sales in the quarter under review amounted to 30% and 66%, respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder.

Net fee and commission income amounted to 584 million euros, up 1% and 8% on its level in the previous and year-earlier quarters, respectively. The slight quarter-on-quarter increase was due to increased fees for our asset management activities (higher management fees in particular) with fees related to banking activities remaining, on balance, more or less stable (increase in payment service fees offset by lower fees for securities, among other things). The year-on-year increase was accounted for by higher fees for both asset management activities (management fees and entry fees) and banking activities (including the positive effect of the consolidation of Raiffeisenbank Bulgaria). At the end of June 2023, our total assets under management amounted to 225 billion euros, up 4% quarter-on-quarter (+2 percentage points related to net inflows and +2 percentage points related to the quarter-on-quarter market performance) and 7% year-on-year (with net inflows accounting for +4 percentage points and market performance +3 percentage points).

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 115 million euros, up 28% quarter-on-quarter and three times the (low) level in the year-earlier quarter. The quarter-on-quarter increase was attributable mainly to the positive change in the market value of derivatives used for asset/liability management purposes and the positive result from investments backing unit-linked insurance contracts under IFRS 17, notwithstanding a lower dealing room result. Year-on-year, the positive result from investments backing unit-linked insurance contracts under IFRS 17 and the increase in the dealing room result more than offset the negative change in market value adjustments (xVA) and in the market value of derivatives used for asset/liability management purposes, among other factors.

The **other remaining income items** included dividend income of 30 million euros (up 22 million euros quarter-on-quarter as the bulk of dividend income is traditionally received in the second quarter of the year) and net other income of 54 million euros. The latter figure was in line with its 50-million-euro normal run rate. Note that the previous quarter had included a positive one-off impact of 405 million euros related to the sale of the loan and deposit portfolios of KBC Bank Ireland as well as a positive 48 million euros related to past Belgian bank taxes.

Total operating expenses without bank and insurance taxes: 1 090 million euros

+1% quarter-on-quarter and +12% year-on-year

The quarter-on-quarter comparison of operating expenses is distorted by the fact that the bulk of the bank and insurance taxes for the full year is traditionally recorded in the first quarter of the year. In the second quarter of 2023, these taxes amounted to 51 million euros, whereas they came to 571 million euros in the previous quarter.

Excluding bank and insurance taxes, total operating expenses in the second quarter of 2023 amounted to 1 090 million euros, up 1% on their level in the previous quarter, due to higher costs in relation to ICT, marketing and professional fees (partly a seasonal effect) and offset in part by, *inter alia*, decreased costs for Ireland (owing to the sale of KBC Bank Ireland's portfolios in the previous quarter) and lower depreciation expenses. Operating expenses without bank and insurance taxes were up 12% on their year-earlier level. Excluding the impact of Raiffeisenbank Bulgaria, costs went up some 9%, due to wage drift and indexation (despite fewer FTEs), as well as higher ICT costs, facility expenses (mainly energy costs) and depreciation expenses, partly offset by decreased costs for Ireland, among other things.

When certain non-operating items are excluded and bank and insurance taxes are spread evenly through the year, the cost/income ratio for the first six months of 2023 amounted to 49%, the same level as for full-year 2022. When excluding all bank and insurance taxes, the cost-income ratio improved to 40%, compared to 45% for full-year 2022.

For an indication of the operating expenses for full-year 2023, please refer to the section entitled 'Our guidance'.

Loan loss impairment: 23-million-euro net release

versus a 24-million-euro net release in the previous quarter and a 9-million-euro net charge in the year-earlier quarter

In the quarter under review, we recorded a 23-million-euro net loan loss impairment release, compared with a net release of 24 million euros in the previous quarter and a net charge of 9 million euros in the year-earlier quarter. The net impairment release in the quarter under review included a net charge of 17 million euros in respect of our loan book, and a 40-million-euros release following the update of the reserve for geopolitical and emerging risks. As a consequence, the outstanding reserve for geopolitical and emerging risks amounted to 350 million euros at the end of June 2023.

Broken down by country, the 23-million-euro net loan loss impairment release in the quarter under review breaks down as follows ('+' is a net charge and '-' a net release): +39 million euros in Belgium, -53 million euros in the Czech Republic, -9 million euros in Slovakia, +5 million euros in Hungary, -4 million euros in Bulgaria and -1 million euros in the Group Centre.

For the entire group, the credit cost ratio amounted to -0.04% in the first six months of 2023 (0.02% excluding the changes in the reserve for geopolitical and emerging risks), compared to 0.08% for full-year 2022 (0.00% excluding the changes in the reserves for geopolitical and emerging risks and for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of June 2023, 2.0% of our total loan book was classified as impaired ('Stage 3'), compared to 2.1% at year-end 2022. Impaired loans that are more than 90 days past due amounted to 1.0% of the loan book, compared to 1.1% at year-end 2022.

For an indication of the expected impact of loan loss impairment for full-year 2023, please refer to the section entitled 'Our guidance'.

Impairment on assets *other than loans* amounted to a charge of 31 million euros, compared to a 1-million-euro release in the previous quarter and a 19-million-euro charge in the year-earlier quarter. The figure for the quarter under review included 19 million euros charges related to the extension of the interest cap regulation in Hungary until the end of 2023 and 11 million euros to the portfolio sale in Ireland.

Net result by business unit

Belgium 576 million euros; Czech Rep. 276 million euros; International Markets 190 million euros, Group Centre -76 million euros

Belgium: at first sight, the net result (576 million euros) was up 93% quarter-on-quarter. Excluding all bank and insurance taxes, the bulk of which are recorded in the first quarter of the year and hence distort the comparison (and also excluding the one-off recuperation related to past bank taxes in the previous quarter), the net result was 4% higher than in the previous quarter. This was due primarily to the combined effect of higher total income (thanks to higher net interest income, insurance revenues and dividend income offsetting the drop in net other income), higher costs and insurance service expenses, and a net impairment charge (compared to a net release in the previous quarter).

Czech Republic: the net result (276 million euros) was up 50% quarter-on-quarter. Excluding bank and insurance taxes and forex effects, the net result was up 18% on the previous quarter. This was essentially attributable to a combination of higher total income (thanks to higher net interest income, insurance revenues, net fee and commission income and net other income), higher costs and insurance service expenses, and a net impairment release (compared to a much smaller net release in the previous quarter).

International Markets: the 190-million-euro net result breaks down as follows: 37 million euros in Slovakia, 63 million euros in Hungary and 90 million euros in Bulgaria. For the business unit as a whole, the net result was, at first sight, up 77% on the previous quarter's result. Excluding bank and insurance taxes, as well as the effects of the minimum required reserves held with the central banks in Hungary and Bulgaria and of the interest cap extension in Hungary, the net result was up 3% on the previous quarter, due mainly to a combination of higher total income (with almost all income components increasing), higher costs and insurance service expenses, and a net impairment release (compared to a smaller net release in the previous quarter).

Group Centre: the net result (-76 million euros) was 368 million euros lower than the figure recorded in the previous quarter. That was almost entirely related to the finalisation of the sale of the loan and deposit portfolios of KBC Bank Ireland in the first quarter of 2023, resulting in a positive one-off impact of 370 million euros after tax in that quarter.

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**1H2023**	**FY2022**	**1H2023**	**FY2022**	**1H2023**	**FY2022**
Cost/income ratio, group						
- excl. non-oper. items & spreading bank & ins. taxes evenly through the year	45%	47%	45%	44%	45%	47%
- excl. all bank and insurance taxes	40%	41%	43%	45%	37%	41%
Combined ratio, non-life insurance	82%	85%	82%	83%	97%[2]	91%
Credit cost ratio[1]	0.05%	0.03%	-0.30%	0.13%	-0.08%	0.31%
Impaired loans ratio	2.0%	1.9%	1.4%	1.7%	1.7%	1.9%

1 A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.
2 Impacted by an additional windfall insurance tax being recorded in Hungary in 1H2023. Excluding this item, the ratio for the first six months of 2023 would be 90%.

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).

Solvency and liquidity

Common equity ratio 16.5%, NSFR 145%, LCR 152%

At the end of June 2023, total equity came to 22.9 billion euros and comprised 21.4 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 1.0 billion euros on its level at the end of 2022. This was accounted for by the combined effect of the inclusion of the profit for the first six months of 2023 (+1.8 billion euros), the payment of the final dividend for 2022 in May 2023 (-1.3 billion euros) and a net increase in the revaluation reserves (+0.5 billion euros). 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 (CET1) of 16.5%, up from 15.3% at the end of 2022. The solvency ratio for KBC Insurance under the Solvency II framework was 206% at the end of June 2023, compared to 203% at the end of 2022. 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 145%, compared to 152% and 136%, respectively, at the end of 2022.

Please refer to the section entitled 'Our guidance' for a number of items impacting capital in the near future.

Analysis of the year-to-date period (1H2023)

Net result for 1H2023: 1 848 million euros

up 38% year-on-year

Highlights (compared to the first six months of 2022, unless otherwise stated):

Net interest income: up 12% to 2 731 million euros. This was attributable in part to the much higher commercial transformation result, the consolidation of Raiffeisenbank Bulgaria and increased term deposits at better margins, partly offset by lower lending income (as lower margins in most core markets more than offset volume growth), the absence of a TLTRO and ECB tiering impact, the sale of the remaining Irish portfolio in February 2023, the higher funding cost of participations & MREL and the higher cost related to the minimum required reserves held with the central banks in Hungary and Bulgaria. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of customer loans rose by 4% while deposits excluding debt certificates were more or less stable year-on-year (but up 2% when also excluding KBC Bank's foreign branches). The net interest margin in the first six months of 2023 came to 2.08%, up 17 basis points year-on-year.

Insurance service result (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held): down 9% to 233 million euros. The non-life combined ratio for the first six months of 2023 amounted to an excellent 84%, compared to 87% for full-year 2022. Non-life insurance sales were up 12% to 1 244 million euros, while life insurance sales were up by 26% to 1 205 million euros, due mainly to higher unit-linked insurance sales in Belgium.

Net fee and commission income: up 4% to 1 160 million euros. This was attributable primarily to higher fees for banking services (including the effect from the consolidation of Raiffeisenbank Bulgaria). At the end of June 2023, total assets under management were up 7% to 225 billion euros due to a combination of net inflows (+4 percentage points) and a positive price effect (+3 percentage points).

Trading & fair value income: up 62% to 206 million euros. This was due mainly to a higher result from investments backing unit-linked insurance contracts under IFRS 17.

All other income items combined: up 194% to 441 million euros. This came about mainly because of higher net other income, which included a 405-milion-euro gain on the sale of the loan and deposit portfolios of KBC Bank Ireland in February 2023.

Operating expenses without bank and insurance taxes: up 10% to 2 167 million euros. This was due in part to the consolidation of the former Raiffeisenbank Bulgaria, wage drift and inflation/indexation (despite fewer FTEs), higher expenses for ICT and facilities, and partly offset by the extraordinary profit bonus for staff in the reference period and the impact of the sale of the Irish portfolios in February 2023, among other factors. The year-to-date cost/income ratio amounted to 49% when certain non-operating items are excluded and bank and insurance taxes evenly spread throughout the year (also 49% for full-year 2022). When bank and insurance taxes are fully excluded, the cost-income ratio for the period under review amounted to 40% (45% for full-year 2022).

Loan loss impairment: net release of 47 million euros, compared to net release of 6 million euros in the reference period. The first six months of 2023 included a net charge of 14 million euros for individual loans and a net release of 61 million euros in the reserve for geopolitical and emerging risks. As a result, the credit cost ratio amounted to -0.04%, compared to 0.08% for full-year 2022 (a negative figure implies a positive impact on the result). Impairment on assets other than loans amounted to 29 million euros, compared to 54 million euros in the reference period.

The 1 848-million-euro **net result** for the first six months of 2023 breaks down as follows: 875 million euros for the Belgium Business Unit (down 9 million euros on its year-earlier level), 461 million euros for the Czech Republic Business Unit (up 18 million euros), 298 million euros for the International Markets Business Unit (up 176 million euros) and 215 million euros for the Group Centre (up 324 million euros, owing to the gain realised on the sale of the loan and deposit portfolios of KBC Bank Ireland in February 2023).

ESG developments, risk statement and economic views

ESG developments

We continue to make progress on our sustainability journey. In order to stay in tune with society's expectations, our top management participated in a stakeholder dialogue during the quarter under review. On the environmental front, we are continuously making progress towards achieving our climate targets and remain committed to having the climate targets for our banking activities validated by the Science Based Targets Initiative. In the social domain, we issued our second social bond in May 2023. As such, we aim to increase our positive social impact and contribute to quality access to education and health care. Our ESG ratings clearly position us among the leading financial institutions in Europe. For instance, our CDP 'A List' rating, as well as the Terra Carta Seal, clearly demonstrate our commitment to creating a sustainable future.

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 mostly indirect impact of the war in Ukraine, including the delayed effects of the increase in energy and commodity prices and the supply-side shortages it triggered. This has led to a surge in inflation, resulting in upward pressure on interest rates, lower growth prospects (or even fears of 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. Rising interest rates were also the main source of some turmoil in the financial sector in the spring of 2023, although that has abated somewhat. Regulatory and compliance risks (including in relation to 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 on loans or by pushing for higher rates on savings accounts).

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

Following quarter-on-quarter growth of 0.5% (non-annualised) in the first quarter of 2023, the US economy also grew in the second quarter, expanding by 0.6% (non-annualised). This performance was mainly the result of solid investment and consumption growth based on the still robust labour market. As the cumulative monetary tightening of the Fed increasingly impacts the US economy, quarter-on-quarter growth is expected to slow to 0.1% and -0.1% in the third and fourth quarters, respectively.

Meanwhile, after stagnating in the first quarter of 2023, euro area growth turned positive again in the second quarter (0.3% quarter-on-quarter). We expect low GDP growth in the euro area to continue for the remainder of 2023, likely caused by the ECB's tightening of monetary policy and the weakness in the global manufacturing sector.

In the second quarter of 2023, economic growth in Belgium was 0.2% quarter-on-quarter, still supported by the increase in private consumption. For the remainder of 2023, we expect quarterly growth to be in line with the growth dynamics of the euro area. After stagnating in the first quarter, the Czech economy grew by 0.1% in the second quarter of 2023, which marked the end of the technical recession during the second half of 2022.

The main risks to our short-term outlook for European growth include a weakening of global growth, the persistence of underlying core inflation (excluding food and energy), and the uncertainty regarding the timing and impact of the tightening of monetary policy by the ECB. Other risks relate to still elevated real estate valuations and high levels of debt in the context of tightened financing conditions.

Our view on interest rates and foreign exchange rates

After one rate hike of 25 basis points in the second quarter, the Fed resumed its hiking cycle by another 25 basis points in July, to a range of 5.25%-5.50%. We expect this to be the peak rate in this cycle, which will probably be maintained at least for the remainder of 2023. Moreover, the ongoing run-down of the Fed's balance sheet (Quantitative Tightening) is contributing to a tight monetary policy stance. Meanwhile, the ECB too continued to raise all of its policy rates. After the latest hike in July, the ECB deposit rate now stands at 3.75%. We expect the ECB to raise its policy rate one more time (likely in September), reaching its cycle peak rate. From July 2023 on, the ECB stopped the reinvestments of maturing assets from its Asset Purchase Programme portfolio.

On balance, both 10-year US and German government bond yields rose during the second quarter mainly as a result of ongoing monetary tightening by the Fed and ECB. While the US 10-year yield rose to 3.8%, the German yield went up more modestly to 2.4%. Consequently, the US-German yield spread widened from about 120 to 145 basis points.

After a volatile second quarter, mostly driven by fluctuating market expectations about short-term interest rate differentials between the Fed and ECB policy rates, the exchange rate of the US dollar remained broadly unchanged against the euro. For the remainder of 2023, we expect the appreciating trend of the euro to gradually resume.

During the second quarter, the Czech koruna depreciated against the euro, primarily driven by higher inflation compared to the euro area. The positive interest differential in favour of the Czech Republic decreased somewhat, since the Czech National Bank (CNB) left its policy rate unchanged at 7%, while the ECB raised its deposit rate further to the current rate of 3.75%. Market expectations of a first rate cut by the CNB in the fourth quarter are likely to weaken the koruna further against the euro in the remainder of 2023.

To reduce the economic and fiscal cost of its high interest rate policy, that was aimed at bringing inflation back, the National Bank of Hungary (NBH) eased money market rates (3-month BUBOR) further during the second quarter from 16.3% to 15.2%. In July, it fell further towards 14% and is expected to reach the current level of the NBH's base rate (13%) by the end of the third quarter. Meanwhile, the exchange rate of the Hungarian forint against the euro appreciated further during the second quarter, continuing the recovery from its weakness during the short-lived financial sector crisis in March. Against the background of still high inflation differentials with the euro area, the HUF is expected to depreciate slightly by the end of 2023.

Our guidance

Guidance for full-year 2023

- Total income: approximately 11.15 billion euros *(unchanged),* of which approximately 5.6 billion euros in net interest income *(instead of approximately 5.7 billion euros previously, due to (1) higher costs on the Minimum Required Reserves held with central banks and (2) increased wholesale funding and subordinations costs).*
- Operating expenses without bank and insurance taxes, plus insurance commissions: approximately 4.75 billion euros *(unchanged).*
- Credit cost ratio: 10-15 basis points *(instead of 20-25 basis points previously*), both excluding any movement in the ECL buffer.

Medium to long-term guidance (as provided with the FY 2022 results, not updated)

- CAGR total income (2022-2025): approximately 7.3%.
- CAGR operating expenses without bank and insurance taxes, plus insurance commissions (2022-2025): approx. 2.3%.
- Combined ratio: ≤ 92%.
- Credit cost ratio: 25-30 basis points, through-the-cycle.

Capital impact in the near future

- **Share buyback and interim dividend.** KBC will distribute – over and above the 4 euros per share already paid as the dividend for 2022 – 1.3 billion euros of surplus capital, in line with the capital deployment plan announced for full-year 2022. After having received ECB approval, the Board of Directors decided to distribute 1.3 billion euros in the form of a share buyback, starting as soon as possible and ending by August 2024. As such, 1.3 billion euros will be deducted from the fully loaded and transitional CET1 (ratio) as of the third quarter of 2023. Moreover, in line with our general dividend policy, we will also pay out an interim dividend of 1 euro per share in November 2023 as an advance on the total dividend for financial year 2023.

- **Further optimisation of KBC's capital structure.** In line with CRD V Art. 104a(4), ECB allows banks to satisfy the Pillar 2 Requirement (P2R) with additional tier-1 instruments (up to 1.5 / 8) and tier-2 instruments (up to 2 / 8) based on the same relative weights as allowed for meeting the 8% Pillar 1 Requirement. KBC currently has a P2R of 1.86%. Contrary to most of our peers, KBC currently fills its P2R almost entirely with more conservative but also more expensive CET1 capital. KBC decided to further optimise its capital structure and as such, will fill up the AT1 and Tier-2 buckets within P2R.

- **RWA add-on, mitigated**. KBC has received a final ECB supervisory decision, following model reviews for predominantly KBC's Belgian corporate and SME credit portfolio. As a result of this, KBC will be subject to a risk-weighted assets (RWA) add-on of approximately 8.2 billion euros in the third quarter of 2023. This 8.2 billion euros RWA add-on will be mitigated by (1) a 1.7 billion euros RWA release in the third quarter of 2023, (2) an expected RWA relief of circa 2.0 billion euros before year-end 2023 due to model simplification and (3) roughly 4.5 billion euros of the 8.2 billion euros RWA add-on is frontloading of the IRB Basel IV CET1 impact in 2025. There is currently no material deterioration noticed in the credit portfolio including the Belgian corporate and SME loan portfolio.

Upcoming events	3Q2023 results: 9 November 2023 4Q2023 results: 8 February 2024 Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 2Q2023	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
Information on IFRS 17 implementation	Press release of 18 April 2023: www.kbc.com / Newsroom / Press release archive
Definitions of ratios	'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

2Q 2023 and 1H 2023

Section reviewed by the Auditor

On 1 January 2023, IFRS 17 replaced IFRS 4 (Insurance contracts):

The new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) is mandatory for the reporting period beginning on 1 January 2023.

As a consequence of the IFRS 17 implementation the reference figures have been restated accordingly.

For more information, see note 6.10.

Glossary:

AC: Amortised Cost
ALM: Asset Liability Management
AT1: Additional tier-1 instruments
BBA: Building block approach
CSM: Contractual service margin
ECL: Expected Credit Loss
FA: Financial Assets
FV: Fair Value
FVO: Fair Value Option (designated upon initial recognition at Fair Value through Profit or Loss)
FVOCI: Fair Value through Other Comprehensive Income
FVPL: Fair Value through Profit or Loss
GCA: Gross Carrying Amount
HFT: Held For Trading
IFIE: Insurance finance income and expense
MFVPL: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)
OCI: Other Comprehensive Income
OPEX: Operating expenses
P&L: Income statement
PAA: Premium allocation approach
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings
UL: Unit linked
VFA: Variable fee approach

Consolidated income statement

(in millions of EUR)	Note	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
Net interest income	3.1	2 731	2 448	1 407	1 324	1 248
Interest income	*3.1*	*9 380*	*4 856*	*5 075*	*4 305*	*2 505*
Interest expense	*3.1*	*-6 649*	*-2 407*	*-3 668*	*-2 982*	*-1 258*
Insurance revenues before reinsurance	3.7	1 297	1 181	666	631	603
Non-life	*3.7*	*1 109*	*997*	*567*	*543*	*506*
Life	*3.7*	*188*	*184*	*100*	*88*	*98*
Dividend income		37	28	30	8	21
Net result from financial instruments at fair value through profit or loss	3.3	206	127	115	90	38
Net fee and commission income	3.5	1 160	1 112	584	576	542
Fee and commission income	*3.5*	*1 468*	*1 393*	*737*	*731*	*684*
Fee and commission expense	*3.5*	*- 308*	*- 281*	*- 153*	*- 155*	*- 142*
Insurance finance income and expense (for insurance contracts issued)	3.7	- 148	6	- 82	- 66	2
Net other income	3.6	552	116	54	498	69
TOTAL INCOME		5 835	5 020	2 775	3 060	2 522
Operating expenses (excluding directly attributable from insurance)	3.8	-2 520	-2 339	-1 019	-1 501	- 944
Total Opex without banking and insurance tax	*3.8*	*-2 167*	*-1 975*	*-1 090*	*-1 077*	*- 973*
Total banking and insurance tax	*3.8*	*- 622*	*- 608*	*- 51*	*- 571*	*- 94*
Minus: Opex allocated to insurance service expenses	*3.8*	*270*	*244*	*123*	*147*	*123*
Insurance service expenses before reinsurance	3.7	-1 013	- 937	- 523	- 490	- 421
Of which insurance commissions paid	*3.7*	*- 159*	*- 148*	*- 82*	*- 77*	*- 79*
Non-Life	*3.7*	*- 876*	*- 872*	*- 457*	*- 418*	*- 442*
Of which Non-life - Claim related expenses	*3.7*	*- 521*	*- 549*	*- 284*	*- 237*	*- 276*
Life	*3.7*	*- 138*	*- 65*	*- 66*	*- 72*	*21*
Net result from reinsurance contracts held	3.7	- 52	10	- 22	- 30	- 2
Impairment	3.10	18	- 48	- 8	26	- 28
on FA at amortised cost and at FVOCI	*3.10*	*47*	*6*	*23*	*24*	*- 9*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 29*	*- 54*	*- 31*	*1*	*- 19*
Share in results of associated companies and joint ventures		- 4	- 5	- 1	- 3	- 2
RESULT BEFORE TAX		2 264	1 701	1 202	1 062	1 126
Income tax expense	3.12	- 416	- 362	- 236	- 180	- 240
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		1 848	1 339	966	882	887
attributable to minority interests		0	0	0	0	0
attributable to equity holders of the parent		**1 848**	**1 339**	**966**	**882**	**887**
Earnings per share (in EUR)						
Ordinary		4.37	3.15	2.29	2.08	2.10
Diluted		4.37	3.15	2.29	2.08	2.10

We describe the impact of the most significant acquisitions and disposals in 2022 and 2023 (the acquisition of Bulgarian operations of Raiffeisen Bank International and the sale of the Irish loan and deposit portfolios to Bank of Ireland Group) in note 6.6 further in this report.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
RESULT AFTER TAX	**1 848**	**1 339**	**966**	**882**	**887**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	1 848	1 339	966	882	887
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**329**	**349**	**- 37**	**364**	**53**
Net change in revaluation reserve (FVOCI debt instruments)	98	- 1 534	- 11	108	- 823
Net change in hedging reserve (cashflow hedges)	104	184	36	68	133
Net change in translation differences	162	- 103	- 51	212	- 218
Hedge of net investments in foreign operations	- 16	22	16	- 32	55
Net insurance finance income and expense from (re)insurance contracts issued	- 22	1 792	- 27	6	912
Net insurance finance income and expense from reinsurance contracts held	2	- 13	- 1	3	- 7
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	2	1	2	0	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**133**	**- 1**	**47**	**86**	**62**
Net change in revaluation reserve (FVOCI equity instruments)	141	- 246	40	101	- 140
Net change in defined benefit plans	- 8	244	7	- 15	200
Net change in own credit risk	0	2	0	0	2
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**2 310**	**1 688**	**978**	**1 332**	**1 001**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	2 310	1 688	978	1 332	1 001

The largest movements in other comprehensive income (1H 2023 and 1H 2022):

- Net change in revaluation reserve (FVOCI debt instruments): the +98 million euros in 1H 2023 is mainly explained by lower interest rates in Czech and Hungarian government bonds and the unwinding effect of the negative outstanding revaluation reserve partly offset by the higher interest rates in Euro government bonds. The -1 534 million euros in 1H 2022 is mainly explained by much higher interest rates, for the largest part related to government bonds of European countries.
- Net change in hedging reserve (cash flow hedge): the +104 million euros in 1H 2023 can for a large part be explained by the unwinding effect of the negative outstanding cash flow hedge reserve. The +184 million euros in 1H 2022 can mainly be explained by much higher interest rates.
- The net change in translation differences: the +162 million euros in 1H 2023 was mainly caused by the appreciation of the CZK and HUF versus the EUR. This was partly offset by the hedge of net investments in foreign operations (-16 million euros). The -103 million euros in 1H 2022 was mainly caused by the depreciation of the HUF versus the EUR, partially offset by the hedge of net investments in foreign operations (+22 million euros). The hedging policy of FX participations aims to stabilize the group capital ratio (and not parent shareholders' equity).
- The net change in net insurance finance income and expense from (re)insurance contracts issued and held in 1H 2023 of -20 million euros is explained by the unwinding effect of the outstanding positive IFIE through OCI, partly offset by the EUR interest rate increase. The net impact of +1 779 million euros in 1H 2022 is mainly explained by much higher interest rates.
- Net change in revaluation reserve (FVOCI equity instruments): the +141 million euros in 1H 2023 is mainly explained by positive fair value movements driven by better stock markets. The -246 million euros in 1H 2022 can be explained by negative fair value movements due to negative stock markets evolution.
- Net change in defined benefit plans: the -8 million euros in 1H 2023 is mainly explained by the effect of the lower discount rate applied on the obligations and the impact of the higher inflation rate, partly offset by the positive return of the plan assets. The +244 million euros in 1H 2022 is mainly explained by the effect of the higher discount rate applied on the obligations, partly offset by the negative return of the plan assets and the impact of the higher inflation rate.

Consolidated balance sheet

(in millions of EUR)	Note	30-06-2023	31-12-2022
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		53 830	51 427
Financial assets	4.0	308 991	290 840
Amortised cost	*4.0*	*267 791*	*251 770*
Fair value through OCI	*4.0*	*16 949*	*16 617*
Fair value through profit or loss	*4.0*	*23 814*	*21 911*
of which held for trading	*4.0*	*9 422*	*8 471*
Hedging derivatives	*4.0*	*438*	*542*
Reinsurers' contract assets held		90	55
Profit/loss on positions in portfolios hedged for interest rate risk		-3 747	-4 335
Tax assets		1 116	1 175
Current tax assets		*257*	*174*
Deferred tax assets		*858*	*1 001*
Non-current assets held for sale and disposal groups	5.11	5	8 054
Investments in associated companies and joint ventures		34	32
Property, equipment and investment property		3 576	3 560
Goodwill and other intangible assets	5.5	2 470	2 331
Other assets		1 713	1 406
TOTAL ASSETS		368 077	354 545
LIABILITIES AND EQUITY			
Financial liabilities	4.0	326 787	312 759
Amortised cost	*4.0*	*303 949*	*289 885*
Fair value through profit or loss	*4.0*	*22 387*	*22 297*
of which held for trading	*4.0*	*8 338*	*9 096*
Hedging derivatives	*4.0*	*451*	*577*
Insurance contract liabilities	5.6	16 295	16 158
Non-life		*2 842*	*2 714*
Life		*13 453*	*13 444*
Profit/loss on positions in portfolios hedged for interest rate risk		-1 002	-1 443
Tax liabilities		433	462
Current tax liabilities		*77*	*150*
Deferred tax liabilities		*356*	*312*
Liabilities associated with disposal groups	5.11	0	2 020
Provisions for risks and charges	5.7.3	216	418
Other liabilities		2 496	2 353
TOTAL LIABILITIES		345 224	332 727
Total equity	5.10	22 853	21 819
Parent shareholders' equity	5.10	21 352	20 319
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		1	0
TOTAL LIABILITIES AND EQUITY		368 077	354 545

The increase of the total liabilities in 1H 2023 can for the largest part be explained by higher repos, time deposits from customers, saving accounts, certificates of deposit and other issued bonds. This is partly offset by lower demand deposits from customers and partial repayment of the TLTRO III. Total assets increase thanks to higher reverse repos and to a lesser extent higher loans and advances to customers and debt securities, partly offset by the closing of the sale of the Irish loan portfolios to Bank of Ireland Group.

The impact of the most important acquisitions and divestments in 2023 is described in note 6.6.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
30-06-2023									
Balance at the beginning of the period	1 461	5 542	0	12 626	690	20 319	1 500	0	21 819
Net result for the period	0	0	0	1 848	0	1 848	0	0	1 848
Other comprehensive income for the period	0	0	0	2	460	462	0	0	462
Subtotal	0	0	0	1 850	460	2 310	0	0	2 310
Dividends	0	0	0	- 1 252	0	- 1 252	0	0	- 1 252
Coupon on AT1	0	0	0	- 25	0	- 25	0	0	- 25
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	10	- 10	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	1	1
Total change	0	0	0	584	450	1 033	0	1	1 034
Balance at the end of the period	1 461	5 542	0	13 210	1 140	21 352	1 500	1	22 853
2022									
Balance at the beginning of the period	1 460	5 528	0	13 289	627	20 904	1 500	0	22 404
Net result for the period	0	0	0	2 818	0	2 818	0	0	2 818
Other comprehensive income for the period	0	0	0	1	215	217	0	0	217
Subtotal	0	0	0	2 819	215	3 035	0	0	3 035
Dividends	0	0	0	- 3 585	0	- 3 585	0	0	- 3 585
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	14	0	0	0	15	0	0	15
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	152	- 152	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	1	14	0	- 663	63	- 585	0	0	- 585
Balance at the end of the period	1 461	5 542	0	12 626	690	20 319	1 500	0	21 819
30-06-2022									
Balance at the beginning of the period	1 460	5 528	0	13 289	627	20 904	1 500	0	22 404
Net result for the period	0	0	0	1 339	0	1 339	0	0	1 339
Other comprehensive income for the period	0	0	0	1	348	349	0	0	349
Subtotal	0	0	0	1 340	348	1 688	0	0	1 688
Dividends	0	0	0	- 3 168	0	- 3 168	0	0	- 3 168
Coupon on AT1	0	0	0	- 25	0	- 25	0	0	- 25
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	55	- 55	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	- 1 799	293	- 1 506	0	0	- 1 506
Balance at the end of the period	1 460	5 528	0	11 491	920	19 398	1 500	0	20 898

1H 2023

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

- an interim dividend of 1.00 euro per share (417 million euros in total), as decided by KBC Group's Board of Directors of 10 August 2022 and paid on 16 November 2022 (was deducted from retained earnings in 3Q 2022)
- an ordinary dividend of 3.00 euros per share and paid on 11 May 2023 (1 252 million euros in total), deducted from retained earnings in 2Q 2023.

2022

The ‘Dividends’ item in 2022 (3 585 million euros) includes the final dividend of 7.60 euros per share (3 168 million euros paid in May 2022) and the interim dividend of 1.00 euro per share (417 million euros paid in November 2022).

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	30-06-2023	31-12-2022	30-06-2022
Total	1 140	690	920
Revaluation reserve (FVOCI debt instruments)	- 997	-1 095	- 463
Revaluation reserve (FVOCI equity instruments)	215	84	198
Hedging reserve (cashflow hedges)	- 833	- 937	- 924
Translation differences	37	- 125	- 214
Hedge of net investments in foreign operations	59	75	101
Remeasurement of defined benefit plans	459	467	490
Own credit risk through OCI	0	0	1
Insurance finance income and expense through OCI after reinsurance	2 201	2 221	1 731

Consolidated cash flow statement

(in millions of EUR)	Note	1H 2023	1H 2022
OPERATING ACTIVITIES			
Result before tax	Cons. income stat.	2 264	1 701
Adjustments for non-cash items in profit & loss		391	1 269
Changes in operating assets (excluding cash and cash equivalents)		-3 206	-7 181
Changes in operating liabilities (excluding cash and cash equivalents)		4 728	33 254
Income taxes paid		- 255	- 288
Net cash from or used in operating activities		3 923	28 754
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	-3 094	-1 970
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		- 4	- 4
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		6 480	80
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)	—	- 200	- 18
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)	—	- 156	- 7
Other		91	30
Net cash from or used in investing activities		3 116	-1 889
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Cons. stat. of changes in equity	0	0
Issue or repayment of promissory notes and other debt securities	4.1	4 241	641
Proceeds from or repayment of subordinated liabilities	4.1	504	- 767
Proceeds from the issuance of share capital	Cons. stat. of changes in equity	0	0
Dividends paid	Cons. stat. of changes in equity	-1 252	-3 168
Coupon additional Tier-1 instruments	Cons. stat. of changes in equity	- 25	- 25
Net cash from or used in financing activities		3 468	-3 319
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		10 508	23 546
Cash and cash equivalents at the beginning of the period		67 481	63 554
Effects of exchange rate changes on opening cash and cash equivalents		624	- 120
Cash and cash equivalents at the end of the period		78 613	86 980
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Cons. balance sheet	53 830	53 360
Term loans to banks at not more than three months (excl. reverse repos)	4.1	2 798	5 007
Reverse repos with credit institutions and investment firms at not more than three months	4.1	31 416	35 228
Deposits from banks repayable on demand	4.1	-9 431	-6 615
Cash and cash equivalents belonging to disposal groups		0	0
Total		78 613	86 980
of which not available		*0*	*0*

The net cash from operating activities in 1H 2023 (+3 923 million euros) mainly includes a significant growth of certificates of deposit and time deposits, partially offset by a repayment of part of the amount borrowed under TLTRO III (-12.9 billion euros in 1H 2023) and increasing mortgage and term loan portfolio. The net cash from operating activities in 1H 2022 (+28 754 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher demand deposits and repos, slightly offset by an increasing mortgage and term loan portfolio.

Net cash from (used in) investing activities in 1H 2023 (+3 116 million euros) is mainly explained by the cash proceeds from closing of sale KBC Bank Ireland, partly offset by additional investments in debt securities at amortised cost. Net cash from (used in) investing activities in 1H 2022 (-1 889 million euros) is mainly explained by additional investments in debt securities at amortised cost.

The net cash flow from financing activities in 1H 2023 (+3 468 million euros) mainly includes newly issued Senior Holdco instruments (+4 billion euros issued, partly offset by matured positions for -1 billion euros), higher outstanding covered bonds (+1 billion euros) and a newly issued Tier-2 instrument (500 million euros), partly compensated by the dividend payment (-1 252 million euros). The net cash flow from financing activities in 1H 2022 (-3 319 million euros) mainly includes the dividend payment (-3 168 million euros), matured covered bond position (-1 billion euros) and the call of a Tier-2 instrument (-750 million euros) being partly compensated by an increase of the volume of Senior Holdco instruments (+1.8 billion euros).

Notes the accounting policies

Statement of compliance (note 1.1 in the annual accounts 2022)

The condensed interim financial statements of the KBC Group for the period ended 30 June 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The following IFRS standards and amendments became effective in 2023 and KBC has applied them:

- IFRS 17: see note 6.10 in the annual report of 2022 and further in this report.
- Amendment to IAS 1, presentation of Financial Statements
- Amendment to IAS 12, income taxes

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

Summary of significant accounting policies (note 1.2 in the annual accounts 2022)

A summary of the main accounting policies is provided in the group's interim consolidated financial statements as at 31 March 2023.

Main exchange rates used:

	Exchange rate at 30-06-2023		Average exchange rate in 1H 2023	
		Changes relative to 31-12-2022		Changes relative to the average 1H 2022
	1 EUR = …	Positive: appreciation relative to EUR	1 EUR = …	Positive: appreciation relative to EUR
	… currency	Negative: depreciation relative to EUR	… currency	Negative: depreciation relative to EUR
CZK	23.742	2%	23.659	4%
HUF	371.93	8%	379.85	-1%

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2022)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2022.
As a result of the Irish sale transaction, the P&L-lines of KBC Bank Ireland have been transferred from Business Unit International Markets to Group Centre as of 1 January 2022. Regarding the impact of the acquisition of Raiffeisenbank Bulgaria and the sale of the Irish loan and deposit portfolios to Bank of Ireland Group, see further in note 6.6.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
1H 2023									
Net interest income	1 627	633	575	*257*	*129*	*189*	- 105	*37*	2 731
Insurance revenues before reinsurance	792	271	228	*93*	*46*	*89*	6	*0*	1 297
Non-life	677	223	202	*83*	*38*	*82*	6	*0*	1 109
Life	114	47	26	*10*	*8*	*7*	0	*0*	188
Dividend income	34	0	1	*0*	*0*	*1*	2	*0*	37
Net result from financial instruments at fair value through profit or loss	18	75	62	*47*	*6*	*9*	50	*- 2*	206
Net fee and commission income	760	162	241	*125*	*42*	*75*	- 3	*- 1*	1 160
Insurance finance income and expense (for insurance contracts issued)	- 83	- 35	- 30	*- 21*	*- 2*	*- 7*	0	*0*	- 148
Net other income	136	7	10	*2*	*4*	*3*	400	*400*	552
TOTAL INCOME	3 284	1 114	1 088	*503*	*225*	*359*	350	*435*	5 835
Operating expenses (excluding directly attributable OPEX (insurance))	-1 394	- 452	- 523	*- 277*	*- 113*	*- 133*	- 151	*- 83*	-2 520
Total Opex without banking and insurance tax	*-1 195*	*- 448*	*- 376*	*- 128*	*- 121*	*- 127*	*- 148*	*- 79*	*-2 167*
Total Banking and insurance tax	*- 353*	*- 59*	*- 205*	*- 181*	*- 4*	*- 20*	*- 4*	*- 4*	*- 622*
Minus: Opex allocated to insurance service expenses	*154*	*55*	*58*	*33*	*12*	*14*	*1*	*0*	*270*
Insurance service expenses before reinsurance	- 617	- 200	- 196	*- 96*	*- 38*	*- 61*	- 1	*0*	-1 013
Of which insurance commissions paid	*- 105*	*- 28*	*- 25*	*- 6*	*- 4*	*- 15*	*0*	*0*	*- 159*
Non-Life	*- 519*	*- 174*	*- 182*	*- 90*	*- 33*	*- 58*	*- 1*	*0*	*- 876*
Of which Non-life - Claim related expenses	*- 330*	*- 100*	*- 92*	*- 39*	*- 20*	*- 32*	*1*	*0*	*- 521*
Life	*- 98*	*- 26*	*- 14*	*- 6*	*- 5*	*- 3*	*0*	*0*	*- 138*
Net result from reinsurance contracts held	- 37	- 9	- 10	*- 1*	*- 3*	*- 6*	4	*0*	- 52
Impairment	- 28	60	- 8	*- 13*	*7*	*- 2*	- 5	*- 7*	18
of which on FA at AC and at fair value through OCI	*- 30*	*60*	*12*	*6*	*8*	*- 2*	*5*	*4*	*47*
Share in results of associated companies and joint ventures	- 3	0	0	0	0	0	0	0	- 4
RESULT BEFORE TAX	1 204	512	351	*115*	*79*	*157*	197	*344*	2 264
Income tax expense	- 330	- 51	- 53	*- 20*	*- 17*	*- 16*	18	*- 27*	- 416
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	874	461	298	*95*	*62*	*141*	215	*318*	1 848
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	**875**	**461**	**298**	***95***	***62***	***141***	**215**	***318***	**1 848**

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
1H 2022									
Net interest income	1 312	666	380	*192*	*114*	*74*	90	*127*	2 448
Insurance revenues before reinsurance	738	231	205	*82*	*42*	*81*	7	*0*	1 181
Non-life	621	189	180	*72*	*34*	*74*	7	*0*	997
Life	117	42	25	*9*	*9*	*7*	0	*0*	184
Dividend income	25	1	0	*0*	*0*	*0*	2	*0*	28
Net result from financial instruments at fair value through profit or loss	64	77	5	*10*	*16*	*- 22*	- 20	*- 4*	127
Net fee and commission income	778	145	190	*109*	*41*	*40*	0	*1*	1 112
Insurance finance income and expense (for insurance contracts issued)	- 54	13	48	*21*	*7*	*20*	0	*0*	6
Net other income	131	2	- 6	*- 9*	*1*	*2*	- 11	*- 7*	116
TOTAL INCOME	2 994	1 135	822	*405*	*221*	*196*	68	*118*	5 020
Operating expenses (excluding directly attributable OPEX (insurance))	-1 309	- 421	- 448	*- 266*	*- 115*	*- 67*	- 161	*- 115*	-2 339
Total Opex without banking and insurance tax	*-1 098*	*- 413*	*- 307*	*- 115*	*- 122*	*- 70*	*- 157*	*- 109*	*-1 975*
Total Banking and insurance tax	*- 350*	*- 60*	*- 193*	*- 176*	*- 6*	*- 10*	*- 6*	*- 6*	*- 608*
Minus: Opex allocated to insurance service expenses	*139*	*53*	*52*	*25*	*14*	*13*	*1*	*0*	*244*
Insurance service expenses before reinsurance	- 584	- 179	- 173	*- 78*	*- 34*	*- 61*	- 1	*0*	- 937
Of which insurance commissions paid	*- 95*	*- 20*	*- 32*	*- 15*	*- 3*	*- 14*	*0*	*0*	*- 148*
Non-Life	*- 567*	*- 149*	*- 155*	*- 71*	*- 28*	*- 55*	*- 1*	*0*	*- 872*
Of which Non-life - Claim related expenses	*- 386*	*- 85*	*- 79*	*- 31*	*- 16*	*- 33*	*0*	*0*	*- 549*
Life	*- 16*	*- 30*	*- 18*	*- 7*	*- 6*	*- 5*	*0*	*0*	*- 65*
Net result from reinsurance contracts held	41	- 5	- 6	*- 1*	*- 2*	*- 3*	- 20	*0*	10
Impairment	18	- 1	- 39	*- 21*	*- 5*	*- 13*	- 27	*- 23*	- 48
of which on FA at AC and at fair value through OCI	*25*	*8*	*- 24*	*- 7*	*- 5*	*- 13*	*- 2*	*1*	*6*
Share in results of associated companies and joint ventures	- 4	- 1	0	0	0	0	0	0	- 5
RESULT BEFORE TAX	1 157	528	157	*39*	*66*	*52*	- 140	*- 21*	1 701
Income tax expense	- 273	- 86	- 35	*- 15*	*- 15*	*- 6*	32	*4*	- 362
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	884	443	122	*24*	*51*	*47*	- 109	*- 17*	1 339
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	**884**	**443**	**122**	***24***	***51***	***47***	**- 109**	***- 17***	**1 339**

Other notes

Net interest income (note 3.1 in the annual accounts 2022)

(in millions of EUR)	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
Total	2 731	2 448	1 407	1 324	1 248
Interest income	9 380	4 856	5 075	4 305	2 505
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	4 895	3 350	2 538	2 357	1 745
Financial assets at FVOCI	173	189	95	77	99
Hedging derivatives	2 023	713	1 163	861	412
Financial liabilities (negative interest)	8	190	4	4	90
Other	1 118	46	634	483	28
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	26	16	13	12	8
Financial assets held for trading	1 138	352	628	510	123
Of which economic hedges	*1 064*	*300*	*590*	*474*	*93*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-6 649	-2 407	-3 668	-2 982	-1 258
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	-3 091	- 617	-1 694	-1 397	- 335
Financial assets (negative interest)	- 1	- 77	0	0	- 18
Hedging derivatives	-2 131	- 776	-1 220	- 912	- 443
Other	- 2	- 1	- 1	- 1	- 1
Interest expense on other financial instruments					
Financial liabilities held for trading	-1 395	- 924	- 737	- 658	- 454
Of which economic hedges	*-1 372*	*- 898*	*- 724*	*- 648*	*- 442*
Other financial liabilities at FVPL	- 32	- 11	- 17	- 15	- 7
Net interest expense relating to defined benefit plans	3	- 1	2	1	0

The year-on-year increase of interest income on financial instruments calculated using the effective interest rate method – other, is mainly related to interest income on cash balances with central banks.

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2022)

(in millions of EUR)	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
Total	206	127	115	90	38
Breakdown by driver					
Dealing room income	163	159	69	94	53
MTM ALM derivatives and other	- 11	- 7	13	- 24	6
Market value adjustments (xVA)	9	51	5	4	25
Result on investment backing UL contracts - under IFRS17	45	- 76	29	16	- 46

The result from financial instruments at fair value through profit or loss in 2Q 2023 is 25 million euros higher compared to 1Q 2023

The quarter-on-quarter evolution is explained as follows:

- Positive MTM ALM derivatives and other income in 2Q 2023 compared to a negative amount in 1Q 2023
- Slightly more positive impact from market value adjustments (xVA) in 2Q 2023 compared to 1Q 2023
- Higher fair value result on investments backing unit-linked contracts under IFRS 17 (offset by lower insurance finance income and expenses; for more information see note 3.7 further in this report)

Partly offset by

- Lower dealing room income in Belgium and Czech Republic, partly compensated by higher dealing room income in Hungary

The result from financial instruments at fair value through profit or loss in 1H 2023 is 78 million euros higher compared to 1H 2022, for a large part explained by:

- Much better result on investments backing unit-linked contracts under IFRS 17 in 1H 2023 compared to 1H 2022 thanks to improving financial markets in 1H 2023 while depressed financial markets in 1H 2022

- Higher dealing room income in 1H 2023 in Belgium, partly offset by lower dealing room income in Czech Republic and Hungary

Partly offset by

- Lower positive impact from market value adjustments (xVA) in 1H 2023 compared to a higher positive impact in 1H 2022
- Slightly lower MTM ALM derivatives and other income in 1H 2023, mainly in Belgium and Czech Republic.

Net fee and commission income (note 3.5 in the annual accounts 2022)

(in millions of EUR)	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
Total	1 160	1 112	584	576	542
Fee and commission income	1 468	1 393	737	731	684
Fee and commission expense	- 308	- 281	- 153	- 155	- 142
Breakdown by type					
Asset Management Services	615	616	311	304	295
Fee and commission income	*643*	*655*	*324*	*319*	*314*
Fee and commission expense	*- 28*	*- 39*	*- 13*	*- 15*	*- 19*
Banking Services	524	479	262	262	239
Fee and commission income	*797*	*713*	*401*	*397*	*360*
Fee and commission expense	*- 273*	*- 234*	*- 139*	*- 134*	*- 121*
Other	*21*	*18*	*11*	*10*	*8*
Fee and commission income	*28*	*25*	*12*	*16*	*10*
Fee and commission expense	*- 7*	*- 7*	*- 1*	*- 6*	*- 2*

- Asset Management Services include management fees, entry fees and distribution fees on mutual funds and unit-linked life products (under IFRS 9).
- Banking Services include credit- and guarantee related fees, payment service fees, network income, securities related fees, distribution fees banking products and other banking services.
- The distribution commissions paid regarding insurance contracts (life and non-life under IFRS 17) are presented in the income statement as Insurance Service Expenses (for more information, see note 3.7).
- The line Other includes distribution fees from third party insurance companies (not under IFRS 17) and platformication revenues.

Net other income (note 3.6 in the annual accounts 2022)

(in millions of EUR)	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
Total	552	116	54	498	69
of which gains or losses on					
Sale of financial assets measured at amortised cost	- 6	- 10	- 2	- 4	- 9
Sale of debt instruments at FVOCI	1	- 38	0	1	- 36
Repurchase of financial liabilities measured at amortised cost	0	- 1	0	0	0
of which other, including:	558	165	56	502	114
Income from operational leasing activities	50	50	25	25	24
Income from VAB Group	21	28	11	10	13
Gain on sale real estate subsidiary at KBC Insurance	0	68	0	0	68
Legacy legal cases excl. ICEC-Holding	0	7	0	0	0
Legal file ICEC-Holding	- 2	0	0	- 2	0
Gain on sale in Ireland	405	0	0	405	0
Recuperation Belgian Banking taxes (including moratorium interests)	48	0	0	48	0

In 1H 2023:

- Gain on sale in Ireland: positive one-off impact of the sale transaction of KBC Bank Ireland’s loan assets and its deposit book (+405 million euros in 1Q 2023) (for more information, see note 6.6).
- Recuperation of Belgian banking taxes (2016) and linked moratorium interests (+48 million euros) in 1Q 2023

In 1H 2022:

- Gain on sale of a real estate subsidiary at KBC Insurance (KBC Vastgoed Nederland) (+68 million euros)
- Realised loss on exceptional sale of low yielding bonds at FVOCI and amortised cost mainly in Belgium, Czech Republic, Slovakia and Hungary (total -48 million euros, mainly in 2Q 2022)
- Legacy legal case in Czech Republic (+7 million euros in 1Q 2022)

Breakdown of the insurance results (note 3.7 in the annual accounts 2022)

The table below includes intragroup transactions between bank and insurance entities (the results for insurance contracts concluded between the group's bank and insurance entities, interest that insurance companies receive on their deposits with bank entities, distribution commissions intra-group…) in order to give a more accurate view of the profitability of the insurance business.

(in millions of EUR)	Life	of which life direct participating (VFA)	Non-Life	Non-Technical	Total
1H 2023					
Insurance service result	**50**	***6***	***238***	**—**	**288**
Insurance revenues before reinsurance	*188*	*12*	*1 115*	—	*1 303*
Insurance service expenses	*- 138*	*- 6*	*- 877*	—	*- 1 015*
Of which Non-life - Claim related expenses	—	—	*- 523*	—	*- 523*
Investment result on assets	**220**	***45***	***47***	***13***	***281***
Net interest income	*150*	*0*	*44*	*4*	*198*
Dividend income	*14*	*0*	*2*	*9*	*26*
Net result from financial instruments at fair value through P&L	*47*	*45*	*0*	*0*	*47*
Net other income	*9*	*0*	*1*	*1*	*11*
Impairment	*0*	*0*	*0*	*0*	*- 1*
Total insurance finance income and expense before reinsurance	**- 136**	***- 45***	***- 12***	**—**	**- 148**
Interest accretion	*- 90*	—	*- 12*	—	*- 102*
Effect of changes in financial assumptions and foreign exchange differences	*0*	*0*	*0*	—	*0*
Changes in fair value of underlying assets of contracts measured under VFA	*- 45*	*- 45*	—	—	*- 45*
Net insurance and investment result before reinsurance	**134**	***6***	***273***	**13**	**421**
Net result from reinsurance contracts held	**- 1**	**—**	**- 50**	**—**	**- 52**
Premiums paid to the reinsurer	*- 16*	—	*- 47*	—	*- 63*
Commissions received	*2*	—	*4*	—	*7*
Amounts recoverable from reinsurer	*13*	—	*- 7*	—	*6*
Total (ceded) reinsurance finance income and expense	*0*	—	*- 1*	—	*- 1*
Net insurance and investment result after reinsurance	**133**	***6***	**223**	**13**	**369**
Non-directly attributable income and expenses	**10**	***- 1***	**- 22**	**12**	**0**
Net fee and commission income	*33*	*0*	*- 1*	*15*	*48*
Net other income	—	—	—	*36*	*36*
Operating expenses (incl. banking and insurance tax)	*- 24*	*- 1*	*- 21*	*- 39*	*- 83*
Share in results of assoc. comp & joint-ventures	—	—	—	*0*	*0*
Income tax	**—**	**—**	**—**	**- 85**	**- 85**
Result after tax	**143**	**6**	**201**	**- 60**	***284***
attributable to minority interest	—	—	—	*0*	*0*
attributable to equity holders of the parent	**—**	**—**	**—**	***- 60***	***284***

(in millions of EUR)	Life	of which life direct participating (VFA)	Non-Life	Non-Technical	Total
1H 2022					
Insurance service result	**119**	***4***	**128**	**—**	**248**
Insurance revenues before reinsurance	*184*	*12*	*1 001*	—	*1 185*
Insurance service expenses	*- 65*	*- 8*	*- 873*	—	*- 937*
Of which Non-life - Claim related expenses	—	—	*- 550*	—	*- 550*
Investment result on assets	**131**	***- 76***	**50**	**6**	**188**
Net interest income	*151*	*0*	54	4	209
Dividend income	*13*	*0*	3	4	20
Net result from financial instruments at fair value through P&L	*- 76*	*- 76*	4	- 5	- 76
Net other income	*42*	*0*	- 12	0	31
Impairment	*0*	*0*	0	3	4
Total insurance finance income and expenses before reinsurance	**6**	***76***	**0**	**—**	**6**
Interest accretion	*- 62*	—	0	—	- 62
Effect of changes in financial assumptions and foreign exchange differences	*- 8*	*0*	0	—	- 8
Changes in fair value of underlying assets of contracts measured under VFA	*76*	*76*	—	—	76
Net insurance and investment result before reinsurance	**257**	***4***	**179**	**6**	**441**
Net result from reinsurance contracts held	**0**	**—**	**10**	**—**	**10**
Premiums paid to the reinsurer	*- 15*	—	- 39	—	- 54
Commissions received	*8*	—	4	—	12
Amounts recoverable from reinsurer	*7*	—	46	—	53
Total (ceded) reinsurance finance income and expense	*0*	—	- 1	—	- 1
Net insurance and investment result after reinsurance	**256**	***4***	**189**	**6**	**451**
Non-directly attributable income and expenses	**7**	***0***	**- 17**	**8**	**- 2**
Net fee and commission income	*31*	*0*	- 1	11	41
Net other income	—	—	—	32	32
Operating expenses (incl. banking and insurance tax)	*- 24*	*0*	- 16	- 35	- 75
Share in results of assoc. comp & joint-ventures	—	—	—	0	0
Income tax	**—**	**—**	**—**	**- 95**	**- 95**
Result after tax	**264**	**3**	**172**	**- 81**	**355**
attributable to minority interest	—	—	—	0	0
attributable to equity holders of the parent	**—**	**—**	**—**	**- 81**	**355**

The non-technical account includes also results of non-insurance companies such as VAB group and ADD.
The column 'of which life direct participating (VFA)' relates to results of long-term unit-linked contracts in Central and Eastern Europe. Total insurance finance income and expenses before reinsurance includes changes in fair value of underlying assets of contracts measured under VFA, which represents the fair value movement of unit-linked liabilities, valued under IFRS 17 (variable fee approach), with the offsetting impact in fair value movement of underlying unit-linked assets in net result from financial instruments at fair value through profit or loss (see also note 3.3, result on investment backing UL contracts - under IFRS 17).

In 1H 2022, the insurance service result non-life was negatively impacted by storms mainly in 1Q 2022 in Belgium (-59 million euros before reinsurance or -24 million euros after reinsurance). In 1H 2023, there was no major impact of storms.

In 2Q 2022, the insurance service result life was positively impacted by a reversal of loss component for an amount of 80 million euros (before tax) on modern saving products in Belgium driven by increased interest rates.

Operating expenses – income statement (note 3.8 in the annual accounts 2022)

The total Operating expenses by nature include also Opex allocated to insurance service expenses (directly attributable from insurance) in order to provide a comprehensive overview of the total cost evolution.

(in millions of EUR)	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
Total Operating expenses by nature	**-2 789**	**-2 583**	**-1 142**	**-1 648**	**-1 067**
Staff Expenses	-1 328	-1 255	- 665	- 663	- 616
General administrative expenses	-1 268	-1 146	- 384	- 884	- 367
ICT Expenses	- 303	- 261	- 161	- 142	- 136
Facility Expenses	- 128	- 102	- 63	- 64	- 52
Marketing & communication expenses	- 45	- 44	- 26	- 18	- 27
Professional fees	- 69	- 64	- 40	- 29	- 38
Banking and insurance tax	- 622	- 608	- 51	- 571	- 94
Other	- 102	- 67	- 43	- 60	- 20
Depreciation and amortisation of fixed assets	- 193	- 182	- 93	- 100	- 84

The operating expenses for 2Q 2023 include 51 million euros related to bank and insurance levies (571 million euros in 1Q 2023; 94 million euros in 2Q 2022). Application of IFRIC 21 (Levies) has as a consequence that the majority of the levies are taken upfront in expense of the first quarter of the year.

On 4 June 2022 the Hungarian government has adopted a decree, levying extra profit surtaxes, affecting several sectors, of which also the banking and insurance sector. For K&H, the extraordinary sectoral tax amounts to 101 million euros in 1H 2023 (of which 79 million euros included in the result of 1Q 2023 and 22 million euros included in the result of 2Q 2023, driven by a change in calculation method), compared to 78 million euros in 1H 2022 (fully included in the result of 2Q 2022).

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

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

Impairment – income statement (note 3.10 in the annual accounts 2022)

(in millions of EUR)	1H 2023	1H 2022	2Q 2023	1Q 2023	2Q 2022
Total	**18**	**- 48**	**- 8**	**26**	**- 28**
Impairment on financial assets at AC and at FVOCI	47	6	23	24	- 9
By IFRS category					
Impairment on financial assets at AC	*47*	*5*	*23*	*24*	*- 10*
Impairment on financial assets at FVOCI	*0*	*1*	*0*	*0*	*1*
By product					
Loans and advances	*30*	*10*	*24*	*5*	*- 27*
Debt securities	*2*	*1*	*3*	*0*	*0*
Off-balance-sheet commitments and financial guarantees	*15*	*- 6*	*- 4*	*19*	*16*
By type					
Stage 1 (12-month ECL)	*- 47*	*- 9*	*- 49*	*2*	*- 14*
Stage 2 (lifetime ECL)	*90*	*44*	*86*	*3*	*1*
Stage 3 (non-performing; lifetime ECL)	*7*	*- 33*	*- 13*	*20*	*2*
Purchased or originated credit impaired assets	*- 2*	*3*	*- 2*	*- 1*	*2*
By division/country					
Belgium	*- 30*	*25*	*- 39*	*9*	*25*
Czech Republic	*60*	*8*	*53*	*7*	*- 2*
International Markets	*12*	*- 24*	*8*	*4*	*- 16*
Slovakia	*8*	*- 5*	*9*	*- 1*	*- 4*
Hungary	*6*	*- 7*	*- 5*	*11*	*- 3*
Bulgaria	*- 2*	*- 13*	*4*	*- 6*	*- 9*
Group Centre	*5*	*- 2*	*1*	*5*	*- 16*
Of which Ireland	*4*	*1*	*0*	*4*	*- 13*
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 29	- 54	- 31	1	- 19
Intangible fixed assets (other than goodwill)	0	- 23	0	0	- 2
Property, plant and equipment (including investment property)	- 9	- 9	- 11	2	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 20	- 22	- 20	0	- 17

The impairment on financial assets at AC and at FVOCI in 1H 2023 includes:

- A net impairment release of 61 million euros for the geopolitical and emerging risks (of which 21 million euros in 1Q 2023 and 40 million in 2Q 2023), compared to a 13 million net impairment charge for the Covid, geopolitical and emerging risks in 1H 2022 (of which 18 million euros charge in 1Q 2022 and 5 million euros release in 2Q 2022). The outstanding balance of ECL for the geopolitical and emerging risks amounts to 350 million euro at the end of the first half of 2023. As a reminder, this is determined based on individual counterparties and sectors deemed to have incurred an increase in credit risk because they are either exposed to the current emerging risks (high inflation, increasing interest rates, high(er) energy prices, supply chain disruption) or indirectly exposed to Russia, Ukraine and Belarus (i.e. related to military conflict).
  The 40 million release in 2Q 2023 is driven by improved macroeconomic indicators and a review of the sectors considered to be impacted by the geopolitical and emerging risks leading to a decreased amount of facilities which are transferred from stage 1 to stage 2 (for more information see note 4.2.1 further in this report).
- Additionally, the impairments on financial assets at AC and at FVOCI in 1H 2023 include 14 million euros charge (17 million euros charge in 2Q 2023 and a net release of 3 million euros in 1Q 2023), related to a number of files mainly in Belgium and Bulgaria largely in stage 3, compared to +19 million euros net releases in 1H 2022, mainly related to a number of corporate and retail files mainly in Czech Republic and Belgium (-14 million euros charges in 2Q 2022 and +33 million euros releases in 1Q 2022)

The impairments on property and equipment in 1H 2023 (-9 million euros) include -11 million euros charges (booked in 2Q 2023) related to the full write down of leased assets in Ireland. 1H 2022 included -32 million euros related to impairments on property and equipment and intangible assets (of which -24 million euros in Ireland in 1Q 2022).

The impairment on other (Other) in 1H 2023 (-20 million euros) includes -19 million euros modification losses (in 2Q 2023), related to the latest extension of the interest cap regulation in Hungary until year-end 2023. The impairment on other (Other) in 1H 2022 included -14 million euros modification losses, largely related to the interest cap regulation in Hungary (interest cap was extended until year-end 2022).

Income tax expense (note 3.12 in the annual accounts 2022)

In 1H 2023, income tax expense is impacted by the non-tax deductibility as of 2023 (for 80%) of the Belgian national banking and insurance taxes, increasing the income tax expenses with about 36 million euros (impact fully in 1Q 2023).

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2022)

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Mandatorily measured at fair value through profit or loss (MFVPL) excl. HFT	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL ASSETS, 30-06-2023							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	3 052	0	0	1	0	0	3 053
of which repayable on demand and term loans at not more than three months							*2 798*
Loans and advances to customers (excl. reverse repos)	181 255	0	749	0	0	0	182 005
Trade receivables	*2 581*	*0*	*0*	*0*	*0*	*0*	*2 581*
Consumer credit	*6 539*	*0*	*535*	*0*	*0*	*0*	*7 074*
Mortgage loans	*75 041*	*0*	*214*	*0*	*0*	*0*	*75 255*
Term loans	*84 137*	*0*	*0*	*0*	*0*	*0*	*84 137*
Finance lease	*6 815*	*0*	*0*	*0*	*0*	*0*	*6 815*
Current account advances	*5 342*	*0*	*0*	*0*	*0*	*0*	*5 342*
Other	*800*	*0*	*0*	*0*	*0*	*0*	*800*
Reverse repos	30 124	0	0	1 032	0	0	31 156
with credit institutions and investment firms	*30 028*	*0*	*0*	*1 032*	*0*	*0*	*31 060*
with customers	*96*	*0*	*0*	*0*	*0*	*0*	*96*
Equity instruments	0	1 641	12	494	0	0	2 147
Investment contracts (insurance)	0	0	13 614	0	0	0	13 614
Debt securities issued by	51 822	15 307	16	2 545	0	0	69 692
Public bodies	*43 324*	*11 618*	*0*	*2 371*	*0*	*0*	*57 313*
Credit institutions and investment firms	*5 836*	*1 671*	*0*	*11*	*0*	*0*	*7 518*
Corporates	*2 662*	*2 018*	*16*	*164*	*0*	*0*	*4 860*
Derivatives	0	0	0	5 350	0	438	5 788
Other	1 537	0	0	0	0	0	1 537
Total	267 791	16 949	14 392	9 422	0	438	308 991
FINANCIAL ASSETS, 31-12-2022							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	4 240	0	13	1	0	0	4 254
of which repayable on demand and term loans at not more than three months							*1 237*
Loans and advances to customers (excl. reverse repos)	177 427	0	625	0	0	0	178 053
Trade receivables	*2 818*	*0*	*0*	*0*	*0*	*0*	*2 818*
Consumer credit	*6 222*	*0*	*430*	*0*	*0*	*0*	*6 652*
Mortgage loans	*73 465*	*0*	*196*	*0*	*0*	*0*	*73 660*
Term loans	*82 894*	*0*	*0*	*0*	*0*	*0*	*82 894*
Finance lease	*6 368*	*0*	*0*	*0*	*0*	*0*	*6 368*
Current account advances	*4 886*	*0*	*0*	*0*	*0*	*0*	*4 886*
Other	*774*	*0*	*0*	*0*	*0*	*0*	*774*
Reverse repos	20 186	0	0	33	0	0	20 219
with credit institutions and investment firms	*20 018*	*0*	*0*	*33*	*0*	*0*	*20 050*
with customers	*168*	*0*	*0*	*0*	*0*	*0*	*168*
Equity instruments	0	1 552	13	430	0	0	1 994
Investment contracts (insurance)	0	0	12 772	0	0	0	12 772
Debt securities issued by	48 356	15 065	17	1 728	0	0	65 166
Public bodies	*40 750*	*11 225*	*0*	*1 667*	*0*	*0*	*53 642*
Credit institutions and investment firms	*5 022*	*1 743*	*0*	*9*	*0*	*0*	*6 774*
Corporates	*2 583*	*2 097*	*17*	*53*	*0*	*0*	*4 750*
Derivatives	0	0	0	6 279	0	542	6 821
Other	1 561	0	0	0	0	0	1 561
Total	251 770	16 617	13 440	8 471	0	542	290 840

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL LIABILITIES, 30-06-2023					
Deposits from credit institutions and investment firms (excl. repos)	16 896	0	0	0	16 896
of which repayable on demand					*9 431*
Deposits from customers and debt securities (excl. repos)	262 705	137	1 325	0	264 167
Demand deposits	*114 826*	*0*	*0*	*0*	*114 826*
Time deposits	*32 355*	*137*	*152*	*0*	*32 645*
Savings accounts	*77 239*	*0*	*0*	*0*	*77 239*
Subtotal deposits of clients, excl. repos	*224 420*	*137*	*152*	*0*	*224 710*
Certificates of deposit	*15 621*	*0*	*1*	*0*	*15 622*
Savings certificates	*92*	*0*	*0*	*0*	*92*
Non-convertible bonds	*19 894*	*0*	*1 060*	*0*	*20 954*
Non-convertible subordinated liabilities	*2 677*	*0*	*112*	*0*	*2 789*
Repos	21 600	203	0	0	21 803
with credit institutions and investment firms	*14 091*	*203*	*0*	*0*	*14 294*
with customers	*7 509*	*0*	*0*	*0*	*7 509*
Liabilities under investment contracts	27	0	12 724	0	12 751
Derivatives	0	6 719	0	451	7 170
Short positions	0	1 278	0	0	1 278
In equity instruments	*0*	*8*	*0*	*0*	*8*
In debt securities	*0*	*1 270*	*0*	*0*	*1 270*
Other	2 720	1	0	0	2 722
Total	303 949	8 338	14 049	451	326 787
FINANCIAL LIABILITIES, 31-12-2022					
Deposits from credit institutions and investment firms (excl. repos)	24 819	0	0	0	24 819
of which repayable on demand					*5 085*
Deposits from customers and debt securities (excl. repos)	251 496	44	1 205	0	252 746
Demand deposits	*125 030*	*0*	*0*	*0*	*125 030*
Time deposits	*22 280*	*44*	*73*	*0*	*22 397*
Savings accounts	*76 979*	*0*	*0*	*0*	*76 979*
Subtotal deposits of clients, excl. repos	*224 290*	*44*	*73*	*0*	*224 407*
Certificates of deposit	*9 321*	*0*	*1*	*0*	*9 322*
Savings certificates	*104*	*0*	*0*	*0*	*104*
Non-convertible bonds	*15 621*	*0*	*1 006*	*0*	*16 627*
Non-convertible subordinated liabilities	*2 160*	*0*	*126*	*0*	*2 285*
Repos	11 091	7	0	0	11 097
with credit institutions and investment firms	*10 852*	*7*	*0*	*0*	*10 859*
with customers	*239*	*0*	*0*	*0*	*239*
Liabilities under investment contracts	30	0	11 996	0	12 026
Derivatives	0	8 038	0	577	8 615
Short positions	0	1 007	0	0	1 007
In equity instruments	*0*	*5*	*0*	*0*	*5*
In debt securities	*0*	*1 002*	*0*	*0*	*1 002*
Other	2 448	0	0	0	2 448
Total	289 885	9 096	13 201	577	312 759

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme. In 1H 2023 an amount of 12.9 billion euros was repaid (of which 10.9 billion euros at maturity in 2Q 2023 and 2 billion euros in 1Q 2023), leaving 2.6 billion euros outstanding.

Impaired financial assets (note 4.2.1 in the annual accounts 2022)

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
30-06-2023			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	216 962	- 2 531	214 431
Stage 1 (12-month ECL)	179 718	- 152	179 566
Stage 2 (lifetime ECL)	33 223	- 567	32 656
Stage 3 (lifetime ECL)	3 542	- 1 733	1 809
Purchased or originated credit impaired assets (POCI)	479	- 79	400
Debt Securities	51 839	- 16	51 822
Stage 1 (12-month ECL)	51 707	- 7	51 700
Stage 2 (lifetime ECL)	124	- 2	122
Stage 3 (lifetime ECL)	7	- 7	0
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	15 311	- 4	15 307
Stage 1 (12-month ECL)	15 282	- 3	15 279
Stage 2 (lifetime ECL)	30	- 1	29
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
31-12-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	204 472	- 2 619	201 853
Stage 1 (12-month ECL)	163 846	- 110	163 735
Stage 2 (lifetime ECL)	36 577	- 635	35 941
Stage 3 (lifetime ECL)	3 616	- 1 796	1 820
Purchased or originated credit impaired assets (POCI)	434	- 77	357
Debt Securities	48 374	- 18	48 356
Stage 1 (12-month ECL)	48 220	- 7	48 213
Stage 2 (lifetime ECL)	146	- 4	141
Stage 3 (lifetime ECL)	8	- 7	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	15 069	- 4	15 065
Stage 1 (12-month ECL)	15 019	- 3	15 016
Stage 2 (lifetime ECL)	50	- 2	49
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0

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

A collective shift of an exposure of 10.7 billion euros from stage 1 to stage 2 has been applied at 30 June 2023, compared to 12.3 billion euros at 31 March 2023 and 14.2 billion euros at 31 December 2022. It concerns stage 1 portfolios that are either:

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

The decrease compared to 31 March 2023 is due mainly to a review of the sectors considered to be impacted by the geopolitical and emerging risks and improved macroeconomic indicators. For more information, see note 3.10.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2022)

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 4.4 up to and including 4.7 of the annual accounts 2022.

(in millions of EUR)				30-06-2023				31-12-2022
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	13 486	140	766	14 392	12 651	146	643	13 440
Held for trading	2 520	6 215	687	9 422	1 912	5 825	733	8 471
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	13 728	2 512	709	16 949	13 350	2 645	622	16 617
Hedging derivatives	0	438	0	438	0	542	0	542
Total	29 734	9 305	2 161	41 200	27 913	9 159	1 998	39 070
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 282	5 939	1 117	8 338	885	7 086	1 125	9 096
Designated at fair value	12 724	153	1 172	14 049	11 996	74	1 131	13 201
Hedging derivatives	0	374	77	451	0	479	98	577
Total	14 006	6 466	2 366	22 838	12 881	7 638	2 355	22 874

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2022)

During 1H 2023, KBC transferred about 159 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 110 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2022)

In 1H 2023 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets measured at fair value through profit and loss: the fair value of loans and advances increased by 124 million euros, mostly due to new transactions and changes in market parameters, only partially offset by instruments that reached maturity.
- Financial assets held for trading: the fair value of derivatives decreased by 58 million euros, primarily due to sales of existing positions and changes in market parameters, not fully offset by new acquisitions.
- Financial assets measured at fair value through other comprehensive income: the fair value of debt and equity securities has increased by 87 million euros, primarily due to changes in market parameters, transfers into level 3 and acquisitions.
- Financial liabilities designated at fair value: the fair value of debt securities issued increased by 41 million euros, primarily due to acquisitions and changes in market parameters, only partially offset by deals that reached maturity and sales of existing positions.

Goodwill and other intangible assets (note 5.5 in the annual accounts 2022)

ČSOB Stavební spořitelna (or ČSOB Stavební, subsidiary of ČSOB Czech Republic) is facing the risk of the modification of building saving state subsidy in the Czech Republic with potential impact on the outstanding goodwill of 179 million euros (based on the exchange rate of 30 June 2023). This goodwill was created in June 2019 during the full acquisition of ČSOB Stavební (former ČMSS), partially via the revaluation of the group's existing 55% stake at that moment in ČMSS which generated a one-off gain of 82 million euros. The Czech Government coalition (5 parties) presented on May, 11th its fiscal stabilization package, which includes a proposal for the reduction of the building saving state subsidy. The Czech coalition compromise was translated in the government proposal, which is currently subject of the legislation process in the Czech Parliament with unclear outcome at this moment. Significant change of the state subsidy can have a substantial negative impact to the future projected earnings of ČSOB Stavební and may trigger the impairment of (part of) the goodwill, which will be evaluated in the coming quarters.

Insurance contract liabilities (note 5.6 in the annual accounts 2022)

The Contractual Service Margin (CSM) as included in the insurance contract liabilities, evolved from 2 061 million euros at the end of 2022 to 2 134 million euros at 30 June 2023, or an increase of 73 million euros. This increase is mainly explained by the positive change in best estimates reflected in the CSM mainly driven by a parameter update of Life in Belgium in 2Q 2023, but partly offset by negative impact of changes in contract composition (amongst others change in premiums and change in death covers) on the portfolio death coverages and fiscal saving contracts. Furthermore, CSM of new business was higher compared to the CSM release in the income statement.

Details of provisions for other risks and charges (note 5.7.3 in the annual accounts 2022)

Possible loss: On 6 October 2011, Irving H. Picard, trustee for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) before the bankruptcy court in New York to recover (claw-back) approximately USD 110 000 000 which had been transferred from Madoff (via a feeder fund called Harley) to KBC entities. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors ('joint defense group').

For events before 2023 we refer to the annual report.

Recent developments: On 26 April 2023 the Bankruptcy Court judge dismissed the motion. So the procedure on the merits of the case continues. End of June 2023 KBC filed an answer to the amended complaint. The next step will be the preparation and submission of KBC Investments' initial disclosures. KBC still believes, although the burden of proof has been increased, it has good and credible defenses, including demonstrating its good faith. The procedure may still take several years.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2022)

Quantities	30-06-2023	31-12-2022
Ordinary shares	417 169 414	417 169 414
of which ordinary shares that entitle the holder to a dividend payment	*417 169 414*	*417 169 414*
of which treasury shares	*4 247*	*2*
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on Euronext Brussels.
The treasury shares almost fully relate to positions in shares of KBC Group to hedge outstanding derivatives on indices that include KBC Group shares.

Non-current assets held for sale and discontinued operations (note 5.11 in the annual accounts 2022)

In 2021, the pending sale of loans and deposits at KBC Bank Ireland resulted in a shift to the items 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups'. On 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group.

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2022)

KBC Bank Ireland:

Following the announcement made on the 16th April 2021 that KBC Bank Ireland had entered into a Memorandum of Understanding (MoU) with Bank of Ireland Group, on 22 October 2021 KBC Bank Ireland entered into a legally binding agreement with Bank of Ireland relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland Group. In addition, a small portfolio of non-performing mortgages (NPEs) will also be acquired as part of the transaction.

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

Finally, on 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group. The acquisition for a total consideration of 6.5 billion euros, involves 7.6 billion euros of performing mortgages, 0.1 billion euros of mainly performing commercial and consumer loans, 0.1 billion euros of non-performing mortgages and 1.8 billion euros of deposits.

The transaction had an impact on KBC Group's P&L (1Q 2023) of +0.4 billion euros (for more information on the impact on the P&L of 2022 and 1H 2023, see table below). Combined with the reduction of risk-weighted assets by c.4 billion euros, this improved KBC's solid capital position in 1Q 2023, with a positive impact of 0.9% pt. on the CET1 ratio (fully loaded).

Impact of transactions relating to Ireland non-recurring items (in millions of EUR)	Sale of loans and deposits to BOI and planned wind-down
1H 2023	
Total income	405
of which net other income	*404*
Operating expenses	- 10
Impairment	- 8
on financial assets at AC and at FVOCI	*2*
other	*- 11*
Income tax expense	- 28
RESULT AFTER TAX	358
FY 2022	
Total income	1
Operating expenses	- 32
Impairment	- 38
on financial assets at AC and at FVOCI	*- 15*
other	*- 24*
Income tax expense	36
RESULT AFTER TAX	- 35

Bulgarian operations of Raiffeisen Bank International:

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

The transaction was completed on 7 July 2022 and the results have been fully consolidated as of 3Q 2022. The impact in 2H 2022 amounted to +108 million euros in total income (of which +70 million euros in net interest income and +36 million euros in net fee and commission income), -51 million euros in operating expenses, -5 million euros in impairment, and +47 million euros in result after tax. The transaction had an impact of -0.9 percentage points on KBC Group's common equity ratio in the third quarter of 2022.

On 10 April 2023, UBB merged with KBC Bank Bulgaria into United Bulgarian Bank AD.

For more information, see note 6.6 in the annual accounts of 2022.

Post-balance sheet events (note 6.8 in the annual accounts 2022)

Significant non-adjusting event between the balance sheet date (30 June 2023) and the publication of this report (10 August 2023):

- KBC Group will distribute 1.3 billion euros surplus capital, in line with the capital deployment plan announced for full-year 2022. After having received ECB approval, the Board of Directors decided to distribute 1.3 billion euros in the form of a share buyback. For more information see section Solvency further in the report.
  Moreover, in line with our general dividend policy, we will also pay out an interim dividend of 1 euro per share in November 2023 as an advance on the total dividend for financial year 2023 (already taken into account in the Common equity ratio).
- Recently, KBC Group has received a final ECB supervisory decision, following model reviews for predominantly KBC's Belgian corporate and SME credit portfolio, for more information see section Solvency further in the report.

First time application of IFRS 17 (note 6.10 in the annual accounts 2022)

Background information

On 1 January 2023, the new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) are mandatory for the reporting period beginning on 1 January 2023, replacing IFRS 4. The reference figures of 2022 in this report have been restated accordingly.

IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

For more information see 'Summary of significant accounting policies' in first quarter 2023 report.

Impact of the first-time adoption of IFRS 17 on 1 January 2022

The full net impact (after tax) on parent shareholders' equity of the transition to IFRS 17, including the reclassification of financial assets (IFRS 9) came to -673 million euros, as a result of:

- IFRS 17 valuation differences: the negative impact on equity (-1 485 million euros before tax; -1 102 million euros after tax) caused by the transition to IFRS 17 is attributable to the life business (-1 857 million euros before tax), partly offset by non-life (+372 million euros before tax).
- The first-time adoption of IFRS 17 also permits a reclassification of financial assets available to the insurance companies in order to avoid an accounting mismatch between assets and liabilities. As a result, bonds in the amount of 5 234 million euros were transferred from 'Financial assets at amortised cost' to 'Financial assets at FVOCI', whereas bonds in the opposite direction amounted to 2 235 million euros. This translated into a positive net impact after tax of 428 million euros on equity. As a general principle, KBC has decided to classify bonds used to hedge life insurance liabilities as FVOCI, and bonds used to hedge non-life insurance liabilities as amortised cost (90%) and FVOCI (10%)
- The first-time adoption of IFRS 17 also resulted in the abolition of 'Financial assets at fair value – overlay approach', leading to a transfer of shares in the amount of 1 366 million euros to 'Financial assets at fair value through OCI' (FVOCI). The transfer does not have a net impact on equity, but it does result in a shift from 'Retained earnings' (-71 million euros, pertaining to impairment recognised in the past) and the 'Revaluation reserve (FVPL equity instruments) – overlay approach' (496 million euros) to the 'Revaluation reserve (FVOCI equity instruments)'.

For more information, see note 6.10 in the annual report 2022.

FY 2022 restated figures for IFRS 17

As a consequence of the IFRS 17 implementation, the income statement of KBC Group, being an integrated bank-insurer, has been updated to include the new items introduced by IFRS 17 (e.g. insurance revenues, insurance finance income and expense and insurance service expenses). Other income statement lines that were related to IFRS 4 have been excluded or represented differently.

The full net impact on the result after tax of 2022 due to the restatement to IFRS 17, including the reclassification of financial assets (IFRS 9), came to +75 million euros, as a result of:

- IFRS 17 valuation differences: the positive impact on result after tax (+223 million euros before tax) caused by the transition to IFRS 17 is attributable to the life business (+166 million euros before tax) and the non-life business (+57 million euros before tax)
- The abolition of 'Financial assets at fair value – overlay approach' (leading to a transfer of the equity instruments to FVOCI) had a negative impact on the result before tax of 2022 of -86 million euros, as realized gains and impairments on these transferred equity instrumentes are no longer transferred to the income statement.
- Deferred income tax on these items: -62 million euros.

Parent shareholders' equity per 31 December 2022 under IFRS 17 came to 20 319 million euros, +1 012 million euros compared to parent shareholders' equity under IFRS 4 on the same date, as a result of (all amounts after tax):

- Impact of the first-time adoption of IFRS 17 on 1 January 2022: -673 million euros.
- Difference between the result after tax of 2022 under IFRS 17 compared to IFRS 4: +75 million euros (see above)
- Correction for the result of the overlay approach +86 million euros, as this result is excluded under IFRS 17 (hence is part of the +75 million euros difference in result after tax) but has no net impact on equity since it is now included directly in equity without transferring to the income statement.

- Impact on OCI of -744 million euros in 2022 of reclassified bonds transferred from ‘Financial assets at amortised cost’ to ‘Financial assets at fair value through OCI’ mainly accounted for by higher interest rates.
- Increase of insurance finance income and expense through OCI after reinsurance for +2 269 million euros in 2022 mainly accounted for by higher interest rates.

For more information, see the press release issued on 18 April 2023 on the website of KBC under the secton Investor Relations (‘KBC discloses the impact of IFRS 17 on the income statement with restated comparative results, key ratios and short-term and long-term financial guidance’).

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 AND FOR THE SIX-MONTHS' PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 June 2023 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the six-months' period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-months' period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 368.077 million and a consolidated profit (attributable to equity holders of the parent) for the six-months' period then ended of EUR 1.848 million.

The board of directors is responsible for the preparation and fair presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Diegem, 9 August 2023

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

DocuSigned by:
07FB08B09FE24A7...
Damien Walgrave
Accredited auditor

DocuSigned by:
BE79946D8858484...
Jeroen Bockaert
Accredited auditor

KBC Group

Additional Information

2Q 2023 and 1H 2023

Section not reviewed by the Auditor

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities in the investment portfolio are included if they are issued by companies or banks. Government bonds are not included. The loan portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section of the annual accounts 2022. For more information, please refer to 'Details of ratios and terms on KBC Group level'.

A snapshot of the banking portfolio is shown in the table below. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. On 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group (for more information, see note 6.6). Therefore the loan portfolio of KBC Bank Ireland is no longer included in this credit risk section.

Credit risk: loan portfolio overview	30-06-2023	31-12-2022	Pro forma excl. Ireland 31-12-2022
Total loan portfolio (in billions of EUR) [1]			
Amount outstanding and undrawn	255	259	251
Amount outstanding	201	206	198
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)			
Belgium	64.6%	62.7%	65.3%
Czech Republic	19.6%	18.6%	19.4%
International Markets	15.1%	13.9%	14.5%
Group Centre [2]	0.7%	4.7%	0.8%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)			
Private individuals	41.1%	43.2%	40.9%
Finance and insurance	6.1%	5.9%	6.1%
Governments	2.7%	3.1%	3.2%
Corporates	50.1%	47.9%	49.9%
Services	10.5%	9.9%	10.2%
Distribution	8.4%	8.2%	8.5%
Real estate	6.6%	6.3%	6.6%
Building & construction	4.5%	4.2%	4.4%
Agriculture, farming, fishing	2.8%	2.8%	2.9%
Automotive	2.6%	2.5%	2.6%
Electricity	1.8%	1.7%	1.7%
Food Producers	1.8%	1.7%	1.8%
Metals	1.7%	1.6%	1.6%
Chemicals	1.4%	1.4%	1.5%
Machinery & Heavy equipment	0.9%	0.9%	0.9%
Oil, gas & other fuels	0.9%	0.9%	0.9%
Hotels, bars & restaurants	0.7%	0.7%	0.7%
Shipping	0.7%	0.7%	0.8%
Electrotechnics	0.6%	0.5%	0.6%
Other [3]	4.1%	4.1%	4.2%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)			
Belgium	54.7%	52.7%	54.8%
Czech Republic	18.7%	18.2%	18.9%
Slovakia	6.2%	5.8%	6.1%
Hungary	4.2%	3.6%	3.8%
Bulgaria	4.8%	4.5%	4.7%
Rest of Western Europe	7.7%	11.0%	7.3%
Rest of Central and Eastern Europe	0.2%	0.4%	0.4%
of which: Russia and Ukraine	0.01%	0.01%	0.01%
North America	1.5%	1.4%	1.4%
Asia	0.9%	1.2%	1.3%
Other	1.2%	1.2%	1.3%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)			
Retail	41.1%	43.2%	40.9%
of which: mortgages	37.3%	39.6%	37.2%
of which: consumer finance	3.8%	3.5%	3.6%
SME	21.7%	20.9%	21.8%
Corporate	37.2%	35.9%	37.4%

	30-06-2023	31-12-2022	Pro forma excl. Ireland 31-12-2022
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)			
Stage 1 (credit risk has not increased significantly since initial recognition)	79.8%	78.0%	77.4%
of which: PD 1 - 4	64.0%	61.4%	63.6%
of which: PD 5 - 9 including unrated	15.9%	16.6%	13.8%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [4]	18.2%	19.9%	20.5%
of which: PD 1 - 4	5.5%	6.1%	6.4%
of which: PD 5 - 9 including unrated	12.6%	13.8%	14.1%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [4]	2.0%	2.1%	2.1%
of which: PD 10 impaired loans	1.0%	1.0%	1.0%
of which: more than 90 days past due (PD 11+12)	1.0%	1.1%	1.1%
Impaired loan portfolio (in millions of EUR)			
Impaired loans (PD10 + 11 + 12)	4 039	4 350	4 119
of which: more than 90 days past due	2 091	2 289	2 157
Impaired loans ratio (%)			
Belgium	2.0%	1.9%	1.9%
Czech Republic	1.4%	1.7%	1.7%
International Markets	1.7%	1.9%	1.9%
Group Centre [2]	31.0%	6.6%	26.4%
Total	2.0%	2.1%	2.1%
of which: more than 90 days past due	1.0%	1.1%	1.1%
Loan loss impairment (in millions of EUR)			
Loan loss Impairment for Stage 1 portfolio	179	134	128
Loan loss Impairment for Stage 2 portfolio	587	694	674
Loan loss Impairment for Stage 3 portfolio	1 859	2 048	1 921
of which: more than 90 days past due	1 459	1 547	1 466
Cover ratio of impaired loans (%)			
Loan loss impairments for stage 3 portfolio / impaired loans	46.0%	47.1%	46.6%
of which: more than 90 days past due	69.8%	67.6%	68.0%
Cover ratio of impaired loans, mortgage loans excluded (%)			
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	49.3%	49.7%	49.6%
of which: more than 90 days past due	72.6%	70.6%	70.5%
Credit cost ratio (%)			
Belgium	0.05%	0.03%	0.03%
Czech Republic	-0.30%	0.13%	0.13%
International Markets	-0.08%	0.31%	0.31%
Slovakia	-0.13%	0.17%	0.17%
Hungary	-0.16%	0.42%	0.42%
Bulgaria	0.05%	0.43%	0.43%
Group Centre	-0.23%	-0.04%	0.10%
Total	-0.04%	0.08%	0.09%

[1] Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; the amounts are measured in Gross Carrying Amounts

[2] Business Unit Group Centre = part of non-legacy portfolio assigned to BU Group, activities in wind-down (e.g. ex-Antwerp Diamond Bank), and – until 31-12-2022 – the remaining portfolio of KBC Bank Ireland. The presence of the residual portfolios of the activities in wind-down explains the high share of impaired loans

[3] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors

[4] Purchased or originated credit impaired assets

As of 2022, a collective shift to stage 2 has been applied for the stage 1 portfolios that are indirectly exposed to Russia, Ukraine and Belarus or vulnerable to the emerging risks (for more information see note 4.2.1). The remaining direct exposure to these countries (100% stage 3) is 24 million euros or 0.01% of the outstanding loan portfolio in 1H 2023.

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC’s Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2022 - section on credit risk for more information on PD classification). These impaired loans are equal to ‘non-performing loans’ under the definition used by EBA.

Loan portfolio per Business Unit (banking activities)

Legend:

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

Loan portfolio per Business Unit 30-06-2023, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**129 980**			**39 545**			**30 397**			**1 324**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	45 853	35%		23 213	59%		13 615	45%		0	0%	
o/w mortgages	44 200	34%		20 654	52%		10 260	34%		0	0%	
o/w consumer finance	1 653	1%		2 559	6%		3 355	11%		0	0%	
SME	34 715	27%		5 757	15%		3 211	11%		0	0%	
corporate	49 412	38%		10 574	27%		13 571	45%		1 324	100%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	44 200	35%	56%	20 654	52%	54%	10 260	34%	60%	0	0%	0%
o/w FX mortgages	0	0%	-	0	0%	-	113	0%	51%	0	0%	-
o/w ind. LTV > 100%	428	0%	-	23	0%	-	100	0%	-	0	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	98 418	76%		23 332	59%		17 308	57%		821	62%	
medium risk (PD 5-7; 0.80%-6.40%)	25 640	20%		14 194	36%		11 169	37%		93	7%	
high risk (PD 8-9; 6.40%-100.00%)	3 136	2%		1 440	4%		1 251	4%		0	0%	
impaired loans (PD 10 - 12)	2 558	2%		568	1%		502	2%		411	31%	
unrated	228	0%		11	0%		166	1%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 558	990	39%	568	260	46%	502	245	49%	411	364	89%
o/w PD 10 impaired loans	1 424	245	17%	231	65	28%	230	65	28%	64	24	39%
o/w more than 90 days past due (PD 11+12	1 134	745	66%	338	195	58%	272	180	66%	347	339	98%
all impairments (stage 1+2+3)	1 311			466			480			367		
o/w stage 1+2 impairments (incl. POCI)	322			206			235			3		
o/w stage 3 impairments (incl. POCI)	990			260			245			364		
2022 Credit cost ratio (CCR)[3]	0.03%			0.13%			0.31%			-0.04%		
2023 Credit cost ratio (CCR)[3] - YTD	0.05%			-0.30%			-0.08%			-0.23%		

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

[2] Business Unit Group Centre = part of non-legacy portfolio assigned to BU Group and activities in wind-down (e.g. ex-Antwerp Diamond Bank)

[3] CCR at country level in local currency

Loan portfolio Business Unit International Markets

Legend:

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

Loan portfolio Business Unit International Markets

30-06-2023, in millions of EUR	Slovakia			Hungary			Bulgaria		
Total portfolio outstanding	**12 112**			**8 474**			**9 810**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	6 884	57%		2 769	33%		3 963	40%	
o/w mortgages	6 355	52%		1 841	22%		2 064	21%	
o/w consumer finance	528	4%		928	11%		1 899	19%	
SME	1 184	10%		91	1%		1 935	20%	
corporate	4 044	33%		5 615	66%		3 913	40%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	6 355	52%	63%	1 841	22%	47%	2 064	21%	60%
o/w FX mortgages	0	0%	-	1	0%	57%	112	1%	51%
o/w ind. LTV > 100%	47	0%	-	31	0%		22	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	8 271	68%		4 939	58%		4 098	42%	
medium risk (PD 5-7; 0.80%-6.40%)	3 053	25%		3 144	37%		4 972	51%	
high risk (PD 8-9; 6.40%-100.00%)	632	5%		236	3%		384	4%	
impaired loans (PD 10 - 12)	136	1%		141	2%		224	2%	
unrated	21	0%		14	0%		132	1%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	136	79	58%	141	47	33%	224	120	53%
o/w PD 10 impaired loans	24	5	22%	109	25	23%	97	35	36%
o/w more than 90 days past due (PD 11+12)	112	74	65%	32	21	67%	128	85	66%
all impairments (stage 1+2+3)	163			125			192		
o/w stage 1+2 impairments (incl. POCI)	84			78			73		
o/w stage 3 impairments (incl. POCI)	79			47			120		
2022 Credit cost ratio (CCR)[1]	0.17%			0.42%			0.43%		
2023 Credit cost ratio (CCR)[1] - YTD	-0.13%			-0.16%			0.05%		

[1] CCR at country level in local currency

Solvency

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

Solvency KBC Group

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

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

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

As regard 2023, the interim profit is included in the fully loaded CET1 (taking into account 50% pay-out in line with our Dividend Policy), while no interim profit is recognised in the official (transitional) CET1.

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC’s risk weighted assets. This is, based on a full application of all the CRR/CDR rules, used for approximately 87% of the weighted credit risks, of which approx. 84% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 13%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 10.54% (fully loaded, Danish Compromise which includes the CRR/CRD minimum requirement (4.50%), the Pillar 2 Requirement (1.05% P2R, taking into account CRD V Art 104a(4)) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% buffer for other systemically important banks, 0.21% Systemic Risk Buffer and 0.78% Countercyclical Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.
In line with CRD V Art. 104a(4), ECB allows banks to satisfy the P2R (1.86%) with additional tier-1 instruments (up to 1.5/8) and tier-2 instruments (up to 2/8) based on the same relative weights as allowed for meeting the 8% Pillar 1 Requirement. In 2Q 2023, KBC decided to further optimise its capital structure and as such, KBC will fill up the AT1 and T2 buckets within P2R.

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

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	30-06-2023		31-12-2022	
	Fully loaded	Actuals	Fully loaded	Actuals
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement to be satisfied with CET1	1.05%	1.05%	1.05%	1.05%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Systemic Risk Buffer (SRyB)	0.21%	0.21%	0.19%	0.19%
Entity-specific countercyclical buffer	0.78%	0.66%	0.75%	0.40%
Overall Capital Requirement (OCR) - with P2R split, CRD V Art. 104a(4)	**10.54%**	**10.41%**	**10.49%**	**10.14%**
CET1 used to satisfy shortfall in AT1 bucket (*)	0.47%	0.47%	0.48%	0.48%
CET1 used to satisfy shortfall in T2 bucket (*)	0.35%	0.21%	0.84%	0.86%
CET1 requirement for MDA	**11.36%**	**11.10%**	**11.82%**	**11.48%**
CET1 capital	17 965	17 058	16 818	15 474
CET1 buffer (= buffer compared to MDA)	5 591	4 969	3 820	2 846

(*) CET1 capital used to satisfy the shortfall in the AT1 and T2 buckets for both the pillar 1 minimum and the pillar 2 requirement. A negative figure in AT1 or T2 bucket relates to a surplus. The fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2; these T2 instruments are included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework (introduced as from 2Q 2021 reporting).

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

Overview of KBC Group's capital ratios (in millions of EUR) 30-06-2023		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	17 965	108 945	16.49%
Deduction Method	Fully loaded	17 314	104 356	16.59%
Financial Conglomerates Directive	Fully loaded	19 272	125 001	15.42%
Danish Compromise	Transitional	17 058	108 909	15.66%
Deduction Method	Transitional	16 310	104 076	15.67%
Financial Conglomerates Directive	Transitional	18 674	124 965	14.94%

KBC's fully loaded CET1 ratio of 16.49% at the end of June 2023 represents a solid capital buffer of 5.13% compared with the Maximum Distributable Amount (MDA) of 11.36%.
As of 1Q 2023, the fully loaded CET1 ratio includes a positive impact of 0.9% pt. as result of the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland Group (for more information, see note 6.6 in this report).

The 2022 profit and the proposed 3.0 euros per share ordinary dividend is included in the 31-12-2022 fully loaded figures, but not in the 31-12-2022 transitional figures pending the formal approval by the General Meeting on 4 May 2023. KBC Group has resubmitted 31-12-2022 transitional figures including retained 2022 profit to the competent supervisory authorities after the formal approval of the 2022 final dividend by the General Meeting. This brings the transitional 31-12-2022 CET1 ratio at 15.4% (vs. 14.1% as included in the transitional figures in the external financial reporting).

KBC Group will distribute – over and above the 4 euros per share already paid as the dividend for 2022 – 1.3 billion euros surplus capital, in line with the capital deployment plan announced for full-year 2022. After having received ECB approval, the Board of Directors decided to distribute 1.3 billion euros in the form of a share buyback starting as soon as possible and ending by August 2024. As such, 1.3 billion euros will be deducted from the fully loaded and transitional Common equity ratio as of 3Q 2023. Moreover, in line with our general dividend policy, we will also pay out an interim dividend of 1 euro per share in November 2023 as an advance on the total dividend for financial year 2023 (already taken into account in the Common equity ratio).

Recently, KBC Group has received a final ECB supervisory decision, following model reviews for predominantly KBC's Belgian corporate and SME credit portfolio. As a result of this, KBC Group will be subject to a risk-weighted assets (RWA) add-on of approximately 8.2 billion euros in 3Q 2023. This 8.2 billion euros RWA add-on will be mitigated by (1) a 1.7 billion euros RWA release in 3Q 2023, (2) an expected RWA relief of approximately 2.0 billion euros before year-end 2023 due to model simplification and (3) roughly 4.5 billion euros of the 8.2 billion euros RWA add-on is frontloading of the IRB Basel 4 Common equity ratio impact in 2025. Note that the FTA impact of Basel 4 in 2025 is estimated at roughly 7 billion euros (using 250% risk weight for insurance).

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	30-06-2023 Fully loaded	30-06-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital (after profit appropriation)	21 772	21 009	20 100	18 742
Tier-1 capital	19 465	18 558	18 318	16 974
Common equity	17 965	17 058	16 818	15 474
Parent shareholders' equity (after deconsolidating KBC Insurance)	20 481	19 026	19 623	16 982
Intangible fixed assets, incl deferred tax impact (-)	- 639	- 639	- 609	- 609
Goodwill on consolidation, incl deferred tax impact (-)	- 1 200	- 1 200	- 1 178	- 1 178
Minority interests	1	1	0	0
Hedging reserve (cash flow hedges) (-)	832	832	936	936
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 36	- 36	- 40	- 40
Value adjustment due to the requirements for prudent valuation (-)	- 25	- 25	- 31	- 31
Dividend payout (-)	- 899	-417	- 1 252	0
Share buyback (part not yet executed) (-)	0	0	0	0
Coupon of AT1 instruments (-)	- 12	- 12	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 56	- 56	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 90	- 90	- 90	- 90
Deduction re NPL backstops (-)	- 123	- 123	- 158	- 158
Deduction re pension plan assets (-)	- 132	- 132	- 143	- 143
IRB provision shortfall (-)	0	0	0	0
Deferred tax assets on losses carried forward (-)	- 137	- 137	- 172	- 172
Transitional adjustments to CET1	0	66	0	46
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 500	1 500	1 500	1 500
CRR compliant AT1 instruments	1 500	1 500	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	2 307	2 452	1 782	1 767
IRB provision excess (+)	312	359	284	136
Transitional adjustments to T2	0	- 81	0	- 46
Subordinated liabilities	1 996	2 174	1 498	1 677
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Total weighted risk volume	108 945	108 909	109 981	109 966
Banking	99 272	99 236	100 300	100 285
Insurance	9 133	9 133	9 133	9 133
Holding activities	554	554	562	562
Elimination of intercompany transactions	- 15	- 15	- 14	- 14
Solvency ratios				
Common equity ratio	16.49%	15.66%	15.29%	14.07%
Tier-1 ratio	17.87%	17.04%	16.66%	15.44%
Total capital ratio	19.98%	19.29%	18.28%	17.04%

Note:

- For the composition of the banking RWA, see section ‘Solvency banking and insurance activities separately’ further in this memo.
- In 1H 2023, the difference between the fully loaded total own funds (21 772 million euros, interim profit after 50% pay-out re. 2023 is included) and the transitional own funds (21 009 million euros, interim profit after 50% pay-out re. 2023 is not included) as at 30-06-2023 is explained by the net result for 2023 (1 872 million euros under the Danish Compromise method), the 50% pay-out (-899 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (-32 million euros) and the grandfathered tier-2 subordinated debt instruments (-178 million euros).
- At year-end 2022, the difference between the fully loaded total own funds (20 100 million euros; profit and dividend re. 2022 is included) and the transitional own funds (18 742 million euros; profit and dividend re. 2022 is not included) as at 31-12-2022 is explained by the net result for 2022 (2 641 million euros under the Danish Compromise method), the proposed final dividend (-1 252 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (+148 million euros) and the grandfathered tier-2 subordinated debt instruments (-179 million euros).

Leverage ratio KBC Group

Leverage ratio KBC Group In millions of EUR	30-06-2023 Fully loaded	30-06-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Tier-1 capital	19 465	18 558	18 318	16 974
Total exposures	358 696	358 778	346 481	346 538
Total Assets	368 077	368 077	355 872	355 872
Deconsolidation KBC Insurance	-29 816	-29 816	-30 267	-30 267
Transitional adjustment	0	81	0	57
Adjustment for derivatives	- 374	- 374	-3 032	-3 032
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 312	-2 312	-2 347	-2 347
Adjustment for securities financing transaction exposures	1 673	1 673	813	813
Central Bank exposure	0	0	0	0
Off-balance sheet exposures	21 449	21 449	25 442	25 442
Leverage ratio	5.43%	5.17%	5.29%	4.90%

At the end of June 2023, the fully loaded leverage ratio increased compared to December 2022, due to higher Tier-1 capital (driven mainly by inclusion of 1H 2023 profits) and partly compensated by higher total assets (for more information see balance sheet in the Consolidated financial statements section).

Solvency banking and insurance activities separately

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

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

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	30-06-2023 Fully loaded	30-06-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital, after profit appropriation	18 813	17 887	17 164	17 516
Tier-1 capital	16 327	15 435	15 202	15 749
Common equity	14 827	13 935	13 702	14 249
Parent shareholders' equity	16 899	15 941	16 313	15 618
Solvency adjustments	-2 072	-2 005	-2 610	-1 370
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	2 486	2 452	1 962	1 768
Total weighted risk volume	99 272	99 236	100 300	100 285
Credit risk	84 490	84 454	85 003	84 988
Market risk	2 616	2 616	3 132	3 132
Operation risk	12 166	12 166	12 166	12 166
Common equity ratio	14.9%	14.0%	13.7%	14.2%

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-06-2023	31-12-2022
Own Funds	4 143	3 721
Tier 1	3 642	3 220
IFRS Parent shareholders equity	3 344	2 157
Dividend payout	- 139	- 309
Deduction intangible assets and goodwill (after tax)	- 195	- 194
Valuation differences (after tax)	436	1 410
Volatility adjustment	132	150
Other	63	6
Tier 2	501	501
Subordinated liabilities	501	501
Solvency Capital Requirement (SCR)	2 015	1 833
Market risk	1 394	1 252
Non-life	792	714
Life	1 174	1 114
Health	213	230
Counterparty	140	122
Diversification	-1 271	-1 185
Other	- 427	- 414
Solvency II ratio	206%	203%

Minimum requirement for own funds and eligible liabilities (MREL)

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

In April 2023, the SRB formally communicated to KBC updated MREL targets (under BRRD2) for 01-01-2024, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE):

- 27.91% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 26.55% at YE 2023 (including the Combined Buffer Requirement[(1)])
- 7.38% of LRE as from 01-01-2024, with an intermediate target of 7.34% of LRE as from 01-01-2022.

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

The binding subordinated MREL targets are:

- 23.96% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 18.42% at YE 2023 (including the Combined Buffer Requirement[(1)])
- 7.38% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of June 2023, the MREL ratio stands at 32.2% as a % of RWA (versus 30.1% as at the end of March 2023) and at 9.8% as % of LRE (versus 9.5% as at the end of March 2023). The increase of the MREL ratio in % of RWA and in % LRE is mainly driven by the increase of the available MREL driven mainly by issuance of senior holdco instruments.

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.71% at YE2023 and 0.78% as of 01-01-2024) + Systemic Risk Buffer (0.21%), comes on top of the MREL target as a percentage of RWA

Income statement, volumes and ratios of KBC Group and per business unit

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

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

KBC Group (in millions of EUR)	2Q 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
Breakdown P&L					
Net interest income	1 407	1 324	1 417	1 297	1 248
Insurance revenues before reinsurance	666	631	621	621	603
Non-life	567	543	526	527	506
Life	100	88	94	94	98
Dividend income	30	8	10	22	21
Net result from financial instruments at fair value through profit or loss	115	90	90	35	38
Net fee and commission income	584	576	549	557	542
Insurance finance income and expense (for contracts issued)	- 82	- 66	- 63	- 39	2
Net other income	54	498	- 103	3	69
TOTAL INCOME	2 775	3 060	2 520	2 496	2 522
Operating expenses (excluding directly attributable from insurance)	- 1 019	- 1 501	- 1 036	- 952	- 944
Total Opex without banking and insurance tax	- 1 090	- 1 077	- 1 143	- 1 041	- 973
Total banking and insurance tax	- 51	- 571	- 15	- 23	- 94
Minus: Opex allocated to insurance service expenses	123	147	121	112	123
Insurance service expenses before reinsurance	- 523	- 490	- 467	- 504	- 421
Of which Insurance commissions paid	- 82	- 77	- 79	- 81	- 79
Non-Life	- 457	- 418	- 416	- 445	- 442
of which Non-Life - Claim related expenses	- 284	- 237	- 247	- 281	- 276
Life	- 66	- 72	- 51	- 59	21
Net result from reinsurance contracts held	- 22	- 30	- 15	- 15	- 2
Impairment	- 8	26	- 132	- 102	- 28
on FA at amortised cost and at FVOCI	23	24	- 82	- 79	- 9
on goodwill	0	0	- 5	0	0
other	- 31	1	- 46	- 23	- 19
Share in results of associated companies and joint ventures	- 1	- 3	- 2	- 3	- 2
RESULT BEFORE TAX	1 202	1 062	867	920	1 126
Income tax expense	- 236	- 180	- 139	- 168	- 240
RESULT AFTER TAX	966	882	727	752	887
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**966**	**882**	**727**	**752**	**887**
Banking	790	755	566	639	653
Insurance	159	125	170	110	243
Holding activities	17	2	- 9	3	- 9
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	182 005	179 520	178 053	177 098	168 982
of which Mortgage loans (end of period)	*75 255*	*74 811*	*73 660*	*72 312*	*70 605*
Customer deposits and debt certificates excl. repos (end of period)	264 167	248 882	252 746	242 095	241 625
Insurance related liabilities (including Inv. Contracts)					
Life insurance	26 204	25 626	25 470	25 537	26 439
Liabilities under investment contracts (IFRS 9)	*12 751*	*12 164*	*12 026*	*12 004*	*12 193*
Insurance contract liabilities (IFRS 17)	*13 453*	*13 463*	*13 444*	*13 534*	*14 245*
Non-life insurance	2 842	2 819	2 714	2 765	2 842
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	108 945	107 686	109 981	110 245	106 105
Required capital, insurance (end of period)	2 015	1 965	1 833	1 718	1 699
Allocated capital (end of period)	13 334	13 141	13 269	13 184	12 696
Return on allocated capital (ROAC, YTD)	28%	27%	22%	22%	21%
Cost/income ratio without banking and insurance tax (YTD)	40%	38%	45%	43%	42%
Combined ratio, non-life insurance (YTD)	84%	83%	87%	88%	87%
Net interest margin, banking (QTD)	2.11%	2.04%	2.10%	1.90%	1.91%

Business unit Belgium (in millions of EUR)	**2Q 2023**	**1Q 2023**	**4Q 2022**	**3Q 2022**	**2Q 2022**
Breakdown P&L					
Net interest income	857	769	812	703	677
Insurance revenues before reinsurance	407	385	385	384	379
Non-life	344	333	323	325	315
Life	63	52	63	59	64
Dividend income	27	7	9	19	19
Net result from financial instruments at fair value through profit or loss	7	11	14	- 21	36
Net fee and commission income	378	382	369	365	374
Insurance finance income and expense (for contracts issued)	- 43	- 40	- 38	- 38	- 36
Net other income	48	87	48	35	89
TOTAL INCOME	1 681	1 603	1 599	1 447	1 537
Operating expenses (excluding directly attributable from insurance)	- 545	- 849	- 542	- 509	- 484
Total Opex without banking and insurance tax	- 611	- 584	- 612	- 574	- 554
Total banking and insurance tax	- 6	- 347	0	1	4
Minus: Opex allocated to insurance service expenses	72	82	71	64	66
Insurance service expenses before reinsurance	- 313	- 304	- 277	- 314	- 242
Of which Insurance commissions paid	- 53	- 51	- 52	- 51	- 48
Non-Life	- 269	- 250	- 239	- 277	- 286
of which Non-Life - Claim related expenses	- 173	- 156	- 142	- 183	- 193
Life	- 44	- 54	- 38	- 36	44
Net result from reinsurance contracts held	- 16	- 21	- 15	- 5	15
Impairment	- 40	11	- 43	- 21	25
on FA at amortised cost and at FVOCI	- 39	9	- 38	- 21	25
on goodwill	0	0	0	0	0
other	- 1	2	- 5	0	0
Share in results of associated companies and joint ventures	- 1	- 2	- 2	- 3	- 2
RESULT BEFORE TAX	766	438	719	596	850
Income tax expense	- 191	- 139	- 174	- 148	- 197
RESULT AFTER TAX	575	299	545	447	652
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**576**	**299**	**545**	**447**	**652**
Banking	448	214	415	348	418
Insurance	128	85	131	99	235
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	118 345	116 698	117 221	117 613	114 910
of which Mortgage loans (end of period)	*45 031*	*44 627*	*44 326*	*43 840*	*43 327*
Customer deposits and debt certificates excl. repos (end of period)	160 503	147 749	155 971	148 120	153 686
Insurance related liabilities (including Inv. Contracts)					
Life insurance	24 483	23 950	23 858	23 926	24 756
Liabilities under investment contracts (IFRS 9)	*12 751*	*12 164*	*12 026*	*12 004*	*12 193*
Insurance contract liabilities (IFRS 17)	*11 732*	*11 787*	*11 832*	*11 922*	*12 562*
Non-life insurance	2 173	2 177	2 101	2 172	2 249
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	57 399	56 186	55 783	57 166	55 749
Required capital, insurance (end of period)	1 679	1 634	1 505	1 393	1 357
Allocated capital (end of period)	8 188	8 006	7 831	7 876	7 679
Return on allocated capital (ROAC, YTD)	22%	15%	24%	22%	22%
Cost/income ratio without banking and insurance tax (YTD)	40%	40%	41%	41%	40%
Combined ratio, non-life insurance (YTD)	82%	81%	85%	86%	86%
Net interest margin, banking (QTD)	2.05%	1.91%	1.95%	1.62%	1.59%

Business unit Czech Republic (in millions of EUR)	2Q 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
Breakdown P&L					
Net interest income	325	309	323	325	340
Insurance revenues before reinsurance	139	132	128	129	118
Non-life	115	109	106	106	97
Life	24	23	22	23	21
Dividend income	0	0	0	0	1
Net result from financial instruments at fair value through profit or loss	37	38	26	29	19
Net fee and commission income	83	80	62	75	72
Insurance finance income and expense (for contracts issued)	- 19	- 16	- 15	- 8	12
Net other income	5	2	- 144	- 43	- 4
TOTAL INCOME	569	544	381	506	558
Operating expenses (excluding directly attributable from insurance)	- 199	- 253	- 209	- 186	- 178
Total Opex without banking and insurance tax	- 228	- 220	- 235	- 212	- 204
Total banking and insurance tax	1	- 60	- 1	0	1
Minus: Opex allocated to insurance service expenses	28	28	27	27	25
Insurance service expenses before reinsurance	- 109	- 90	- 104	- 94	- 86
Of which Insurance commissions paid	- 15	- 14	- 13	- 13	- 11
Non-Life	- 95	- 79	- 95	- 82	- 72
of which Non-Life - Claim related expenses	- 57	- 43	- 59	- 46	- 39
Life	- 15	- 11	- 9	- 12	- 14
Net result from reinsurance contracts held	0	- 9	1	- 2	- 2
Impairment	53	6	- 29	- 31	- 5
on FA at amortised cost and at FVOCI	53	7	- 23	- 31	- 2
on goodwill	0	0	- 5	0	0
other	0	0	- 1	1	- 3
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	314	198	40	194	287
Income tax expense	- 37	- 14	1	- 24	- 43
RESULT AFTER TAX	276	184	41	170	244
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**276**	**184**	**41**	**170**	**244**
Banking	248	153	13	173	220
Insurance	29	32	28	- 3	24
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	36 792	36 609	35 445	34 989	34 169
of which Mortgage loans (end of period)	*20 184*	*20 313*	*19 696*	*19 196*	*18 916*
Customer deposits and debt certificates excl. repos (end of period)	54 798	54 569	51 069	49 781	48 366
Insurance related liabilities (including Inv. Contracts)					
Life insurance	971	975	943	974	1 011
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*971*	*975*	*943*	*974*	*1 011*
Non-life insurance	342	336	316	304	305
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	17 738	17 625	17 408	16 594	17 226
Required capital, insurance (end of period)	172	175	170	171	178
Allocated capital (end of period)	2 183	2 173	2 144	2 052	2 132
Return on allocated capital (ROAC, YTD)	42%	34%	31%	39%	43%
Cost/income ratio without banking and insurance tax (YTD)	43%	43%	45%	40%	38%
Combined ratio, non-life insurance (YTD)	82%	82%	83%	81%	81%
Net interest margin, banking (QTD)	2.35%	2.30%	2.40%	2.45%	2.70%

Business unit International Markets

(in millions of EUR)	2Q 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
Breakdown P&L					
Net interest income	291	284	270	237	193
Insurance revenues before reinsurance	117	111	103	104	102
Non-life	104	98	93	92	89
Life	13	13	9	12	12
Dividend income	1	0	0	0	0
Net result from financial instruments at fair value through profit or loss	39	23	41	24	- 5
Net fee and commission income	125	116	120	119	98
Insurance finance income and expense (for contracts issued)	- 20	- 10	- 10	7	26
Net other income	5	5	- 5	3	- 10
TOTAL INCOME	558	530	520	495	404
Operating expenses (excluding directly attributable from insurance)	- 218	- 305	- 190	- 178	- 217
Total Opex without banking and insurance tax	- 194	- 183	- 200	- 176	- 151
Total banking and insurance tax	- 47	- 158	- 13	- 22	- 97
Minus: Opex allocated to insurance service expenses	22	36	23	20	31
Insurance service expenses before reinsurance	- 100	- 96	- 87	- 87	- 94
Of which Insurance commissions paid	- 13	- 12	- 14	- 17	- 19
Non-Life	- 93	- 89	- 83	- 76	- 85
of which Non-Life - Claim related expenses	- 54	- 37	- 48	- 43	- 44
Life	- 7	- 7	- 4	- 11	- 9
Net result from reinsurance contracts held	- 5	- 5	- 3	- 5	- 2
Impairment	- 11	3	- 62	- 51	- 30
on FA at amortised cost and at FVOCI	8	4	- 27	- 27	- 16
on goodwill	0	0	0	0	0
other	- 19	0	- 36	- 24	- 14
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	223	128	178	174	60
Income tax expense	- 33	- 20	- 17	- 29	- 16
RESULT AFTER TAX	190	108	160	145	45
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**190**	**108**	**160**	**145**	**45**
Banking	178	96	150	132	47
Insurance	12	12	11	14	- 2
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	26 865	26 210	24 494	19 902	19 362
of which Mortgage loans (end of period)	*10 040*	*9 871*	*9 638*	*9 276*	*8 362*
Customer deposits and debt certificates excl. repos (end of period)	29 879	29 577	29 962	28 457	23 808
Insurance related liabilities (including Inv. Contracts)					
Life insurance	750	701	669	637	672
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*750*	*701*	*669*	*637*	*672*
Non-life insurance	307	292	281	270	273
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	22 624	22 562	21 501	20 892	17 321
Required capital, insurance (end of period)	163	155	150	141	147
Allocated capital (end of period)	2 729	2 713	2 588	2 510	2 112
Return on allocated capital (ROAC, YTD)	22%	16%	18%	15%	11%
Cost/income ratio without banking and insurance tax (YTD)	37%	37%	41%	40%	41%
Combined ratio, non-life insurance (YTD)	97%	97%	91%	90%	91%
Net interest margin, banking (QTD)	3.26%	3.31%	3.18%	3.11%	2.84%

Note: The combined ratio, non-life insurance of 97% in 1Q 2023 included a significant windfall tax fully booked in 1Q 2023. Excluding the windfall tax, the combined ratio amounted to 83% in 1Q 2023 and 90% in 1H 2023.

Slovakia (in millions of EUR)	2Q 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
Breakdown P&L					
Net interest income	64	65	66	55	56
Insurance revenues before reinsurance	23	23	22	22	21
Non-life	19	18	19	18	17
Life	4	4	3	4	4
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	5	1	6	10	8
Net fee and commission income	21	20	22	20	21
Insurance finance income and expense (for contracts issued)	- 1	- 1	1	0	4
Net other income	2	2	- 6	2	0
TOTAL INCOME	115	110	111	109	110
Operating expenses (excluding directly attributable from insurance)	- 55	- 58	- 59	- 52	- 53
Total Opex without banking and insurance tax	- 60	- 60	- 67	- 59	- 61
Total banking and insurance tax	1	- 4	0	0	0
Minus: Opex allocated to insurance service expenses	5	7	8	7	8
Insurance service expenses before reinsurance	- 19	- 19	- 20	- 17	- 17
Of which Insurance commissions paid	- 2	- 2	- 3	- 2	- 1
Non-Life	- 17	- 16	- 17	- 14	- 15
of which Non-Life - Claim related expenses	- 10	- 10	- 10	- 8	- 9
Life	- 2	- 3	- 3	- 3	- 2
Net result from reinsurance contracts held	- 2	- 1	- 1	- 1	0
Impairment	9	- 1	- 10	- 7	- 4
on FA at amortised cost and at FVOCI	9	- 1	- 8	- 6	- 4
on goodwill	0	0	0	0	0
other	0	0	- 2	- 1	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	48	31	21	32	36
Income tax expense	- 11	- 6	- 5	- 8	- 7
RESULT AFTER TAX	37	24	16	24	29
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**37**	**24**	**16**	**24**	**29**
Banking	35	22	15	21	25
Insurance	2	2	1	3	4
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	11 359	11 168	10 796	10 524	10 241
of which Mortgage loans (end of period)	*6 303*	*6 217*	*6 114*	*5 928*	*5 734*
Customer deposits and debt certificates excl. repos (end of period)	8 375	8 156	8 421	8 281	8 021
Insurance related liabilities (including Inv. Contracts)					
Life insurance	159	164	169	175	182
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*159*	*164*	*169*	*175*	*182*
Non-life insurance	48	47	44	43	42
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	6 512	6 508	6 383	6 161	6 097
Required capital, insurance (end of period)	28	28	27	26	28
Allocated capital (end of period)	766	766	751	725	719
Return on allocated capital (ROAC, YTD)	16%	13%	13%	14%	14%
Cost/income ratio without banking and insurance tax (YTD)	56%	57%	58%	56%	57%
Combined ratio, non-life insurance (YTD)	96%	93%	90%	87%	88%

Hungary **(in millions of EUR)**	**2Q 2023**	**1Q 2023**	**4Q 2022**	**3Q 2022**	**2Q 2022**
Breakdown P&L					
Net interest income	127	130	123	108	99
Insurance revenues before reinsurance	47	46	39	39	39
Non-life	42	41	35	34	35
Life	5	5	4	5	4
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	29	18	34	15	1
Net fee and commission income	66	58	60	59	56
Insurance finance income and expense (for contracts issued)	- 14	- 6	- 11	4	10
Net other income	1	1	1	0	- 12
TOTAL INCOME	256	247	245	226	193
Operating expenses (excluding directly attributable from insurance)	- 110	- 168	- 72	- 71	- 138
Total Opex without banking and insurance tax	- 68	- 60	- 67	- 56	- 56
Total banking and insurance tax	- 52	- 130	- 13	- 22	- 99
Minus: Opex allocated to insurance service expenses	10	23	8	7	17
Insurance service expenses before reinsurance	- 47	- 49	- 30	- 34	- 43
Of which Insurance commissions paid	- 3	- 2	- 4	- 8	- 10
Non-Life	- 44	- 46	- 28	- 30	- 40
of which Non-Life - Claim related expenses	- 25	- 14	- 13	- 16	- 17
Life	- 3	- 3	- 2	- 4	- 4
Net result from reinsurance contracts held	- 1	- 1	- 1	- 1	- 1
Impairment	- 24	11	- 36	- 41	- 17
on FA at amortised cost and at FVOCI	- 5	11	- 5	- 17	- 3
on goodwill	0	0	0	0	0
other	- 19	0	- 30	- 24	- 14
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	75	40	108	79	- 7
Income tax expense	- 12	- 8	- 9	- 14	- 5
RESULT AFTER TAX	63	32	99	65	- 12
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**63**	**32**	**99**	**65**	**- 12**
Banking	63	34	93	58	0
Insurance	0	- 2	6	7	- 12
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	6 548	6 334	5 879	5 516	5 274
of which Mortgage loans (end of period)	*1 796*	*1 766*	*1 681*	*1 597*	*1 693*
Customer deposits and debt certificates excl. repos (end of period)	9 305	9 302	9 515	8 780	9 235
Insurance related liabilities (including Inv. Contracts)					
Life insurance	289	268	236	217	240
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*289*	*268*	*236*	*217*	*240*
Non-life insurance	104	91	85	79	86
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	8 347	8 540	7 721	7 386	7 413
Required capital, insurance (end of period)	54	53	49	45	49
Allocated capital (end of period)	1 001	1 022	925	882	890
Return on allocated capital (ROAC, YTD)	19%	13%	21%	13%	5%
Cost/income ratio without banking and insurance tax (YTD)	27%	25%	30%	31%	32%
Combined ratio, non-life insurance (YTD)	111%	115%	94%	97%	100%

Note: The combined ratio, non-life insurance of 115% in 1Q 2023 included a significant windfall tax fully booked in 1Q 2023. Excluding the windfall tax, the combined ratio amounted to 83% in 1Q 2023 and 95% in 1H 2023.

Bulgaria (in millions of EUR)	2Q 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
Breakdown P&L					
Net interest income	99	90	81	74	38
Insurance revenues before reinsurance	47	43	42	43	41
Non-life	43	39	40	39	37
Life	4	4	2	3	4
Dividend income	1	0	0	0	0
Net result from financial instruments at fair value through profit or loss	5	4	1	- 2	- 13
Net fee and commission income	37	37	39	40	21
Insurance finance income and expense (for contracts issued)	- 4	- 3	0	3	12
Net other income	1	2	1	1	1
TOTAL INCOME	187	172	164	160	100
Operating expenses (excluding directly attributable from insurance)	- 54	- 79	- 59	- 54	- 26
Total Opex without banking and insurance tax	- 65	- 62	- 66	- 60	- 33
Total banking and insurance tax	4	- 24	0	0	2
Minus: Opex allocated to insurance service expenses	7	7	7	6	6
Insurance service expenses before reinsurance	- 34	- 27	- 37	- 36	- 33
Of which Insurance commissions paid	- 8	- 7	- 8	- 8	- 7
Non-Life	- 32	- 27	- 38	- 32	- 30
of which Non-Life - Claim related expenses	- 18	- 14	- 25	- 19	- 19
Life	- 2	- 1	1	- 4	- 3
Net result from reinsurance contracts held	- 3	- 3	- 2	- 3	- 1
Impairment	4	- 6	- 17	- 3	- 10
on FA at amortised cost and at FVOCI	4	- 6	- 14	- 3	- 9
on goodwill	0	0	0	0	0
other	0	0	- 3	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	100	57	49	63	31
Income tax expense	- 10	- 6	- 4	- 7	- 3
RESULT AFTER TAX	90	51	45	56	27
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**90**	**51**	**45**	**56**	**27**
Banking	80	39	41	53	22
Insurance	10	12	4	3	6
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	8 959	8 708	8 454	4 387	4 136
of which Mortgage loans (end of period)	*1 942*	*1 888*	*1 843*	*1 751*	*935*
Customer deposits and debt certificates excl. repos (end of period)	12 199	12 119	12 026	11 396	6 551
Insurance related liabilities (including Inv. Contracts)					
Life insurance	303	269	264	245	249
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*303*	*269*	*264*	*245*	*249*
Non-life insurance	156	154	153	148	145
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	7 765	7 513	7 397	7 345	3 811
Required capital, insurance (end of period)	82	73	73	70	70
Allocated capital (end of period)	962	925	912	903	502
Return on allocated capital (ROAC, YTD)	30%	22%	23%	23%	19%
Cost/income ratio without banking and insurance tax (YTD)	40%	40%	43%	43%	43%
Combined ratio, non-life insurance (YTD)	82%	79%	90%	86%	82%

We describe the impact of the acquisition of the 100% shares of Raiffeisenbank Bulgaria in note 6.6 in this report.

Business unit Group Centre (in millions of EUR)	2Q 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
Breakdown P&L					
Net interest income	- 66	- 39	11	32	37
Insurance revenues before reinsurance	4	2	4	4	4
Non-life	4	2	4	4	4
Life	0	0	0	0	0
Dividend income	1	0	0	2	2
Net result from financial instruments at fair value through profit or loss	32	18	8	4	- 12
Net fee and commission income	- 2	- 2	- 3	- 2	- 2
Insurance finance income and expense (for contracts issued)	0	0	0	0	0
Net other income	- 4	404	- 1	8	- 6
TOTAL INCOME	- 34	384	20	48	23
Operating expenses (excluding directly attributable from insurance)	- 57	- 95	- 96	- 80	- 64
Total Opex without banking and insurance tax	- 58	- 90	- 96	- 79	- 63
Total banking and insurance tax	1	- 5	- 1	- 1	- 2
Minus: Opex allocated to insurance service expenses	1	1	1	1	1
Insurance service expenses before reinsurance	0	- 1	1	- 9	0
Of which Insurance commissions paid	0	0	0	0	0
Non-Life	0	- 1	1	- 9	0
of which Non-Life - Claim related expenses	1	0	2	- 9	1
Life	0	0	0	0	0
Net result from reinsurance contracts held	- 1	5	2	- 4	- 13
Impairment	- 10	5	2	1	- 17
on FA at amortised cost and at FVOCI	1	5	6	0	- 16
other	- 11	0	- 4	1	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 102	299	- 71	- 43	- 71
Income tax expense	25	- 7	51	33	17
RESULT AFTER TAX	- 76	291	- 19	- 10	- 54
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 76**	**291**	**- 19**	**- 10**	**- 54**
Banking	- 85	292	- 11	- 13	- 31
Insurance	- 9	- 3	1	0	- 14
Holding activities	17	2	- 9	3	- 9
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3	3	3	3	3
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	18 988	16 987	15 743	15 738	15 766
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 051	2 179	6 155	6 460	6 675
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	2	1	8	13	17
Allocated capital (end of period)	234	248	706	746	774

Regarding the contribution of KBC Bank Ireland, see notes 2.2 and 6.1 in this report.

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

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

Calculation (in millions of EUR)	Reference	1H 2023	2022	1H 2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 848	2 818	1 339
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 25	- 50	- 25
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	417	417
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	417	417
Basic = (A-B) / (C) (in EUR)		4.37	6.64	3.15
Diluted = (A-B) / (D) (in EUR)		4.37	6.64	3.15

Combined ratio (non-life insurance – including reinsurance)

Gives insight into the technical profitability of the short-term non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio is defined net of reinsurance.

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Non-life PAA – Claims and claim related costs net of reinsurance (A)	Note 3.7, component of 'Insurance revenues before reinsurance' & of 'Net result from reinsurance contracts held'	558	1 080	537
+				
Costs other than claims and commissions (B)	Note 3.7, component of 'Insurance Service Expenses' & of 'Non-directly attributable income and expenses' & of 'Net result from reinsurance contracts held'	326	602	290
/				
Non-life PAA - Net earned expected premiums received (C)	Note 3.7, component of 'Insurance revenues before reinsurance' & of 'Net result from reinsurance contracts held'	1 050	1 943	946
= (A+B) / (C)		84.2%	86.6%	87.4%

Common equity ratio

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

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

Cost/income ratio without banking and insurance tax (group)

Gives an impression of the relative cost efficiency (costs relative to income without banking and insurance tax, but including insurance commissions paid) of the group.

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Cost/income ratio				
Total Opex without banking and insurance tax (A)	Consolidated income statement	2 167	4 159	1 975
+				
Insurance commissions paid (B)	Note 3.7, component of 'Insurance Service Expenses'	159	308	148
/				
Total income (C)	Consolidated income statement	5 835	10 035	5 020
=(A+B) / (C)		39.9%	44.5%	42.3%

Where relevant, we also exclude the exceptional and/or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. The adjustments include: MTM ALM derivatives (fully excluded), bank and insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 49% in 1H 2023 (versus 49% in 2022 and 48% in 1H 2022).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Stage 3 impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	1 859	2 048	2 076
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 039	4 350	4 278
= (A) / (B)		46.0%	47.1%	48.5%

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 43	155	- 6
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	199 417	197 052	192 492
= (A) (annualised) / (B)		-0.04%	0.08%	-0.01%

Note: a negative % is a release

In 1H 2023, the credit cost ratio without the outstanding ECL for geopolitical and emerging risks, amounts to 0.02% (versus 0.00% in 2022).

Impaired loans ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 039	4 350	4 278
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	201 246	205 720	196 596
= (A) / (B)		2.0%	2.1%	2.2%

Leverage ratio

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

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

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	96 572	91 928	104 182
/				
Total net cash outflows over the next 30 calendar days (B)		62 882	60 820	66 332
= (A) / (B)		152%	152%	158%

KBCs large stock of high-quality liquid assets (approximately 97 billion euros in 1H 2023), which consist of cash and bonds which can be repoed in the private market and at the central banks.

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	182 005	178 053	168 984
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	590	785	782
+				
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	7 067	6 157	5 118
+				
Other exposures to credit institutions (D)		3 421	4 072	4 419
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	10 125	10 222	9 554
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 546	2 636	2 460
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 1 964	- 1 997	- 2 031
+				
Non-loan-related receivables (H)		- 617	- 602	- 499
+				
Other (I)	Component of Note 4.1	- 1 931	6 394	7 809
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		201 242	205 720	196 596

In 2022, the Irish loan portfolio has been included in the line 'Non-current assets held for sale and disposal groups' part of the 'Other' line (for more information see note 5.11 and note 6.6).

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	2 394	4 450	2 101
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	229 335	224 014	218 548
= (A) (annualised x360/number of calendar days) / (B)		2.08%	1.96%	1.91%

The net interest margin is the net interest income of the banking activities, excluding dealing rooms and the net interest impact of ALM FX swaps and repos.

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Available amount of stable funding (A)	Regulation (EU) 2019/876 dd. 20-05-2019	218 374	209 271	214 374
/				
Required amount of stable funding (B)		150 098	153 767	150 697
= (A) / (B)		145%	136%	142%

Parent shareholders’ equity per share

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

Calculation (in millions of EUR or number)	Reference	1H 2023	2022	1H 2022
Parent shareholders’ equity (A)	‘Consolidated balance sheet'	21 352	20 319	19 398
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417	417
= (A) / (B) (in EUR)		51.18	48.74	46.55

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

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	875	1 876	884
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		8 008	7 890	7 914
= (A) annualised / (B)		21.8%	23.8%	22.3%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	461	653	443
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 167	2 053	2 023
= (A) annualised / (B)		42.3%	31.4%	42.7%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	298	428	122
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 677	2 362	2 237
= (A) annualised / (B)		22.3%	18.1%	10.9%

Return on equity

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

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 848	2 818	1 339
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 25	- 50	- 25
/				
Average parent shareholders’ equity (C)	'Consolidated statement of changes in equity'	20 835	20 611	20 151
= (A-B) (annualised) / (C)		17.5%	13.4%	13.0%

In 1H 2023, the return on equity amounts to 16% when including evenly spreading of the bank taxes throughout the year and excluding one-offs.

Sales Life (insurance)

Total sales of life insurance compromise new business of guaranteed interest contracts, unit-linked investment contracts and hybrid contracts.

Calculation (in millions of EUR or %)	Reference	1H 2023	2022	1H 2022
Guaranteed Interest products		466	989	470
+				
Unit-Linked products		676	968	435
+				
Hybrid products		63	115	55
Total sales Life (A)+ (B) + (C)		1 205	2 071	960

Solvency ratio (insurance)

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

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

Total assets under management

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

Calculation (in billions of EUR or quantity)	Reference	1H 2023	2022	1H 2022
Belgium Business Unit (A)	Company presentation on www.kbc.com	200	184	190
+				
Czech Republic Business Unit (B)		17	15	14
+				
International Markets Business Unit (C)		8	7	7
A)+(B)+(C)		225	206	211