KBC Group Quarterly Report

1Q2023

More information: www.kbc.com

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KBC GROUP
1Q 2023 report

Report for 1Q2023

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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: 16 May 2023

First-quarter result of 882 million euros

KBC Group – overview (consolidated, IFRS)	1Q2023	4Q2022	1Q2022
Net result (in millions of EUR)	882	727	452
Basic earnings per share (in EUR)	2.08	1.71	1.06
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	*299*	*545*	*231*
Czech Republic	*184*	*41*	*199*
International Markets	*108*	*160*	*77*
Group Centre	*291*	*-19*	*-55*
Parent shareholders' equity per share (in EUR, end of period)	51.9	48.7	51.8

'More than a year has now passed since Russia invaded Ukraine and, unfortunately, there is still no sign of an end to the war and the immense human suffering it is causing. The war in Ukraine, alongside other geopolitical uncertainties, is continuing to dampen economic growth for the global economy. On top of this, the collapse of Silicon Valley Bank and Credit Suisse triggered turbulence on the financial markets.

The challenging environment is not distracting us from taking important steps towards achieving our strategic goals. In the quarter under review we finalised the sale of substantially all of the remaining assets and liabilities of KBC Bank Ireland. At the same time, the integration of the recently acquired ex-Raiffeisenbank Bulgaria into our existing Bulgarian banking subsidiary UBB is proceeding at full speed, with the legal merger of the entities being registered on 10 April 2023.

Our financial results took into account, for the first time, the new IFRS 17 accounting standard for insurance contracts. We generated an excellent net profit of 882 million euros in the first quarter of 2023. In the quarter under review, our total income benefited from, among other things, strong interest income from the transformation result, increased net fee and commission income resulting from the sale of investment products and a significant positive one-off gain related to the sale of our Irish portfolio in February. Operational costs were up, due to inflation and the fact that the bulk of the bank and insurance taxes for the full year were booked in this first quarter. Excluding bank and insurance taxes, costs decreased quarter-on-quarter. Last but not least, we were able to record a net loan loss impairment release in the quarter under review, as opposed to a net charge in the previous quarter. At the end of the quarter under review, the provisions we have set aside for geopolitical and emerging risks amounted to 0.4 billion euros. Our solvency position remained strong with a fully loaded common equity ratio of 16.1%. Our liquidity remained excellent, as illustrated by an NSFR of 139% and LCR of 152%, both well above the minimum legal target of 100%.

In line with the capital deployment plan we announced for full-year 2022, we envisage – over and above the 4 euros already paid as the dividend for 2022 – distributing the surplus capital. This means the surplus capital above a fully loaded common equity ratio of 15%, as well as the capital released from the completed sale transaction in Ireland. We expect to do this in the form of a share buyback (subject to ECB approval) and/or an exceptional interim dividend. The final decision on this matter will be taken by the Board of Directors in the next few months.

Progress on the digitalisation front remains a top priority too. We are pleased to report that the popularity of our digital assistant Kate has grown beyond our expectations. Customers throughout the group make active use of Kate. Kate has also outperformed our own targets last year in terms of the ability to autonomously handle customers' questions. Also on the sustainability front, we are continuing our gradual but steadfast journey in a number of areas, including the climate domain. We are very proud that our efforts are also being recognised externally by, for instance, Terra Carta and CDP.

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

Johan Thijs
Chief Executive Officer

The cornerstones of our strategy

CLIENT CENTRICITY

BANK-INSURANCE

SUSTAINABLE PROFITABLE GROWTH

ROLE IN SOCIETY

PEARL+

- 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 first quarter of 2023

Net interest income decreased by 7% quarter-on-quarter, but increased by 10% year-on-year. The net interest margin for the quarter under review amounted to 2.04%, down 6 basis points quarter-on-quarter, but up 13 basis points on the year-earlier quarter. Loan volumes were more or less stable quarter-on-quarter and increased 6% year-on-year. Deposits excluding debt certificates, and excluding the volatile low-margin short-term deposits at KBC Bank's foreign branches as they are driven by short-term cash management opportunities, were also roughly stable quarter-on-quarter and increased 3% year-on-year. We also noticed a shift from deposits towards our mutual fund business, which led to net inflows in higher-margin direct client money of 1.8 billion euros in the quarter under review. 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 2% and 9% 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 110 million euros (compared to 139 million euros and 74 million euros in the previous and year-earlier quarters, respectively) and break down into 15 million euros for life insurance and 96 million euros for non-life insurance. The non-life combined ratio for the first quarter of 2023 amounted to an excellent 83%, compared to 86% in the year-earlier quarter and 87% for full-year 2022. Non-life insurance sales increased by 11% year-on-year, with growth in all countries and all classes, due a combination of volume and tariff increases. Sales of our life insurance products were down 34% and 11% on the level recorded in the previous and year-earlier quarters, respectively.

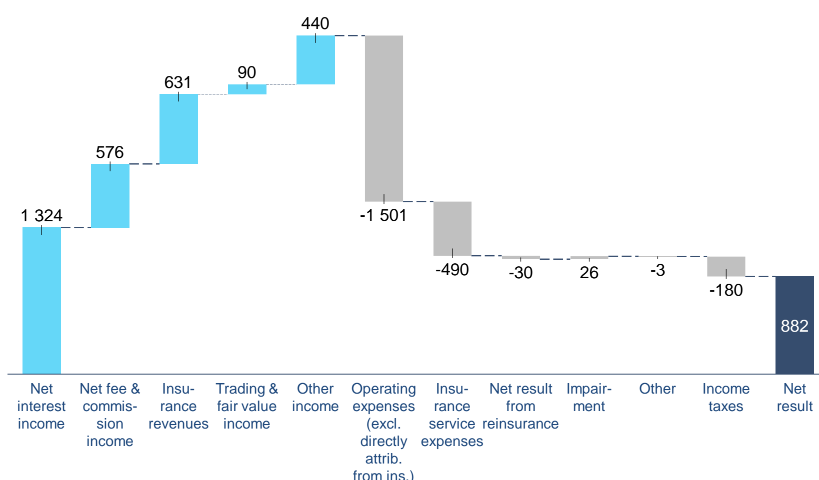
Net fee and commission income was up 5% and 1% on its level in the previous and year-earlier quarters, respectively. The quarter-on-quarter increase was accounted for by a combination of increased fees for both our asset management and banking activities.

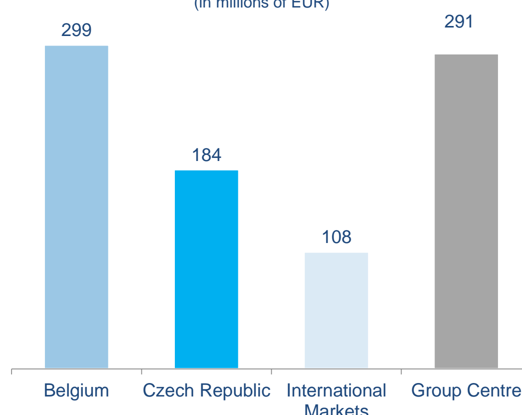
Trading & fair value result was in line with its level of the previous and year-earlier quarters and **net other income** was up significantly both quarter-on-quarter and year-on-year, due primarily to the one-off 405-million-euro gain related to the finalisation of the sale in Ireland.

Costs in the quarter under review include the bulk of the bank and insurance taxes for the full year. Excluding those taxes, total costs were down 6% on their level in the previous quarter and up 7% on their year-earlier level. The cost/income ratio for the first quarter of 2023 came to 50%, compared to 49% 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 amounted to 38%, compared to 45% for full-year 2022.

The quarter under review included a 24-million-euro net **loan loss impairment release**, compared to a net charge of 82 million euros in the previous quarter and a net release of 15 million euros in the year-earlier quarter. The release in the quarter under review related mainly to an update of the reserve for geopolitical and emerging risks. The credit cost ratio for the first quarter of 2023 amounted -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 139%. Our **capital base** remained robust, with a fully loaded common equity ratio of 16.1%.





Overview of results and balance sheet

Consolidated income statement, IFRS, KBC Group (simplified; in millions of EUR)	1Q2023	4Q2022	3Q2022	2Q2022	1Q2022
Net interest income	1 324	1 417	1 297	1 248	1 201
Insurance revenues before reinsurance	631	621	621	603	578
Non-life	*543*	*526*	*527*	*506*	*492*
Life	*88*	*94*	*94*	*98*	*86*
Dividend income	8	10	22	21	7
Net result from financial instruments at fair value through P&L[1]	90	90	35	38	89
Net fee and commission income	576	549	557	542	570
Insurance finance income and expense	-66	-63	-39	2	4
Net other income	498	-103	3	69	47
Total income	3 060	2 520	2 496	2 522	2 497
Operating expenses (excl. directly attributable from insurance)	-1 501	-1 036	-952	-944	-1 395
Total operating expenses without bank and insurance taxes	*-1 077*	*-1 143*	*-1 041*	*-973*	*-1 002*
Total bank and insurance taxes	*-571*	*-15*	*-23*	*-94*	*-514*
Minus: operating expenses allocated to insurance service expenses	*147*	*121*	*112*	*123*	*121*
Insurance service expenses before reinsurance	-490	-467	-504	-421	-516
Non-Life	*-418*	*-416*	*-445*	*-442*	*-430*
Life	*-72*	*-51*	*-59*	*21*	*-86*
Net result from reinsurance contracts held	-30	-15	-15	-2	12
Impairment	26	-132	-102	-28	-20
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*24*	*-82*	*-79*	*-9*	*15*
Share in results of associated companies & joint ventures	-3	-2	-3	-2	-3
Result before tax	1 062	867	920	1 126	575
Income tax expense	-180	-139	-168	-240	-123
Result after tax	882	727	752	887	452
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**882**	**727**	**752**	**887**	**452**
Basic earnings per share (EUR)	2.08	1.71	1.77	2.10	1.06
Diluted earnings per share (EUR)	2.08	1.71	1.77	2.10	1.06

Key consolidated balance sheet figures, IFRS, KBC Group (in millions of EUR)	31-03-2023	31-12-2022	30-09-2022	30-06-2022	31-03-2022
Total assets	347 355	354 545	362 204	368 691	369 180
Loans & advances to customers, excl. reverse repos	179 520	178 053	177 098	168 982	164 638
Securities (equity and debt instruments)	70 291	67 160	65 730	66 568	67 039
Deposits from customers excl. debt certificates & repos	219 342	224 407	217 538	217 293	205 896
Insurance contract liabilities	16 282	16 158	16 298	17 087	18 627
Liabilities under investment contracts, insurance	12 164	12 026	12 004	12 193	13 180
Total equity	23 141	21 819	21 027	20 898	23 082

Selected ratios KBC Group (consolidated)	1Q2023	FY2022
Return on equity	17%	13%
evenly spreading bank and insurance taxes through the year[3]	22%	13%
Cost/income ratio, group		
excl. non-operating items & evenly spreading bank & ins. taxes through the year	50%	49%
excl. all bank and insurance taxes	38%	45%
Combined ratio, non-life insurance	83%	87%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	16.1% [15.8%]	15.3% [14.1%]
Common equity ratio, FICOD fully loaded [transitional]	16.4% [16.2%]	14.4% [14.0%]
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)	139%	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 15% in 1Q2023, when also excluding non-operating items.
4 A negative figure indicates a net impairment release (positively affecting results).

Note that due to the adoption of IFRS 17 in 2023, the income statement, balance sheet and certain ratios were restated and/or redefined. All changes have been applied retroactively for 2022, as required by IFRS 17. For more detailed information, see the press release of 18 April 2023 on www.kbc.com.

Analysis of the quarter (1Q2023)

Total income: 3 060 million euros

up 21% quarter-on-quarter and 23% year-on-year

Net interest income amounted to 1 324 million euros in the quarter under review, down 7% on its level in the previous quarter, but up 10% on its level in the year-earlier quarter. The quarter-on-quarter decrease was due mainly to the sale of the remaining Irish portfolio in February 2023, the abolition of TLTRO-related interest income, higher pass-through on saving accounts in Belgium, pressure on lending margins in most core countries, the higher funding cost of participations, lower net interest income on inflation-linked bonds and the fewer number of days in the quarter. These factors more than offset the positive impact of such things as the improved reinvestment yield environment in euro countries and increased term deposits at better margins. The year-on-year increase was attributable primarily to the sharp improvement in reinvestment yields in most core countries, the organic growth of loan and deposit volumes and the impact of the consolidation of Raiffeisenbank Bulgaria (as of the third quarter of 2022), partly offset by the pressure exerted on lending margins in most core countries, the abolishment of TLTRO-related interest income, the sale of the remaining Irish portfolio in February 2023 and the higher funding cost of participations.

The net interest margin for the quarter under review amounted to 2.04% (Ireland being fully excluded as of 2023), down 6 basis points quarter-on-quarter and up 13 basis points year-on-year.

The total volume of customer lending was stable quarter-on-quarter and increased by 6% year-on-year on an organic basis. Customer deposits excluding debt certificates were down 3% quarter-on-quarter and up 3% year-on-year on an organic basis. When excluding the 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 stable quarter-on-quarter and up 3% year-on-year. We also noticed a shift from deposits towards our mutual fund business, which led to net inflows in higher-margin direct client money of 1.8 billion euros in the quarter under review. In the organic growth figures, the forex-related impact and the effects of changes in the scope of consolidation were eliminated.

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

Insurance revenues before reinsurance contributed 631 million euros to total income, up 2% and 9% 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 110 million euros (96 million euros for non-life insurance and 15 million euros for life insurance), compared to 139 million euros and 74 million euros in the previous and year-earlier quarters, respectively. The quarter-on-quarter decrease was mainly due to higher insurance service expenses (mainly in life insurance and related to the upfront booking of insurance-related taxes, among other things) and a lower non-life reinsurance result, notwithstanding higher non-life insurance revenues. Year-on-year, the increase was primarily attributable to higher insurance revenues in non-life insurance, lower insurance service expenses in life insurance and in non-life insurance (impact of the storms in the reference quarter, among other factors), despite a lower non-life reinsurance result. Insurance finance income and expenses amounted to -66 million euros in the quarter under review, more or less stable quarter-on-quarter but down on the year-earlier quarter (related to interest rate and stock market developments).

The combined ratio of the non-life insurance activities amounted to an excellent 83%, compared to 86% in the year-earlier quarter and 87% for full-year 2022. Non-life insurance sales increased by 11% year-on-year, with growth in all countries and all classes, due a combination of volume and tariff increases. Sales of life insurance products in the quarter under review amounted to 477 million euros and were down 34% on the relatively high level recorded in the previous quarter, due to the combination of lower sales of guaranteed-interest products (as the previous quarter had benefited from the traditionally higher volumes in tax-incentivised pension savings products in the last quarter of the year) and significantly lower sales of unit-linked products (the reference quarter had benefited from the successful launch of new structured products in Belgium). Life sales were down 11% on the level recorded in the year-earlier quarter, due entirely to lower sales of unit-linked products in Belgium. Overall, the share of guaranteed-interest products and unit-linked products in our total life insurance sales in the quarter under review amounted to 52% and 42%, respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder.

Net fee and commission income amounted to 576 million euros, up 5% and 1% on its level in the previous and year-earlier quarters, respectively. The quarter-on-quarter increase was accounted for by a combination of increased fees for our asset management activities and increased fees related to banking activities (lower fees for payment transactions were more than offset by higher securities-related fees and lower paid distribution fees, among other things). The small year-on-year increase was accounted for by higher fees for banking activities (including the positive effect of the consolidation of Raiffeisenbank Bulgaria), which more than offset the decrease in asset management-related fees. At the end of March 2023, our total assets under management amounted to 217 billion euros, up 5% quarter-on-quarter (+2 percentage points related to net inflows and +3 percentage points related to the positive quarter-on-quarter market performance), but down 5% year-on-year (+2 percentage points related to net inflows, which was more than offset by the -7 percentage points related to the negative year-on-year market performance).

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 90 million euros, in line with the 90 million euros in the previous quarter and the 89 million euros in the year-earlier quarter. Movements in the underlying drivers were rather limited quarter-on-quarter. Year-on-year, the positive result from investments backing unit-linked insurance contracts under IFRS 17 offset the lower dealing room result and the negative change in market value adjustments, among other things.

The **other remaining income items** included dividend income of 8 million euros and net other income of 498 million euros. The latter figure was significantly higher than the 50-million-euro normal run rate for this item, as it included a positive, one-off impact of 405 million euros related to the sale of KBC Bank Ireland and a few other positive items (such as recoveries of bank and insurance taxes paid in the past in Belgium and the linked moratorium interest). Note that the previous quarter had included a negative 149 million euros related to a legacy legal file in the Czech Republic.

Total operating expenses without bank and insurance taxes: 1 077 million euros

down 6% quarter-on-quarter and up 7% 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 first quarter of 2023, these taxes amounted to 571 million euros, compared to 15 million euros in the previous quarter and 514 million euros in the year-earlier quarter. The year-on-year increase was partly due to the additional Hungarian windfall bank and insurance taxes being recorded in the first quarter (whereas they had been recorded in the second quarter in 2022), as well as the consolidation of Raiffeisenbank Bulgaria, partly offset by the recovery of the remaining amount of the additional bank and insurance taxes related to the wind down of Sberbank Hungary (which had initially been recorded in the reference quarter).

Excluding bank and insurance taxes, total operating expenses in the first quarter of 2023 amounted to 1 077 million euros, down 6% on their level in the previous quarter, thanks to (partly seasonal) lower expenses for ICT, marketing and professional fees, among other costs. Operating expenses excluding bank and insurance taxes were up 7% on their year-earlier level. Disregarding the effect of the consolidation of Raiffeisenbank Bulgaria as of the third quarter of 2022, operating expenses excluding bank and insurance taxes increased by 5% year-on-year, due mainly to wage drift and indexation, as well as higher ICT and facility expenses. These were partly offset by the fact that the reference quarter had been impacted by an exceptional profit bonus for staff.

When certain non-operating items are excluded and bank and insurance taxes are spread evenly through the year, the cost/income ratio amounted to 50%, compared to 49% for full-year 2022. When excluding all bank and insurance taxes, the cost-income ratio improved to 38%, compared to 45% for full-year 2022.

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

Loan loss impairment: 24-million-euro net release

versus an 82-million-euro net charge in the previous quarter and a 15-million-euro net release in the year-earlier quarter

In the quarter under review, we recorded a 24-million-euro net loan loss impairment release, compared with a net charge of 82 million euros in the previous quarter and a net release of 15 million euros in the year-earlier quarter. The net impairment release in the quarter under review included a small net release of 3 million euros in respect of our loan book, and a 21-million-euros release following the update of the reserve for geopolitical and emerging risks (an additional 18 million euros of the reserve was written back via net other income, as it related to the sale of KBC Bank Ireland's portfolio). As a consequence, the outstanding reserve for geopolitical and emerging risks amounted to 390 million euros at the end of March 2023. A detailed calculation and background information is provided in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report.

Broken down by country, the 24-million-euro net loan loss impairment release in the quarter under review breaks down as follows ('+' is a net charge and '-' a net release): -9 million euros in Belgium, -7 million euros in the Czech Republic, +1 million euros in Slovakia, -11 million euros in Hungary, +6 million euros in Bulgaria and -5 million euros in the Group Centre.

For the entire group, the credit cost ratio amounted to -0.04% in the quarter under review (0.00% 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 March 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, see 'Guidance' on page 11 of this publication.

Impairment on assets *other than loans* amounted to a 1-million-euro net release, compared to a 51-million-euro charge in the previous quarter and a 36-million-euro charge in the year-earlier quarter. The figure for the previous quarter had included impairment charges related to modification losses from the extension of the interest cap regulation in Hungary and a charge on tangible and intangible assets, whereas the year-earlier quarter had included a one-off impairment on fixed assets in Ireland and an impairment on real estate in the Belgium Business Unit.

Net result by business unit

Belgium 299 million euros; Czech Rep. 184 million euros; International Markets 108 million euros, Group Centre 291 million euros

Belgium: at first sight, the net result (299 million euros) was down 45% quarter-on-quarter. Excluding bank and insurance taxes, the bulk of which are recorded in the first quarter of the year and hence distort the comparison, the net result was 3% higher than the previous quarter. This was due primarily to the combined effect of more or less stable total income (with higher net fee and commission income and net other income offsetting lower net interest income), lower costs, higher insurance service expenses and a net release of impairment (compared to a net charge in the previous quarter).

Czech Republic: the net result (184 million euros) was up 143 million euros quarter-on-quarter. Excluding bank and insurance taxes and forex effects, the net result was as much as 186 million euros higher than the previous quarter. This was essentially attributable to the fact that the previous quarter had included a large negative one-off item (a legacy legal file, with a net impact of -121 million euros) and, to a lesser extent, to slightly higher total income (with higher trading & fair value income and net fee and commission income more than compensating for the decrease in net interest income), lower costs and insurance service expenses, and a net impairment release (compared to a net charge in the previous quarter).

International Markets: the 108-million-euro net result breaks down as follows: 24 million euros in Slovakia, 32 million euros in Hungary and 51 million euros in Bulgaria. For the business unit as a whole, the net result was, at first sight, down 33% on the previous quarter's result. Excluding bank and insurance taxes, however, the net result was 46% higher than the previous quarter, due mainly to a combination of slightly higher total income (with higher net interest income, insurance revenues and net other income more than offsetting the decrease in trading & fair value income), lower costs and a net impairment release (compared to a net charge in the previous quarter).

Group Centre: the net result (291 million euros) was 311 million euros higher than the figure recorded in the previous quarter. That was entirely related to the finalisation of the sale of KBC Bank Ireland, resulting in a positive one-off impact of 370 million euros after tax.

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**1Q2023**	**FY2022**	**1Q2023**	**FY2022**	**1Q2023**	**FY2022**
Cost/income ratio, group						
- excl. non-oper. items & spreading bank & ins. taxes evenly through the year	45%	47%	46%	44%	47%	47%
- excl. all bank and insurance taxes	40%	41%	43%	45%	37%	41%
Combined ratio, non-life insurance	81%	85%	82%	83%	97%[2]	91%
Credit cost ratio[1]	-0.03%	0.03%	-0.07%	0.13%	-0.05%	0.31%
Impaired loans ratio	1.9%	1.9%	1.6%	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 a number of one-off items, such as the booking of an additional windfall insurance tax in Hungary in 1Q2023. Excluding this, the ratio would be 83%.

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 16.1%, NSFR 139%, LCR 152%

At the end of March 2023, total equity came to 23.1 billion euros and comprised 21.6 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 1.3 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 quarter of 2023 (+0.9 billion euros) and an increase in the revaluation reserves (+0.4 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 of 16.1%, compared to 15.3% at the end of 2022. The solvency ratio for KBC Insurance under the Solvency II framework was 207% at the end of March 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 139%, compared to 152% and 136%, respectively, at the end of 2022.

ESG developments, risk statement and economic views

ESG developments

We continue to make progress on our sustainability journey at KBC. In this regard, we refer the reader to the recently published Sustainability Report, which provides a complete and practical overview of our achievements, our progress and our ambitions. We are particularly proud of the fact that the progress made on achieving our climate targets has been externally verified and our commitment to have the climate targets for our banking activities validated by the Science Based Targets Initiative.

With the issuance of a first social bond in 2022, we support our social mission by funding the hospital sector and projects that generate social benefits. As regards our ESG ratings, we are clearly amongst the leading financial institutions in Europe. Our CDP 'A' list rating, as well as the Terra Carta Seal we recently received, 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 impact of the war in Ukraine, not just directly, but even more so indirectly due to the resulting increase in energy and commodity prices and supply-side shortages. This has led to a surge in inflation, resulting in upward pressure on interest rates, reduced liquidity and volatility on financial markets, lower growth prospects (or even a recession) and some concerns about the creditworthiness of counterparties in the economic sectors most exposed. These risks affect global, but especially, European economies, including KBC's home markets. Rising interest rates have also been the main source of some turmoil in the financial sector since March. Regulatory and compliance risks (including capital requirements, anti-money laundering regulations and GDPR) also remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate-related risks are becoming increasingly prevalent. Cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole. The war in Ukraine has again increased vigilance in this area. Finally, we have seen governments across Europe taking additional measures to support their budgets (via increased tax contributions from the financial sector) and their citizens and corporate sector (by, for instance, implementing interest rate caps or loan repayment moratoria).

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

Our view on economic growth

Following quarter-on-quarter growth of 0.6% (non-annualised) in the fourth quarter of 2022, the US economy expanded further in the first quarter of 2023 (+0.3% non-annualised), albeit at a slower pace. The slowdown was mainly the result of a turning inventory cycle, while private consumption growth remained solid. A mild contraction of the economy is likely in the third and the fourth quarters of 2023, implying a technical recession. This will be largely driven by some persistence in inflation and a further tightening of financial conditions as a result of the Fed's monetary policy.

Meanwhile, after stagnating in the fourth quarter of 2022, growth in the euro area was slightly positive at 0.1% quarter-on-quarter. Low GDP growth in the euro area early this year is expected to continue for the remainder of 2023, likely caused by the persistent effects of the energy crisis and the tightening of the ECB's monetary policy.

In the first quarter of 2023, economic growth in Belgium was 0.4%, well above growth in the euro area, probably on account of the strong increase in private consumption supported by the specific system of automatic wage indexation. For the remainder of 2023, we expect quarterly growth to be in line with the path for the euro area.

The Czech economy ended its technical recession in the first quarter of 2023. Negative growth of -0.4% quarter-on-quarter in the fourth quarter of 2022 was followed by positive growth of +0.1% in the first quarter of 2023.

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

Our view on interest rates and foreign exchange rates

To fight persistently high underlying inflationary pressure, the Fed continued to raise its policy rate in the first quarter twice in steps of 25 basis points to 4.75%-5% and to 5%-5.25% in early May. We expect the Fed to keep its policy rate at that level for the remainder of 2023. Moreover, the ongoing run-down of the Fed's balance sheet (Quantitative Tightening) is contributing to a tightening monetary policy stance. Meanwhile, the ECB also raised all of its policy rates in steps of 50 basis points, followed by a 25-basis-point hike in early May. After the latest rate hike, the ECB deposit rate stood at 3.25%. We expect the ECB to continue raising its policy rates. After the gradual rundown of the ECB's APP portfolio started in March 2023 with a limited pace, the ECB expects to fully stop the reinvestments under its APP as of July 2023.

On balance, both 10-year US and German government bond yields fell slightly during the first quarter, with the US-German spread narrowing by about 15 basis points. There was a pronounced upward trend between mid-January and the beginning of March, when bond markets priced in the possibility of a more restrictive (Fed) monetary policy than previously expected. From early March on, yields moved downward again at the start of temporary and localised stress in the banking sector, partly reflecting the possibility that financial stability considerations might limit the upward potential of monetary policy rates.

During the first quarter of 2023, the euro on balance appreciated further against the US dollar. However, the path within the quarter was quite volatile, driven by market expectations of short-term interest rate differentials and changes in global risk sentiment (with the US dollar benefiting from its safe haven status in times of stress and vice versa). For the remainder of 2023, we expect on balance the gradual appreciating trend of the euro to continue.

During the first quarter, the Czech koruna appreciated on balance against the euro. Improved global risk sentiment supported the koruna's exchange rate. However, intra-quarter volatility of the exchange rate was high, mainly related to global risk sentiment as well as the positive interest rate differential with the euro area. The Czech National Bank left its policy rate unchanged at 7%, which we expect to be the peak level in the current tightening cycle. The phasing out of targeted forex interventions in preparation for the first rate cut expected in the fourth quarter is likely to cause the koruna to weaken against the euro in the second half of 2023.

In order to bring inflation down towards its target level, the National Bank of Hungary kept its main policy base rate at 13% during the first quarter. Given the persistence of underlying inflation, the first cut in this rate is expected only in the second half of 2023. On balance, the exchange rate of the Hungarian forint against the euro appreciated sharply during the first quarter of 2023. However, as was the case for the Czech koruna, intra-quarter volatility of the exchange rate was high, again mainly related to global risk sentiment and interest rate differentials.

Our guidance

As a consequence of the implementation of IFRS 17 (relating to insurance contracts), the income statement of KBC Group has been restated. The financial guidance, as provided with the full-year 2022 results, has consequently also been duly adapted (see below) to take account of a number of IFRS 17-related changes to the presentation (please refer to the specific press release and presentation of 18 April 2023 on www.kbc.com for a more detailed overview, including restated full-year 2022 P&L figures with an in-depth reconciliation per quarter, as well as the impact on a number of key ratios).

Guidance for full-year 2023 (as provided with the FY 2022 results)

- Total income: approximately 11.15 billion euros, approximately 5.7 billion euros of which in net interest income.
- Operating expenses without bank and insurance taxes, plus insurance commissions: approximately 4.75 billion euros.
- Credit cost ratio: 20-25 basis points (below the through-the-cycle credit cost ratio of 25-30 basis points) excluding any movement in the ECL buffer.

Medium to long-term guidance (as provided with the FY 2022 results)

- 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.

Upcoming events	2Q2023 results: 10 August 2023 3Q2023 results: 9 November 2023 Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 1Q2023	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
Detailed information on Ukraine crisis	Quarterly report, Note 1.4 in ‘Consolidated financial statements according to IFRS’ Company presentation
Definitions of ratios	‘Details of ratios and terms at KBC Group level’ in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

1Q 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 notes 1 and 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
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	1Q 2023	4Q 2022	1Q 2022
Net interest income	3.1	1 324	1 417	1 201
Interest income	*3.1*	*4 305*	*3 473*	*2 350*
Interest expense	*3.1*	*-2 982*	*-2 056*	*-1 149*
Insurance revenues before reinsurance	3.7	631	621	578
Non-life	3.7	*543*	*526*	*492*
Life	3.7	*88*	*94*	*86*
Dividend income		8	10	7
Net result from financial instruments at fair value through profit or loss	3.3	90	90	89
Net fee and commission income	3.5	576	549	570
Fee and commission income	3.5	*731*	*714*	*709*
Fee and commission expense	3.5	*- 155*	*- 165*	*- 139*
Insurance finance income and expense (for insurance contracts issued)	3.7	- 66	- 63	4
Net other income	3.6	498	- 103	47
TOTAL INCOME		3 060	2 520	2 497
Operating expenses (excluding directly attributable from insurance)	3.8	-1 501	-1 036	-1 395
Total Opex without banking and insurance tax	3.8	*-1 077*	*-1 143*	*-1 002*
Total banking and insurance tax	3.8	*- 571*	*- 15*	*- 514*
Minus: Opex allocated to insurance service expenses	3.8	*147*	*121*	*121*
Insurance service expenses before reinsurance	3.7	- 490	- 467	- 516
Non-Life	3.7	*- 418*	*- 416*	*- 430*
Of which Non-life - Claim related expenses	3.7	*- 237*	*- 247*	*- 274*
Life	3.7	*- 72*	*- 51*	*- 86*
Net result from reinsurance contracts held	3.7	- 30	- 15	12
Impairment	3.10	26	- 132	- 20
on FA at amortised cost and at FVOCI	3.10	*24*	*- 82*	*15*
on goodwill	3.10	*0*	*- 5*	*0*
other	3.10	*1*	*- 46*	*- 36*
Share in results of associated companies and joint ventures		- 3	- 2	- 3
RESULT BEFORE TAX		1 062	867	575
Income tax expense		- 180	- 139	- 123
Net post-tax result from discontinued operations		0	0	0
RESULT AFTER TAX		882	727	452
attributable to minority interests		0	0	0
attributable to equity holders of the parent		**882**	**727**	**452**
Earnings per share (in EUR)				
Ordinary		2.08	1.71	1.06
Diluted		2.08	1.71	1.06

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)	1Q 2023	4Q 2022	1Q 2022
RESULT AFTER TAX	**882**	**727**	**452**
Attributable to minority interests	0	0	0
Attributable to equity holders of the parent	882	727	452
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**364**	**16**	**296**
Net change in revaluation reserve (FVOCI debt instruments)	108	- 175	- 710
Net change in hedging reserve (cashflow hedges)	68	50	51
Net change in translation differences	212	103	114
Hedge of net investments in foreign operations	- 32	8	- 33
Net insurance finance income and expense from (re)insurance contracts issued	6	32	879
Net insurance finance income and expense from reinsurance contracts held	3	- 2	- 6
Net change in respect of associated companies and joint ventures	0	0	0
Other movements	0	0	1
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**86**	**49**	**- 62**
Net change in revaluation reserve (FVOCI equity instruments)	101	39	- 107
Net change in defined benefit plans	- 15	10	44
Net change in own credit risk	0	0	0
Net change in respect of associated companies and joint ventures	0	0	0
TOTAL COMPREHENSIVE INCOME	**1 332**	**792**	**687**
Attributable to minority interests	0	0	0
Attributable to equity holders of the parent	1 332	792	687

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

- Net change in revaluation reserve (FVOCI debt instruments): the +108 million euros in 1Q 2023 is mainly explained by lower interest rates, while the -710 million euros is 1Q 2022 is mainly explained by much higher interest rates, both for the largest part related to government bonds of European countries.
- Net change in hedging reserve (cash flow hedge): the +68 million euros in 1Q 2023 and the +51 million euros in 1Q 2022 can for a large part be explained by the unwinding effect of the negative outstanding cash flow hedge reserve.
- The net change in translation differences: the +212 million euros in 1Q 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 (-32 million euros). The +114 million euros in 1Q 2022 was mainly caused by the appreciation of the CZK versus the EUR, partially offset by the hedge of net investments in foreign operations (-33 million euros). The hedging policy of FX participations aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in net insurance finance income and expense from (re)insurance contracts issued and held: limited movement in 1Q 2023 as the interest rate increase on the long end of the interest curve (>25 years) is largely offset by the interest rate decrease at less than 25 years. The net impact of +873 million euros in 1Q 2022 is mainly explained by much higher interest rates.
- Net change in revaluation reserve (FVOCI equity instruments): the +101 million euros in 1Q 2023 is mainly explained by positive fair value movements. The -107 million euros in 1Q 2022 is mainly explained by negative fair value movements.
- Net change in defined benefit plans: the -15 million euros in 1Q 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 +44 million euros in 1Q 2022 is explained by the combined 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	31-03-2023	31-12-2022
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		38 729	51 427
Financial assets	4.0	303 771	290 840
Amortised cost	*4.0*	*263 240*	*251 770*
Fair value through OCI	*4.0*	*16 979*	*16 617*
Fair value through profit or loss	*4.0*	*23 020*	*21 911*
of which held for trading	*4.0*	*9 341*	*8 471*
Hedging derivatives	*4.0*	*532*	*542*
Reinsurers' contract assets held		111	55
Profit/loss on positions in portfolios hedged for interest rate risk		-4 034	-4 335
Tax assets		1 096	1 175
Current tax assets		*164*	*174*
Deferred tax assets		*932*	*1 001*
Non-current assets held for sale and disposal groups	*5.11*	4	8 054
Investments in associated companies and joint ventures		35	32
Property, equipment and investment property		3 516	3 560
Goodwill and other intangible assets		2 406	2 331
Other assets		1 721	1 406
TOTAL ASSETS		347 355	354 545
LIABILITIES AND EQUITY			
Financial liabilities	4.0	305 398	312 759
Amortised cost	*4.0*	*282 337*	*289 885*
Fair value through profit or loss	*4.0*	*22 485*	*22 297*
of which held for trading	*4.0*	*9 031*	*9 096*
Hedging derivatives	*4.0*	*577*	*577*
Insurance contract liabilities	*5.6*	16 282	16 158
Non-life		*2 819*	*2 714*
Life		*13 463*	*13 444*
Profit/loss on positions in portfolios hedged for interest rate risk		-1 253	-1 443
Tax liabilities		474	462
Current tax liabilities		*125*	*150*
Deferred tax liabilities		*349*	*312*
Liabilities associated with disposal groups	*5.11*	0	2 020
Provisions for risks and charges		235	418
Other liabilities		3 078	2 353
TOTAL LIABILITIES		324 214	332 727
Total equity	5.10	23 141	21 819
Parent shareholders' equity	5.10	21 641	20 319
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		347 355	354 545

The decrease of the balance sheet total in 1Q 2023 can for the largest part be explained by closing of the sale of the Irish loan and deposit portfolios to Bank of Ireland Group, lower repos and demand deposits and partial repayment of the TLTRO III, leading to lower cash balances with central banks. This is partly compensated by higher time deposits, higher loans and advances to customers and higher reverse repos.

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
31-03-2023									
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	882	0	882	0	0	882
Other comprehensive income for the period	0	0	0	0	450	450	0	0	450
Subtotal	0	0	0	882	450	1 332	0	0	1 332
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 9	0	- 9	0	0	- 9
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	13	- 13	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	886	437	1 323	0	0	1 323
Balance at the end of the period	1 461	5 542	0	13 512	1 127	21 641	1 500	0	23 141
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
31-03-2022									
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	452	0	452	0	0	452
OCI for the period	0	0	0	1	234	235	0	0	235
Subtotal	0	0	0	454	234	687	0	0	687
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 9	0	- 9	0	0	- 9
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	29	- 29	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	474	204	678	0	0	678
Balance at the end of the period	1 460	5 528	0	13 763	831	21 582	1 500	0	23 082

1Q 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), will be 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)	31-03-2023	31-12-2022	31-03-2022
Total	1 127	690	831
Revaluation reserve (FVOCI debt instruments)	- 987	-1 095	360
Revaluation reserve (FVOCI equity instruments)	172	84	363
Hedging reserve (cashflow hedges)	- 869	- 937	-1 057
Translation differences	87	- 125	4
Hedge of net investments in foreign operations	43	75	46
Remeasurement of defined benefit plans	452	467	290
Own credit risk through OCI	0	0	0
Insurance finance income and expense through OCI after reinsurance	2 229	2 221	826

Consolidated cash flow statement

(in millions of EUR)	Note	1Q 2023	1Q 2022
OPERATING ACTIVITIES			
Result before tax	Cons. income stat.	1 062	575
Adjustments for non-cash items in profit & loss		-1 353	436
Changes in operating assets (excluding cash and cash equivalents)		- 390	-2 307
Changes in operating liabilities (excluding cash and cash equivalents)		-12 440	27 102
Income taxes paid		- 109	- 147
Net cash from or used in operating activities		-13 230	25 659
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	-1 531	- 759
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		0	0
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		6 480	0
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)	—	- 79	- 58
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)	—	- 50	33
Other		80	- 31
Net cash from or used in investing activities		4 900	- 814
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	1 307	- 235
Proceeds from or repayment of subordinated liabilities	4.1	496	- 775
Proceeds from the issuance of share capital	Cons. stat. of changes in equity	0	0
Dividends paid	Cons. stat. of changes in equity	0	0
Coupon additional Tier-1 instruments	Cons. stat. of changes in equity	- 9	- 9
Net cash from or used in financing activities		1 794	-1 019
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		-6 535	23 825
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		766	493
Cash and cash equivalents at the end of the period		61 712	87 872
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Cons. balance sheet	38 729	65 650
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1 213	4 978
Reverse repos with credit institutions and investment firms at not more than three months	4.1	28 918	25 064
Deposits from banks repayable on demand	4.1	-7 148	-7 820
Cash and cash equivalents belonging to disposal groups		0	0
Total		61 712	87 872
of which not available		*0*	*0*

The net cash from operating activities in 1Q 2023 (-13 230 million euros) mainly includes a decrease in demand deposits at the foreign branches of KBC Bank and lower repos, both to a large extent linked to short term cash management, and repayment of part of the amount borrowed under TLTRO III (-2.0 billion euros). The net cash from operating activities in 1Q 2022 (+25 659 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher demand deposits, repos and deposits from credit institutions and investment firms.

Net cash from (used in) investing activities in 1Q 2023 (+4 900 million euros) is mainly explained by the cash proceeds from the sale of the Irish loan and deposit portfolios to Bank of Ireland Group, partly offset by additional investments in debt securities at amortised cost. Net cash from (used in) investing activities in 1Q 2022 (-814 million euros) is mainly explained by additional investments in debt securities at amortised cost.

The net cash flow from financing activities in 1Q 2023 (+1 794 million euros) mainly includes newly issued Senior Holdco instruments (1 billion US dollars), new Tier-2 instrument (500 million euros) and net increase in covered bonds at KBC Bank (renewal (+1 billion euros) and a matured bond (-0,8 billion euros)).

The net cash flow from financing activities in 1Q 2022 (-1 019 million euros) mainly includes a 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 (950 million euros, whereof 2.2 billion euros newly issued).

Notes on statement of compliance and changes in 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 31 March 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

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)

General / Basic principle

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

Financial assets

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

Financial assets – recognition and derecognition

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

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

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

Classification of equity instruments and debt instruments

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

Classification and measurement – debt instruments

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

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

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

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

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

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

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

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

Business model assessment

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

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

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. In assessing whether contractual cashflows are solely payments of principal and interest, KBC considers the contractual terms of the instrument, which entails assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that the instrument would not meet this condition. In making the assessment, KBC considers:
- contingent events that could change the amount and timing of cashflows;
- leverage features;
- prepayment and extension terms;
- terms that limit KBC's claim to cashflows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g., periodic resets of interest rates).

Reclassifications

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

Classification and measurement – equity instruments

Financial equity instruments are classified in one of the following categories:
- mandatorily measured at fair value through profit or loss (MFVPL) – only includes equity instruments held for trading (HFT);
- equity instruments elected to be measured at fair value through other comprehensive income (FVOCI);

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

Classification and measurement – derivatives (trading and hedging)

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

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

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

Financial assets – impairment

Definition of default

KBC defines defaulted financial assets in the same way as the definition for internal risk management purposes and in line with the guidance and standards of financial industry regulators. A financial asset is considered in default if any of the following conditions is fulfilled:
- there is a significant deterioration in creditworthiness;
- the asset is flagged as non-accrual;

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

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

Expected credit loss model (ECL model) – general

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

The scope of the ECL model is based on how financial assets are classified. The model is applicable to the following financial assets:
- Financial assets measured at AC and at FVOCI;
- Loan commitments and financial guarantees;
- Finance lease receivables;
- Trade and other receivables.

No ECLs are calculated for investments in equity instruments.

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

To distinguish the various stages with regard to quantifying ECL, KBC uses the internationally accepted terminology for 'Stage 1', 'Stage 2' and 'Stage 3' financial assets.
Unless they are already credit impaired, all financial assets are classified in 'Stage 1' at the time of initial recognition and 12-month ECL is recognised. Once a significant increase in credit risk occurs after initial recognition, the asset is moved into 'Stage 2' and lifetime ECL is recognised. Once an asset meets the definition of default, it is moved into 'Stage 3'.

For trade receivables, IFRS 9 allows for a practical expedient. The ECL for trade receivables can be measured in an amount equal to their lifetime ECL. KBC applies this practical expedient to trade and other receivables.
Impairment gains and losses on financial assets are recognised under the 'Impairment' heading in the income statement.
Financial assets that are measured at AC are presented in the balance sheet at their net carrying value, which is the gross carrying value less impairment. Debt instruments measured at FVOCI are presented in the balance sheet at their carrying value, which is their fair value on the reporting date. The adjustment for the ECL is recognised as a reclassification adjustment between the income statement and OCI.

Significant increase in credit risk since initial recognition

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

Multi-tier approach (MTA) – bond portfolio

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

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

Loan portfolio

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

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

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

Measurement of ECL

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

ECL is calculated to reflect:

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

Lifetime ECL represents the sum of ECL over the lifetime of the financial asset discounted at the original effective interest rate. The 12-month ECL represents the portion of lifetime ECL resulting from a default in the 12-month period after the reporting date.

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

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

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

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

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

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

Purchased or originated credit impaired (POCI) assets

KBC defines POCI assets as financial assets in scope of the IFRS 9 impairment standard that are already defaulted at origination (i.e. they then meet the definition of default). POCI assets are initially recognised at an amount net of impairment and are measured

at amortised cost using a credit-adjusted effective interest rate. In subsequent periods, any changes to the lifetime ECL are recognised in the income statement. Favourable changes are recognised as an impairment gain, even if the lifetime ECL on the reporting date is lower than the lifetime ECL at origination.

Significant judgements and uncertainties

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

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

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

Financial liabilities

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

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

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

Financial liabilities – recognition and derecognition

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

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

Financial liabilities – classification and measurement

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

- Financial liabilities held for trading (HFT). Held-for-trading liabilities are those incurred principally for generating a profit from short-term fluctuations in price or dealer's margin. A liability also qualifies as a trading liability if it belongs to a portfolio of financial instruments held for trading separately by the trading desk and for which there is a recent pattern of short-term profit-taking. Held-for-trading liabilities can include derivatives, short positions in debt and equity instruments, time deposits and debt certificates. Derivative liabilities are split by KBC into trading and hedging derivatives as in the case of derivative assets. Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting period, derivative liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.
- Financial liabilities designated by the entity as liabilities at fair value through profit or loss upon initial recognition (FVO). Under IFRS 9, a financial liability or group of financial liabilities can be measured upon initial recognition at fair value, whereby fair value changes are recognised in the income statement except for fair value changes related to changes in own credit risk, which are presented separately in OCI. The fair value designation is used by KBC for the following reasons:
  - managed on an FV basis: KBC designates a financial liability or a group of financial liabilities at fair value where it is managed and its performance is evaluated on a fair value basis. It is used to account for (unbundled) deposit components (i.e. financial liabilities that do not include a discretionary participation feature);
  - accounting mismatch: the fair value option can be used when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases;
  - hybrid instruments: a financial instrument is regarded as hybrid when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely-

related embedded derivative from the host contract, in which case the entire hybrid instrument can be designated at fair value. This means that both the embedded derivative and the host contract are measured at fair value. KBC uses this option when structured products contain non-closely-related embedded derivatives, in which case both the host contract and the embedded derivative is measured at fair value.

- Financial liabilities measured at amortised cost (AC). KBC classifies most of its financial liabilities under this category, including those used to fund trading activities where no trading intent is present in them (e.g., issued bonds). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently, they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued but not yet paid are recorded under accruals and deferrals.

Financial liabilities – own credit risk

For financial liabilities designated at fair value, IFRS 9 requires the financial liability to be measured at fair value upon initial recognition. Any changes in fair value are subsequently recognised in the income statement, except for those relative to changes in own credit risk, which are presented separately in OCI.
Accordingly, movements in the fair value of the liability are presented in different places: changes in own credit risk are presented in OCI and all other fair value changes are presented in the income statement under 'Net result from financial instruments at fair value through profit or loss'. Amounts recognised in OCI relating to own credit risk are not recycled to the income statement even if the liability is derecognised and the amounts realised. Although recycling is prohibited, KBC does transfer the amounts in OCI to retained earnings within equity upon derecognition. The only situation in which presentation of own credit risk in OCI is not applied is where this would create an accounting mismatch in the income statement. This could arise if there is a close economic relationship between the financial liability designated at fair value (for which the own credit risk is recognised in OCI), while all changes in fair value of the corresponding financial asset are measured and recognised at fair value through profit or loss. This is the case with unit-linked investment contracts, where changes in fair value of the liability position are fully offset by the asset position.

Financial liabilities – financial guarantee contract

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

Reverse repos and repos

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

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

Offsetting

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

Fair value

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

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

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

Hedge accounting

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

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

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

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

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

Hedge of net investments in foreign operations: when a derivative instrument or a non-derivative financial instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation having a different functional currency than the direct holding company of the foreign operation, the effective portion of changes in the fair value of the hedging instrument is

recognised in the hedging reserve (investment in foreign operation) in OCI. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the income statement. The amount recognised in OCI is reclassified to the income statement as a reclassification adjustment on disposal of the foreign operation (which includes a dividend distribution or capital decrease).

Insurance contracts

General

KBC applies all the requirements of IFRS 17 as from 1 January 2023.

Scope
In order to qualify as an insurance contract, the associated insurance risk must be significant even if the insured event is extremely unlikely to occur, for example catastrophic events such as an earthquake.

Whether insurance risk is significant, is assessed at initial recognition of each individual contract on a present value basis.

In general, the following type of contracts within KBC are in scope of IFRS 17: Non-Life insurance contracts, Re-insurance contracts (Accepted & Ceded), Life insurance contracts being the non-unit linked contracts, the unit linked contracts and the hybrid products of Central European entities and Investment contracts with discretionary participating features if issued by a KBC insurance entity.
In general, the following type of contracts are out of scope of IFRS 17: Investment contracts without discretionary participating features (IFRS 9), the unit-linked contracts of KBC Insurance Belgium (IFRS 9) as these insurance contracts do not contain significant insurance risk, credit cards including certain covers issued by a KBC bank entity (IFRS 15), and Road assistance contracts (IFRS 15).

Non-insurance, distinct components are separated from the insurance components in the contract and thus accounted for in accordance with the appropriate IFRS.

Level of Aggregation
IFRS 17 calculations are done on an aggregated level, not contract by contract. This takes into account 4 dimensions namely:
- IFRS 17 portfolio (= aggregation of contracts with similar risks and managed together)
- Annual cohort (= year of policy conclusion)
- Profitability of Group of Contracts (= Onerous, Profitable, Doubtful) assessed at inception
- Set of contracts (= aggregation of contracts with a homogeneous profitability expectation)

Aggregation by IFRS 17 Portfolio
IFRS 17 portfolios are country specific, driven by the local product mix (similar risks) and the way how locally insurance business is managed (managed together). As a minimum the portfolios are split in:
- Life
  - Unit-Linked
  - Non-Unit Linked
  - Hybrid Products
- Non-Life
  - Personal insurance
  - Liabilities- MTPL
  - Liabilities – Other than MTPL
  - Property (incl. other) other than casco
  - Casco
- Accepted reinsurance
- Ceded reinsurance

Aggregation by annual cohorts
KBC applies annual cohorts (time bucket of contracts issued in the same year), aligned with the start and end of the financial year of KBC. On 23 November 2021, the EU published a Regulation endorsing IFRS 17 (Insurance Contracts), including the amendments to the original IFRS 17 and a solution for the annual cohort requirement for certain types of insurance contracts, for use in the European Union. KBC will not apply the European optional exemption from the annual cohort requirement.

Aggregation by Group of Contracts: Onerous, Profitable or Doubtful

BBA and VFA – Expected profitability at initial recognition

For contracts measured according to the Building Block Approach (BBA,see further) and the Variable Fee Approach (VFA, see further), the allocation to the onerous, profitable or doubtful Group of Contracts (GoC) is determined based on the presence of a Contractual Service Margin (CSM = unearned profit in the group of contracts at inception) under different risk adjustment levels (= compensation for uncertainty in amount and timing of future cash flows):

- If CSM < 0 when risk adjustment is calculated at 75% confidence level, the Onerous group of contracts
- If CSM > 0 when risk adjustment is calculated at 75% confidence level AND
  - if CSM < 0 when the risk adjustment is calculated at 90% confidence level, the Doubtful group of contracts
  - if CSM > 0 when the risk adjustment is calculated at 90% confidence level, the Profitable group of contracts

PAA – Expected profitability at initial recognition

For Premium Allocation Approach (PAA), facts and circumstances indicating that the group of contracts can be onerous is assessed by the IFRS 17 expected economic combined ratio being > 100%. This ratio differs from the externally published combined ratio. The IFRS 17 expected economic combined ratio is calculated for a Set of Contracts on an annual basis. Consequently, the new business of a year is assigned to one specific group of contracts under IFRS 17. Exceptionally when there are facts and circumstances indicating that the IFRS 17 expected economic ratio is developing adversely based on qualitative information, a recalculation is done during the financial year.

Aggregation by Set of Contracts

A Set of Contracts is an aggregation of contracts with a homogeneous profitability expectation. A Set of Contracts (SoC) is defined such that the conclusion on the expected profitability of the SoC being the grouping (i.e. profitable, doubtful or onerous) equals the conclusion as if the expected profitability assessment had been done on the level of the individual contract.

Recognition – Derecognition

KBC recognizes a group of insurance contracts (and accepted reinsurance contracts) it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts,
- the date when the first payment from a policyholder in the group is due, and
- for a group of onerous contracts, when the group becomes onerous.

If there is no contractual due date, the first payment from the policyholder is deemed to be due when it is received.

As time progresses through the cohort, new business can be added to a group of contracts if they meet the initial recognition criteria.

KBC recognizes a group of ceded reinsurance contracts held from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held
- the date the entity recognizes an onerous group of underlying insurance, if the entity entered into the related ceded reinsurance contract in the group of reinsurance contracts held at or before that date.

KBC delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

An insurance liability is derecognized from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Measurement

IFRS 17 applies uniform measurement principles for insurance liabilities that take into account the insurance contract characteristics.

- The general model, Building Block Approach (BBA) is applied for most Life products.
- The optional Premium Allocation Approach (PAA) is a simplified measurement model that can be used when meeting the PAA eligibility criteria and is applied for most Non-Life products and Reinsurance contracts.
- The Variable Fee Approach (VFA) is an adjusted Building Block approach for Life insurance contracts where cash flows to be paid to the policyholder significantly depend on the return of the invested assets. This is a mandatory measurement model when fulfilling the VFA eligibility criteria and is applied for unit-linked products and some hybrid products in Central European entities.

For each IFRS 17 portfolio only one measurement model can be applied.

The insurance liabilities represent all rights and obligations arising from insurance contracts issued and consist of two components, namely a Liability for Remaining Coverage (LRC) and a Liability for Incurred Claims (LIC).

Measurement of Life insurance liabilities

The life insurance liabilities are mostly valued either according to the BBA or VFA model: Valuation according to the BBA is applied for the liability of non-unit linked life insurance and for some hybrid products.
Valuation according to the VFA is applied in Central European entities for the liability of unit-linked contracts and some hybrid products where the cash flows to be paid to the policyholder depend significantly on the return of the invested assets.

Valuation according to the Building Block Approach (BBA)

The insurance liability consists of 4 blocks being:

- Actuarially estimated value of expected future cash flows
- Discounting to convert the estimation into a present value
- Risk adjustment as compensation for the uncertainty in amount and timing of the expected future cash flows
- Contractual Service Margin (CSM) being the unearned profit that is released from the balance sheet in P&L over the contract duration based on provided services, so no gains at day one.

Estimation of expected future cash flows

As a basis, Solvency II cashflows are used to ensure consistencies with IFRS 17.

IFRS 17 estimation of future cash flows deviates from Solvency II with regards to:

- Under Solvency II all expenses are included in the Best Estimate. Under IFRS 17 expenses are split into directly attributable costs and non-directly attributable costs. Directly attributable costs are expenses directly related to insurance contracts. Only these directly attributable costs are included in the estimation of expected future cash flows.
- Under Solvency II contracts where the insurer is at risk, tacit renewals and contracts where the coverage period starts in the future are within the Solvency II contract boundary. Under IFRS 17 cash flows are within the contract boundary if they arise from rights and obligations that exist during the reporting period
  - In which the entity can compel the policyholder to pay the premiums or
  - In which the entity has a substantive obligation to provide services.

Contracts where the insurer is providing coverage for i.e. where the insurer is at risk are within the IFRS 17 contract boundaries. Tacit renewals for Non-Life insurances and contracts with a coverage period starting in the future are outside the IFRS 17 contract boundaries.

Level of aggregation of projected cash flows: The Solvency II aggregation levels are Lines of Business (LoB's) and risk buckets. The IFRS 17 unit of account is based on portfolios, cohorts and expected profitability.

Discounting – time value of money

A discount rate is created per currency, in line with the currency of the cash flows. The starting point for the creation of the curves are observable market prices of a set of assets with multiple durations.

The inflation assumptions are consistent between the nominal cash flows and the discount rates. Inflation is taken into account in the projection of the cash flows. Notwithstanding the reference is made to "cash flows", the standard allows to apply the same discount curve for all cash flows in the same contract. This simplification is applied at KBC.

For the cash flows that vary with underlying items, the discount rate is determined via a top-down approach.

Cash flows that vary with underlying items are typically cash flows such as interest guarantees on future premiums that are not fixed at inception of the contract, future profit sharing, future lapses, etc. A top-down approach is achieved by using a risk-free rate adjusted with a spread based on a reference portfolio of assets. Such portfolio is based on the current asset mix an entity holds. In addition, the discount curve must only reflect the characteristics of the insurance liabilities. The risk-taken curve is adjusted to exclude the part not related to the insurance liabilities.

Per currency, a last liquid point (LLP) is set at the level of KBC, consistent for all entities. The last liquid points per currency are defined by taking the last available tenor for the risk-free rate in the relevant currency.

For long-term Life insurance contracts the cash flows are modelled over a duration of 110 years. The Ultimate Forward Rate (UFR) is the rate of the 110 year tenor to which the discount curve must converge. This UFR is defined as the sum of an expected real rate and an expected inflation rate.

For the cash flows that do not vary with underlying items, KBC chooses to apply the bottom-up approach. The bottom-up approach is determined by adding an illiquidity premium on top of a risk-free rate, so that the discount curve reflects the illiquidity characteristics of the insurance contract liabilities. This approach is used for Non-Life Liabilities for Incurred Claims. The illiquidity premium is the premium demanded by the policyholder because the insurance contracts liabilities cannot be easily converted into cash for its fair market value.

Risk adjustment of Life insurance obligations

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk. It is a buffer on top of the Best Estimate future cash flows which represents a 50% probability of being able to fulfil future obligations and thus 50% probability of not being able to meet future obligations for outstanding contracts.

Life insurance obligations are characterized by (long term) cash flows based on biometrical parameters.

The risk adjustment is defined as the difference between the Value at Risk (VaR) and the best estimate of future cash flows as part of the fulfilment cash flows. The VaR is calculated at 75% confidence level.

Non-financial risks included in the VaR modeling are mortality risk, longevity risk, morbidity /disability risk, lapse risk, expense risk and revision risk. The correlations between the different risk-types are aligned with the correlation-matrix of Solvency II.

Contractual Service Margin

The contractual service margin (CSM) represents the unearned profit the insurer will recognize into P&L as services are provided under the insurance contracts. The CSM is recognized on the balance sheet as part of the insurance liability at initial recognition in order to avoid a day one gain. The CSM on the balance sheet is released gradually over time, on the basis of services provided in the period, and should be zero at the end of the coverage period for a group of contracts.

The CSM release pattern is based on coverage units in the GoC. The number of coverage units is the quantity of service provided by the insurer under the contracts in that GoC, determined by considering for each contract the quantity of the benefits provided to the policyholder under a contract and its expected coverage period. The CSM amount recognized in P&L is the amount of coverage units allocated to the current period for the insurance coverage provided in the current period.

The number of coverage units is reassessed at the end of each reporting period to reflect the most up to date assumptions of the contract.

KBC has opted to reflect the time value of money on coverage units. By discounting the coverage units, a more stable allocation of the CSM to P&L is achieved.

For contracts providing multiple services i.e. insurance coverage, investment return services, investment management services, KBC works with so called "multivariate coverage units", whereby the following considerations are present:

- Determine coverage units based on the individual benefit components separately
- Assign weights to each component to reflect an appropriate level of service provided.

Such weightings reflect appropriately the release of CSM based on quantity of benefits provided for each service. Analogue to coverage units, these weights are also reassessed at each reporting period end.
Coverage units cannot be negative. They have a positive sign and are floored to 0. In case of 0 coverage units in a given period, no CSM is allocated to P&L as no services have been provided in the period. This is possible in some cases where for instance there are 'waiting periods' foreseen in contracts. In such cases, the contract has been signed by the policyholder but there is a mandatory waiting period for the client to be able to benefit from insurance coverage.

Valuation according to the Variable Fee Approach (VFA)

Under the VFA, the CSM reflects mainly the fee that KBC expects to earn on the market value of the Assets under Management (AUM) also called underlying items.

The CSM is determined as the net of the fair value of the underlying items and the total entity's obligation to the policyholder. The change in the variable fee that impacts the CSM is determined as the net of:

- The change in the fair value of the underlying items and
- The change in the total entity obligation to the policyholder.

KBC applies the simplification of a combined amount and not the different CSM unlocking adjustments separately.

Under VFA, the difference in measurement from BBA lies in the subsequent measurement of direct participating contracts. All changes in fulfilment cash flows are absorbed by the CSM unless CSM becomes negative whereby a loss is recognized in P&L.

In Belgium, the insurance company has discretion of the amount of profit sharing allocated to policyholders. The policyholder does not have an 'enforceable right' to participate in the returns of the insurance company and thus the VFA eligibility criteria are not fulfilled and BBA is applied.

Measurement of Non-Life insurance liabilities

Valuation according to the PAA is applied for the liability of most Non-Life products. The PAA Liability for Remaining Coverage (LRC) reflects the premiums receipts and the acquisition cash flows corrected for amounts recognised in the Income Statement on a pro rata temporis basis. On occurrence of an insured claim, a Liability for Incurred Claims (LIC) is recognised, similar to the BBA LIC (see further).

In case of onerous contracts an additional liability to cover expected future losses is added to the LRC on the balance sheet and a loss is recognised immediately in P&L.

Valuation according to the Premium Allocation Approach

The PAA LRC reflects only premiums received and acquisition cashflows. As such, to present appropriately the insurance liability on a cash basis, a correction is performed by netting of insurance payables and receivables against the LRC value.

Under PAA, KBC will not make use of the option to expense acquisition costs when incurred.

At the end of each reporting period, acquisition cashflows are amortized (i.e. recorded as insurance service expense) and a part of the premium receipts are earned (i.e. recorded as insurance revenue). Both components of the LRC are allocated to P&L on the basis of passage of time or the expected timing of incurred claims and benefits, if that pattern better reflects the release from risk.

Measurement of the Liability for Incurred Claims (LIC) for claims outstanding

The Liability for Incurred Claims is measured separately. A discounted best estimate of future cash outflows adjusted with a risk adjustment as safety margin is provisioned on the balance sheet. No CSM is included in the LIC as there is no future coverage in scope of the liabilities for incurred claims i.e. contains fulfilment cashflows related to past service.
A provision for the internal cost of settling claims is included calculated as a percentage that is based on past experience.

The risk adjustment for Non-Life insurance obligations is only calculated for claims incurred. Consequently only the reserve risk is taken into account. Comparable with Life obligations, a Value at Risk method (VaR) is used but is here calculated at 90% confidence level.

Subsequent measurement

BBA/VFA – Liability for Remaining Coverage

At the end of each reporting period, subsequent to initial recognition, KBC updates its estimates and assumptions to reflect the most up to date situation. As a result of these updates, the carrying amount of fulfilment cashflows will change from one period to another.

Subsequent measurement under BBA/VFA for the LRC is driven by:

- Experience adjustments (either absorbed by the CSM (i.e. related to future service) or recorded in insurance result (i.e. related to current or past service)) and portfolio rollforward
- Non-economic parameter updates to the fulfillment cashflows
- Economic parameter updates to the fulfillment cashflows
- CSM release

PAA-Liability for Remaining Coverage

Under PAA, the LRC is unwound on a pro rata temporis basis, the so-called 'earned premiums', i.e. premium reserve and the deferred acquisition commission reserve. The expected premium receipts are allocated to each period of insurance contract services on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

BBA/VFA/PAA – Liability for Incurred Claims

Any changes to the Liability for Incurred Claims are recorded in the Income Statement. Depending on the driver of such changes, it is either recorded in:

- Insurance Service Expense
  - Main drivers: Updates of fulfilment cashflows i.e. higher or lower total expected claim payments, changes in statistical percentage of internal claim handling expenses, etc.
- Insurance Finance Income and Expense
  - Main driver: change in discount rate, interest from deposits at ceding company.

Other matters

KBC has opted for a year-to-date approach i.e. recalculation of previously reported quarters, with the impact of the recalculation included in the current period.

KBC chooses to disaggregate Insurance Finance Income or Expenses between P&L and Other Comprehensive Income (OCI). This means recognizing in P&L the interest expense on the insurance liability over the reporting period, whereby this interest expense is calculated using the locked-in rate (= rate curve applicable at the inception of the IFRS 17 contract) and recognizing in OCI the impact of changes in market interest rate over the reporting period.

The liability position of insurance contracts and the asset position of reinsurance contracts is presented on the balance sheet on a received basis. Ceded reinsurance contracts (= reinsurance contracts held) are required to be accounted for and presented separately from the underlying contracts to which they relate.

Upon the acquisition of another insurance company or portfolio transfer, the consideration received/paid partly consists of the Value of Business In-force (VBI). Insurance contracts acquired in a business combination are measured in the same way as insurance contracts issued by the entity except that the fulfilment cash flows are recognized at the acquisition date.

Leasing

All leases are required to be classified as either finance leases or operating leases. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.
This classification is crucial for positions as a lessor, but less important for positions as a lessee, since both classifications result in similar recognition and measurement of the lease on the balance sheet and in the income statement.

Equity

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

KBC classifies all issued financial instruments as equity or as a financial liability based on the substance of the contractual arrangements. The critical feature that distinguishes a financial liability from a share is whether KBC has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.
Minority interests represent the equity in a subsidiary that is not attributable to the holders of KBC shares. When the proportion of the equity held by the minority interests changes, KBC adjusts the carrying value of the controlling and minority interests to reflect changes in their relative interests in the consolidated companies. KBC recognises in equity any difference between the amount

by which the minority interests are adjusted and the fair value of the consideration paid or received, and allocates it to its controlling stake.

Employee benefits

Short-term employee benefits

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

Post-employment benefits

KBC offers its employees’ pension schemes in the form of defined contribution or defined benefit plans. Under the defined contribution plans, KBC’s statutory or constructive obligation is limited to the amount that it agrees to contribute to the fund. The amount of the post-employment benefit to be received by the employee is determined by the amount of the contributions paid by KBC and the employee him or herself into the post-employment benefit plan, as well as by the investment returns arising from those contributions. The actuarial risk is borne by the employee.
Conversely, under the defined benefit plans, KBC’s obligation is to provide the agreed benefits to current and former employees and, in substance, the actuarial risk and investment risk fall on KBC. This means that if, from an actuarial or investment viewpoint, things turn out worse than expected, KBC’s obligation may be increased.
In Belgium, defined contribution plans have a legally guaranteed minimum return and the actual return can be lower than the legally required return. In addition, these plans have defined benefit plan features and KBC treats them as defined benefit plans.
Liabilities under the defined benefit plans and the Belgian defined contribution plans (or pension liabilities) are included under ‘Other liabilities’ and relate to the obligations for retirement and survivor’s pensions, early retirement benefits and similar pensions and annuities.
The pension obligations for employees under the defined benefit plans are calculated using the projected-unit-credit method, with each period of service granting additional entitlement to pension benefits.
Actuarial valuations are performed every reporting period. The defined benefit liabilities are discounted using rates equivalent to the yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have a maturity similar to the related pension liabilities.
Changes in the net defined benefit liability/asset, apart from cash movements, are grouped into three main categories and recognised in operating expenses (service costs), interest expenses (net interest costs) and other comprehensive income (remeasurements).

Net fee and commission income

Most net fee and commission income falls under the scope of IFRS 15 (Revenue from Contracts with Customers), as it relates to the services that KBC provides to its clients and is outside the scope of other IFRS standards. For the recognition of revenue, KBC identifies the contract and defines the promises (performance obligations) in the transaction. Revenue is recognised only when KBC has satisfied the performance obligation.
The revenue presented under ‘Securities and asset management’ falls under the scope of IFRS 15 and, in principle, entails KBC keeping assets in a trust for the beneficiary (‘fund’) and being responsible for investing the amounts received from clients to their benefit. These transactions are straightforward, because KBC provides a series of distinct services which clients use at the same time when receiving the benefits. In return, KBC receives a monthly or quarterly management fee, which is calculated as a fixed percentage of the net asset value, or a subscription fee retained from the beneficiary. The fees do not include a variable component.
Revenue reported as ‘Margin on life insurance investment contracts without DPF’ represents the amount realised on investment contracts without a discretionary participation feature, i.e. a fixed percentage or fixed amount is withheld from the client’s payments, enabling the insurance company to cover its expenses.
Payment services, where KBC charges clients for certain current-account transactions, domestic or foreign payments, payment services provided through ATMs, etc., are usually settled when the actual transaction is carried out, enabling the relevant fee to be recognised directly at that time.

Levies

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

Income tax

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

accounted for in other comprehensive income and that relate to gains or losses that are subsequently recognised in the income statement are recycled to the income statement in the same period in which that item is accounted for in the income statement.

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

Current tax assets/liabilities

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

Deferred tax assets/liabilities

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base. They are measured using the tax rates that are substantively enacted at the reporting date and expected to be in effect on realisation of the assets or settlement of the liabilities to which they relate and that reflect the tax consequences following from the manner in which the entity expects to recover or settle the carrying value of the underlying asset or liability at the balance sheet date.
Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, as well as for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. KBC calculates deferred tax assets for carry forward unused tax losses. When estimating the period over which tax losses can be set off against future taxable profits, KBC uses projections for a period of eight to ten years.
Deferred tax assets/liabilities that relate to business combinations are recorded directly in goodwill.
Deferred tax assets/liabilities are not discounted.

Property and equipment

Property and equipment are recognised initially at cost (including directly allocable acquisition costs). KBC subsequently measures property and equipment at the initial cost less accumulated depreciation and impairment. The rates of depreciation are determined on the basis of the estimated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use. Property and equipment are derecognised upon disposal or when the relevant asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses upon derecognition are recognised in the income statement in the period in which derecognition occurs.
Property and equipment are subject to impairment testing when there is an indication that the asset might have been impaired.
Depreciation charges, impairment losses and gains or losses on disposal are recognised under 'Operating expenses' in the income statement, with the exception of assets that are leased under operating leases (KBC as a lessor), for which the costs are recognised in 'Other net income'. Where a disposal falls within the definition of a discontinued operation, the net results are reported in a single line in the income statement (see 'Discontinued operations' below).

Investment property

Investment property is defined as a property built, purchased or acquired by KBC under a finance lease and is held to earn rentals or for the purpose of capital appreciation rather than being used by KBC for the provision of services or for administrative purposes.
Investment property is initially recognised at cost (including directly attributable costs). KBC subsequently measures it at the initial cost less accumulated depreciation and impairment.
The depreciation charge is recognised under 'Other net income' in the income statement.

Intangible assets

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

Separately acquired intangible assets (mainly software developed externally) are initially recognised at cost. Internally developed intangible assets (mainly software developed in-house) are recognised only if they arise from development and KBC can demonstrate:
- the technical feasibility of completing them;
- an intention to complete for use or sale;
- an ability to use or sell them;
- how the intangible assets will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets;
- reliable measurement of the expenditure attributable to the intangible assets during their development.

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

Directly attributable costs capitalised as part of the software developed in-house include software development employee costs and directly attributable overheads.
Research expenses, other development expenditure, costs associated with maintaining software and investment projects (large-scale projects introducing or replacing an important business objective or model) that do not meet the recognition criteria are recognised as an expense in the period they are incurred.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use as intended by management. Software is amortised as follows:
- System software (initial purchased software forming an integral part with hardware) is amortised at the same rate as hardware.
- Standard software and customised software developed by a third party or developed in-house are amortised over five years according to the straight-line method from the time the software is available for use.
- Core systems (typically including deposit account processing, loan and credit processing, interfaces to the general ledger and reporting tools) are amortised over eight years according to the straight-line method.

Impairment of non-financial assets

When KBC prepares financial statements, it ensures that the carrying value of the non-financial asset does not exceed the amount that could be obtained from either using or selling it ('recoverable amount'). Property and equipment, investment property and software are subject to the impairment review only when there is objective evidence of impairment. Goodwill and intangible assets with an indefinite useful life are subject to impairment reviews at least annually and also reviewed for impairment indicators every quarter.
Indications that an impairment loss is required may stem from either an internal source (e.g., the condition of the asset) or an external source (e.g., new technology or a significant decline in the asset's market value).
When an impairment indicator is present, KBC reviews the asset's recoverable amount and the asset is impaired if its recoverable amount is lower than its carrying value at the reporting date. The recoverable amount is defined as the higher of the value in use and the fair value less cost to sell.
Value in use is defined as the discounted future cashflows expected to be derived from an asset or a cash-generating unit.
Impairment is borne at individual asset level, but when the individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the so-called 'cash-generating unit' (CGU) to which the asset or group of assets belongs. In forming the CGUs, KBC applies its own judgement to define the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This process mainly applies to goodwill that has been recognised in relation to acquisitions.
Impairment losses are recognised in the income statement for the period in which they occur. An impairment loss can be reversed if the condition that triggered it is no longer present, except for goodwill, which can never be reversed. Impairment gains are recognised in the income statement for the period in which they occur.

Provisions, contingent liabilities and contingent assets

Provisions are recognised on the reporting date if and only if the following criteria are met:
- there is a present obligation (legal or constructive) due to a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at balance sheet date. When the effect of time is material, the amount recognised as a provision is the net present value of the best estimate.
Due to its inherent nature, a provision requires management judgement regarding the amount and timing of probable future economic outflows.

Consolidated financial statements / interim financial statements

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

Subsidiaries that are not included in the consolidated financial statements because of immateriality are classified as equity instruments at fair value through other comprehensive income, with all fair value changes being reported in other comprehensive income, except for dividend income, which is recognised in the income statement. Material companies over which joint control is directly or indirectly exercised and material investments in associates (companies over which KBC has significant influence), are all accounted for using the equity method.
Consolidation threshold: subsidiaries are effectively included in the consolidated financial statements using the full consolidation method if at least two of the following materiality criteria are exceeded:
- Group share in equity is 2 500 000 euros;
- Group share in the result is 1 000 000 euros (absolute value);
- Group share in the balance sheet total is 100 000 000 euros.

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

Business combinations and goodwill

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

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. In order to complete the acquisition accounting and determine the goodwill item, KBC applies a measurement period of 12 months. The classification of the financial assets acquired and financial liabilities assumed in the business combination is based on the facts and circumstances existing at the acquisition date (except for lease and insurance contracts, which are classified on the basis of the contractual terms and other factors at the inception of the relevant contract).
Goodwill is presented under 'Goodwill and other intangible assets' and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or when there is objective evidence (external or internal) that it should be impaired. If the acquisition accounting is not complete because the 12-month measurement period has not elapsed, the goodwill is not considered as final and is only tested if there is objective evidence that the provisional goodwill is impaired.
For the purpose of testing goodwill for impairment, it is allocated to each of KBC's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units. An impairment loss is recognised if the carrying value of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed.

Effects of changes in foreign exchange rates

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

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

Related-party transactions

A related party to KBC is either a party over which KBC has control or significant influence or a party that has control or significant influence over KBC. KBC defines its related parties as:
- KBC subsidiaries, KBC associates and joint ventures, KBC Ancora, Cera and MRBB;
- KBC key management staff (i.e. the Board of Directors and the Executive Committee of KBC Group NV).

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

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

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

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

Discontinued operations

A discontinued operation refers to a part of KBC that has been disposed of or is classified as held for sale and:
- represents a separate major line of business or geographical area of operations; or

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

Results from discontinued operations are recognised separately in the income statement and in other comprehensive income and contain:
- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognised on the measurement to fair value less the costs of the sale or disposal of the assets or group of assets.

Events after the reporting period

Events after the reporting date are defined as favourable or unfavourable events that occur between the reporting date and the date on which the financial statements are authorised for issue. There are two types of event after the reporting date:
- those which provide evidence of conditions that existed on the reporting date (adjusting events);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events).

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

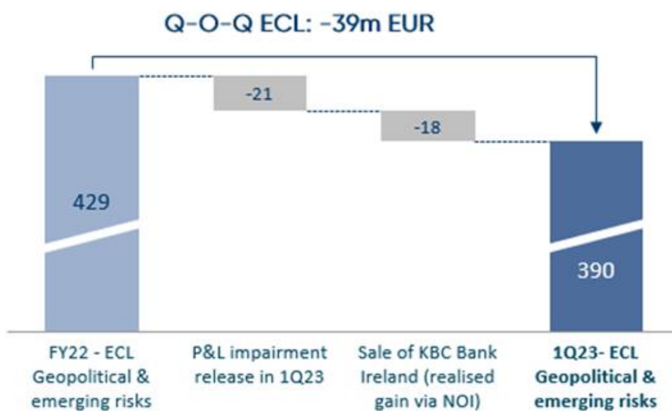
Main exchange rates used:

	Exchange rate at 31-03-2023		Average exchange rate in 1Q 2023	
		Changes relative to 31-12-2022		Changes relative to the average 1Q 2022
	1 EUR = … … currency	Positive: appreciation relative to EUR Negative: depreciation relative to EUR	1 EUR = … … currency	Positive: appreciation relative to EUR Negative: depreciation relative to EUR
CZK	23.492	3%	23.698	4%
HUF	379.50	6%	386.26	-5%

Geopolitical and emerging risks (Note 1.4)

General

We have updated the impact assessment for the risks that could adversely affect our loan portfolio. At the end of 1Q 2023, the ECL for geopolitical and emerging risks amounted to 390 million euros (down from 429 million euros at the end of 2022). The figures for 1Q 2023 include an impairment release of 21 million euros related to the updated impact assessment for geopolitical and emerging risks, and an ECL reversal of 18 million euros generated by the closing of the sales transaction with Bank of Ireland Group recorded in Net other income (see note 3.6). The impact assessment methodology and the macroeconomic assumptions considered are described below in more detail.



Q-o-q change in the outstanding ECL for geopolitical & emerging risks per country

(negative sign is a release)

(in millions of EUR)	1Q 2023	Impairment result 1Q23	Net other income 1Q23
KBC Group	390	-21	-18
Belgium	131	-14	0
Czech Republic	129	-6	0
Hungary	51	1	0
Slovakia	41	-1	0
Bulgaria	38	-1	0
Ireland	0	0	-18

Geopolitical & emerging risk impact assessment

In light of recent developments, we assessed the impact of the main macroeconomic and geopolitical risks on our loan portfolio. In 1Q 2023, this resulted in a release of 39 million euros. The ECL for geopolitical and emerging risks amounts to 390 million euros, comprising:

<table>
<tr><td>Direct exposure to Russia, Ukraine & Belarus</td><td>The ECL for transfer risk exposure to Russia, Ukraine and Belarus amounted to 25 million euros in 1Q 2023 (mainly concentrated in commercial exposures to Russian banks), down from 29 million euros at year-end 2022 due to recoveries from these counterparties.</td></tr>
<tr><td>Indirect impact of the military conflict on the loan portfolio</td><td>The conflict is expected to impact Corporate and SME clients through different channels:
Exposure to Corporate and SME clients with material activities in Russia, Ukraine and Belarus or a material dependency on these markets for imports or exports (either directly or indirectly through a client/supplier);
Exposure to Corporate and SME clients with operations that are especially vulnerable to a disruption of oil and/or gas supplies.
The analysis indicates that 2.1 billion euros worth of ‘Stage 1’ exposures have suffered a significant increase in credit risk not captured by the regular staging assessment* (down from 2.8 billion euros at year-end 2022). The ECL for the indirect impact amounted to 33 million euros in 1Q 2023 (down from 39 million euros at year-end 2022). The decrease was due mainly to a refinement of the list of clients expected to be indirectly impacted by the military conflict.</td></tr>
<tr><td>Emerging risks</td><td>KBC identified the following subsegments at risk in its portfolio:
Corporate and SME clients active in economic sectors that have been hit by supply chain issues and increasing commodity and energy prices, and that already have a higher credit risk (e.g., Automotive, Chemicals and Metals);
Retail clients with limited reserve repayment capacity for absorbing the higher cost of living and/or higher repayments due to increasing interest rates.
The analysis indicates that 10.1 billion euros worth of ‘Stage 1’ exposures have suffered a significant increase in credit risk not captured by the regular staging assessment* (down from 11.3 billion euros in at year-end 2022). The ECL for emerging risks amounted to 280 million euros in 1Q 2023 (down from 304 million euros at year-end 2022). The decrease was driven primarily by the sale of the KBC Bank Ireland portfolio (13 million euros, through Net other income) as well as business-as-usual evolutions in the portfolios at risk (PD updates, repayments, et cetera).</td></tr>
</table>

Macroeconomic scenarios	The model-driven ECL for geopolitical and emerging risks amounted to 52 million euros in 1Q 2023 (down from 57 million euros per year-end 2022). The decrease was driven primarily by the sale of the KBC Bank Ireland portfolio (5 million euros, through Net other income). The probabilities applied to the base-case, optimistic and pessimistic macroeconomic scenarios were 65%, 5% and 30%.

(*) For more information on the impact on staging, see Note 4.2.1

Other factors

In light of the economic circumstances, governments in our home countries introduced fiscal measures aimed at the banking and insurance sector:

- In Belgium, in order to increase the solidarity contribution from the banking sector, the deductibility of bank taxes is partially abolished from 2023 on (see note 3.12 further in this report).
- In the Czech Republic, the government introduced a temporary windfall tax. The effective tax rate for excess profits will be 79% (19% standard corporate tax + 60% windfall tax) and apply to large banks in the period 2023 to 2025.
- In Hungary, additional bank and insurance taxes (temporary windfall tax) were applied in the period 2022 to 2023. The total impact is 79 million euros booked in 1Q 2023 and 78 million euros in 2Q 2022.

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 sale transaction of Ireland Group of substantially all of KBC Bank Ireland's loan assets and its deposit book, 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
1Q 2023									
Net interest income	769	309	284	*130*	*65*	*90*	- 39	*24*	1 324
Insurance revenues before reinsurance	385	132	111	*46*	*23*	*43*	2	*0*	631
Non-life	333	109	98	*41*	*18*	*39*	2	*0*	543
Life	52	23	13	*5*	*4*	*4*	0	*0*	88
Dividend income	7	0	0	*0*	*0*	*0*	0	*0*	8
Net result from financial instruments at fair value through profit or loss	11	38	23	*18*	*1*	*4*	18	*- 1*	90
Net fee and commission income	382	80	116	*58*	*20*	*37*	- 2	*0*	576
Insurance finance income and expense (for insurance contracts issued)	- 40	- 16	- 10	*- 6*	*- 1*	*- 3*	0	*0*	- 66
Net other income	87	2	5	*1*	*2*	*2*	404	*404*	498
TOTAL INCOME	1 603	544	530	*247*	*110*	*172*	384	*428*	3 060
Operating expenses (excluding directly attributable OPEX (insurance))	- 849	- 253	- 305	*- 168*	*- 58*	*- 79*	- 95	*- 52*	-1 501
Total Opex without banking and insurance tax	*- 584*	*- 220*	*- 183*	*- 60*	*- 60*	*- 62*	*- 90*	*- 47*	*-1 077*
Total Banking and insurance tax	*- 347*	*- 60*	*- 158*	*- 130*	*- 4*	*- 24*	*- 5*	*- 5*	*- 571*
Minus: Opex allocated to insurance service expenses	*82*	*28*	*36*	*23*	*7*	*7*	*1*	*0*	*147*
Insurance service expenses before reinsurance	- 304	- 90	- 96	*- 49*	*- 19*	*- 27*	- 1	*0*	- 490
Non-Life	*- 250*	*- 79*	*- 89*	*- 46*	*- 16*	*- 27*	*- 1*	*0*	*- 418*
Of which Non-life - Claim related expenses	*- 156*	*- 43*	*- 37*	*- 14*	*- 10*	*- 14*	*0*	*0*	*- 237*
Life	*- 54*	*- 11*	*- 7*	*- 3*	*- 3*	*- 1*	*0*	*0*	*- 72*
Net result from reinsurance contracts held	- 21	- 9	- 5	*- 1*	*- 1*	*- 3*	5	*0*	- 30
Impairment	11	6	3	*11*	*- 1*	*- 6*	5	*4*	26
of which on FA at AC and at fair value through OCI	*9*	*7*	*4*	*11*	*- 1*	*- 6*	*5*	*4*	*24*
Share in results of associated companies and joint ventures	- 2	0	0	0	0	0	0	0	- 3
RESULT BEFORE TAX	438	198	128	*40*	*31*	*57*	299	*379*	1 062
Income tax expense	- 139	- 14	- 20	*- 8*	*- 6*	*- 6*	- 7	*- 28*	- 180
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	299	184	108	*32*	*24*	*51*	291	*351*	882
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	**299**	**184**	**108**	***32***	***24***	***51***	**291**	***351***	**882**

(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
1Q 2022									
Net interest income	636	326	187	*93*	*58*	*36*	53	*66*	1 201
Insurance revenues before reinsurance	359	112	103	*43*	*21*	*40*	3	*0*	578
Non-life	306	91	91	*38*	*16*	*37*	3	*0*	492
Life	53	21	12	*5*	*4*	*3*	0	*0*	86
Dividend income	7	0	0	*0*	*0*	*0*	0	*0*	7
Net result from financial instruments at fair value through profit or loss	29	58	10	*10*	*8*	*- 8*	- 8	*- 3*	89
Net fee and commission income	404	73	92	*53*	*20*	*19*	1	*2*	570
Insurance finance income and expense (for insurance contracts issued)	- 19	2	22	*11*	*3*	*8*	0	*0*	4
Net other income	41	6	5	*3*	*1*	*1*	- 5	*- 3*	47
TOTAL INCOME	1 457	577	419	*212*	*111*	*96*	45	*63*	2 497
Operating expenses (excluding directly attributable OPEX (insurance))	- 826	- 242	- 231	*- 128*	*- 61*	*- 42*	- 97	*- 71*	-1 395
Total Opex without banking and insurance tax	*- 544*	*- 209*	*- 156*	*- 59*	*- 61*	*- 37*	*- 93*	*- 67*	*-1 002*
Total Banking and insurance tax	*- 354*	*- 60*	*- 96*	*- 78*	*- 6*	*- 12*	*- 4*	*- 4*	*- 514*
Minus: Opex allocated to insurance service expenses	*72*	*27*	*21*	*8*	*6*	*7*	*1*	*0*	*121*
Insurance service expenses before reinsurance	- 342	- 94	- 79	*- 35*	*- 17*	*- 27*	- 1	*0*	- 516
Non-Life	*- 281*	*- 78*	*- 70*	*- 32*	*- 13*	*- 25*	*- 1*	*0*	*- 430*
Of which Non-life - Claim related expenses	*- 193*	*- 46*	*- 35*	*- 13*	*- 7*	*- 14*	*0*	*0*	*- 274*
Life	*- 60*	*- 16*	*- 9*	*- 3*	*- 4*	*- 2*	*0*	*0*	*- 86*
Net result from reinsurance contracts held	26	- 3	- 4	*- 1*	*- 1*	*- 2*	- 7	*0*	12
Impairment	- 7	4	- 8	*- 3*	*- 1*	*- 4*	- 10	*- 10*	- 20
of which on FA at AC and at fair value through OCI	*- 1*	*10*	*- 8*	*- 4*	*- 1*	*- 3*	*14*	*14*	*15*
Share in results of associated companies and joint ventures	- 2	- 1	0	0	0	0	0	0	- 3
RESULT BEFORE TAX	307	241	97	*45*	*30*	*21*	- 70	*- 18*	575
Income tax expense	- 76	- 42	- 20	*- 10*	*- 7*	*- 2*	15	*3*	- 123
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	231	199	77	*36*	*22*	*19*	- 55	*- 15*	452
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	**231**	**199**	**77**	***36***	***22***	***19***	**- 55**	***- 15***	**452**

Other notes

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

(in millions of EUR)	1Q 2023	4Q 2022	1Q 2022
Total	1 324	1 417	1 201
Interest income	4 305	3 473	2 350
Interest income on financial instruments calculated using the effective interest rate method			
Financial assets at AC	2 785	2 450	1 605
Financial assets at FVOCI	77	94	90
Hedging derivatives	861	658	300
Financial liabilities (negative interest)	4	45	100
Other	56	59	18
Interest income on other financial instruments			
Financial assets MFVPL other than held for trading	12	10	8
Financial assets held for trading	510	157	229
Of which economic hedges	*474*	*121*	*207*
Other financial assets at FVPL	0	0	0
Interest expense	-2 982	-2 056	-1 149
Interest expense on financial instruments calculated using the effective interest rate method			
Financial liabilities at AC	-1 397	-1 054	- 282
Financial assets (negative interest)	0	- 1	- 59
Hedging derivatives	- 912	- 694	- 333
Other	- 1	- 1	- 1
Interest expense on other financial instruments			
Financial liabilities held for trading	- 658	- 293	- 470
Of which economic hedges	*- 648*	*- 285*	*- 456*
Other financial liabilities at FVPL	- 15	- 13	- 4
Net interest expense relating to defined benefit plans	1	0	0

The decrease of net interest income in 1Q 2023 compared to 4Q 2022 is mainly attributable to :

- The abolishment of TLTRO income (-41 million euros compared to 4Q 2022, included in interest income on financial liabilities (negative interest) in the table above)
- Lower income on inflation linked bonds (-44 million euros compared to 4Q 2022, both AC and FVOCI)
- Lower net income following the sale of the loans and deposit portfolio at AC in Ireland (-33 million euros compared to 4Q 2022)

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

(in millions of EUR)	1Q 2023	4Q 2022	1Q 2022
Total	90	90	89
Breakdown by driver			
Dealing room income	94	90	106
MTM ALM derivatives and other	- 24	- 16	- 13
Market value adjustments (xVA)	4	0	26
Result on investment backing UL contracts - under IFRS17	16	15	- 30

The result from financial instruments at fair value through profit or loss in 1Q 2023 is at the same level as in 4Q 2022.

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

- Higher dealing room income in Czech Republic and Belgium, partly offset in Hungary
- Slightly positive impact from market value adjustments (xVA) in 1Q 2023 compared to zero impact in 4Q 2022
- Slightly higher result on investments backing unit-linked contracts under IFRS 17

Offset by

- Lower MTM ALM derivatives and other income in 1Q 2023, mainly in Czech Republic.

The result from financial instruments at fair value through profit or loss in 1Q 2023 is also at the same level as in 1Q 2022. The year-to-date evolution is explained as follows:

- Much better result on investments backing unit-linked contracts under IFRS 17 in 1Q 2023 compared to 1Q 2022 thanks to improved financial markets

Offset by

- Only slightly positive impact from market value adjustments (xVA) in 1Q 2023 compared to a higher positive impact in 1Q 2022
- Lower but still good dealing room income, mainly in Czech Republic and Hungary
- Lower MTM ALM derivatives and other income in 1Q 2023, mainly in Belgium and Czech Republic.

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

(in millions of EUR)	1Q 2023	4Q 2022	1Q 2022
Total	576	549	570
Fee and commission income	731	714	709
Fee and commission expense	- 155	- 165	- 139
Breakdown by type			
Asset Management Services	304	291	321
Fee and commission income	*319*	*305*	*341*
Fee and commission expense	*- 15*	*- 14*	*- 20*
Banking Services	262	249	240
Fee and commission income	*397*	*398*	*354*
Fee and commission expense	*- 134*	*- 150*	*- 113*
Other	*10*	*9*	*9*
Fee and commission income	*16*	*11*	*15*
Fee and commission expense	*- 6*	*- 1*	*- 6*

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 IFRS17) 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 IFRS17) and platformication revenues.

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

(in millions of EUR)	1Q 2023	4Q 2022	1Q 2022
Total	498	- 103	47
of which gains or losses on			
Sale of financial assets measured at amortised cost	- 4	- 2	- 1
Sale of debt instruments at FVOCI	1	- 1	- 2
Repurchase of financial liabilities measured at amortised cost	0	0	- 1
of which other, including:	502	- 100	51
Income from operational leasing activities	25	16	26
Income from VAB Group	10	11	15
Legacy legal cases excl. ICEC-Holding	0	- 7	7
Legal file ICEC-Holding	- 2	- 149	0
Gain on sale in Ireland	405	0	0
Recuperation Belgian Banking taxes (including moratorium interests)	48	0	0

In 1Q 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, including ECL release of 18 million euros for geopolitical and emerging risks) (for more information, see note 6.6).
- Recuperation of Belgian banking taxes (2016) and linked moratorium interests (+48 million euros).

In 4Q 2022:

- Arbitration proceedings against ICEC-Holding in Czech Republic (-149 million euros in 4Q 2022).
- Legacy legal cases in Slovakia (-7 million euros in 4Q 2022).

In 1Q 2022:

- Legacy legal case in Czech Republic (+7 million euro 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
1Q 2023					
Insurance service result	**16**	***4***	***128***	**—**	**144**
Insurance revenues before reinsurance	*88*	*6*	*547*	—	*635*
Insurance service expenses	*- 72*	*- 2*	*- 418*	—	*- 490*
Of which Non-life - Claim related expenses	—	—	*- 237*	—	*- 237*
Investment result (total P&L) on assets	**98**	***16***	***16***	***3***	***118***
Net interest income	*75*	*0*	*15*	*2*	*92*
Dividend income	*4*	*0*	*1*	*0*	*5*
Net result from financial instruments at fair value through P&L	*17*	*16*	*0*	*0*	*17*
Net other income	*3*	*0*	*0*	*1*	*4*
Impairment	*0*	*0*	*0*	*0*	*0*
Total insurance finance income and expenses for the period - P&L, before reinsurance	**- 61**	***- 16***	***- 5***	**—**	**- 66**
Interest accretion	*- 45*	—	*- 5*	—	*- 50*
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	*- 16*	*- 16*	—	—	*- 16*
Net insurance and investment result before reinsurance	**53**	***4***	***140***	**3**	**196**
Net result from reinsurance contracts held	**- 1**	**—**	**- 29**	**—**	**- 30**
Premiums paid to the reinsurer	*- 9*	—	*- 23*	—	*- 32*
Commissions received	*0*	—	*2*	—	*2*
Amounts recoverable from reinsurer	*8*	—	*- 8*	—	*1*
Total (ceded) reinsurance finance income or expenses for the period - P&L	*0*	—	*- 1*	—	*- 1*
Net insurance and investment result after reinsurance	**52**	***4***	**110**	**3**	**166**
Non-directly attributable income and expenses	**1**	***0***	**- 10**	**6**	**- 3**
Net fee and commission income	*15*	*0*	*0*	*9*	*24*
Net other income	—	—	—	*16*	*16*
Operating expenses (incl. banking and insurance tax)	*- 14*	*0*	*- 10*	*- 19*	*- 43*
Share in results of assoc. comp & joint-ventures	—	—	—	*0*	*0*
Income tax	**—**	**—**	**—**	**- 37**	**- 37**
Result after tax	**54**	**4**	**100**	**- 29**	***125***
attributable to minority interest	—	—	—	*0*	*0*
attributable to equity holders of the parent	**—**	**—**	**—**	***- 29***	***125***

(in millions of EUR)	Life	of which life direct participating (VFA)	Non-Life	Non-Technical	Total
1Q 2022					
Insurance service result	**0**	***1***	**64**	**—**	**65**
Insurance revenues before reinsurance	*86*	*6*	494	—	580
Insurance service expenses	*- 86*	*- 5*	*- 429*	—	*- 515*
Of which Non-life - Claim related expenses	—	—	*- 273*	—	*- 273*
Investment result (total P&L) on assets	**47**	***- 30***	**25**	**5**	**78**
Net interest income	*75*	*0*	21	1	98
Dividend income	*4*	*0*	1	0	5
Net result from financial instruments at fair value through P&L	*- 28*	*- 30*	4	- 1	- 25
Net other income	*- 4*	*0*	0	0	- 3
Impairment	*0*	*0*	0	3	3
Total insurance finance income and expenses for the period - P&L, before reinsurance	**4**	***30***	**1**	**—**	**4**
Interest accretion	*- 22*	—	0	—	- 22
Effect of changes in financial assumptions and foreign exchange differences	*- 4*	*0*	0	—	- 3
Changes in fair value of underlying assets of contracts measured under VFA	*30*	*30*	—	—	30
Net insurance and investment result before reinsurance	**52**	***1***	**90**	**5**	**147**
Net result from reinsurance contracts held	**- 1**	**—**	**12**	**—**	**12**
Premiums paid to the reinsurer	*- 9*	—	- 18	—	- 27
Commissions received	*6*	—	2	—	7
Amounts recoverable from reinsurer	*3*	—	30	—	32
Total (ceded) reinsurance finance income or expenses for the period - P&L	*0*	—	- 1	—	- 1
Net insurance and investment result after reinsurance	**51**	***1***	**103**	**5**	**159**
Non-directly attributable income and expenses	**- 1**	***0***	**- 10**	**4**	**- 7**
Net fee and commission income	*16*	*0*	0	7	23
Net other income	—	—	—	15	15
Operating expenses (incl. banking and insurance tax)	*- 18*	*0*	- 10	- 18	- 45
Share in results of assoc. comp & joint-ventures	—	—	—	0	0
Income tax	**—**	**—**	**—**	**- 39**	**- 39**
Result after tax	**50**	**1**	**92**	**- 31**	**112**
attributable to minority interest	—	—	—	0	0
attributable to equity holders of the parent	**—**	**—**	**—**	**- 31**	**112**

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.

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

The insurance service expenses include the insurance commissions paid to external parties as shown in the following table (which are also taken into account in the numerator of the cost-income ratio at KBC Group level, for more information see Glossary).

(in millions of EUR)	1Q 2023	4Q 2022	1Q 2022
Insurance commissions paid	- 77	- 79	- 69

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)	1Q 2023	4Q 2022	1Q 2022
Total Operating expenses by nature	**-1 648**	**-1 158**	**-1 516**
Staff Expenses	- 663	- 662	- 639
General administrative expenses	- 884	- 394	- 779
ICT Expenses	- 141	- 162	- 124
Facility Expenses	- 64	- 63	- 50
Marketing & communication expenses	- 18	- 42	- 17
Professional fees	- 29	- 52	- 26
Banking and insurance tax	- 571	- 15	- 514
Other	- 61	- 60	- 48
Depreciation and amortisation of fixed assets	- 100	- 102	- 99

The operating expenses for 1Q 2023 include 571 million euros related to bank and insurance levies (15 million euros in 4Q 2022; 514 million euros in 1Q 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 79 million euros, included in the result of 1Q 2023, compared to 78 million euros 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)	1Q 2023	4Q 2022	1Q 2022
Total	**26**	**- 132**	**- 20**
Impairment on financial assets at AC and at FVOCI	24	- 82	15
By IFRS category			
Impairment on financial assets at AC	*24*	*- 82*	*15*
Impairment on financial assets at FVOCI	*0*	*0*	*0*
By product			
Loans and advances	*5*	*- 81*	*37*
Debt securities	*0*	*- 1*	*0*
Off-balance-sheet commitments and financial guarantees	*19*	*1*	*- 22*
By type			
Stage 1 (12-month ECL)	*2*	*23*	*4*
Stage 2 (lifetime ECL)	*3*	*- 56*	*44*
Stage 3 (non-performing; lifetime ECL)	*20*	*- 54*	*- 35*
Purchased or originated credit impaired assets	*- 1*	*6*	*2*
By division/country			
Belgium	*9*	*- 38*	*- 1*
Czech Republic	*7*	*- 23*	*10*
International Markets	*4*	*- 27*	*- 8*
Slovakia	*- 1*	*- 8*	*- 1*
Hungary	*11*	*- 5*	*- 4*
Bulgaria	*- 6*	*- 14*	*- 3*
Group Centre	*5*	*6*	*14*
Of which Ireland	*4*	*5*	*14*
Impairment on goodwill	0	- 5	0
Impairment on other	1	- 46	- 36
Intangible fixed assets (other than goodwill)	0	- 12	- 21
Property, plant and equipment (including investment property)	2	- 9	- 9
Associated companies and joint ventures	0	0	0
Other	0	- 25	- 5

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

- A net impairment release of 21 million euros for the geopolitical and emerging risks, compared to 42 million euros charge in 4Q 2022 and 18 million euros net impairment charge for the Covid, geopolitical and emerging risks in 1Q 2022. For more information, see note 1.4 of this report.
- Additionally, in 1Q 2023, net releases of 3 million euros, compared to a 40 million euros charge in 4Q 2022, related to a number of corporate files mainly in Belgium, Czech Republic and Bulgaria largely in stage 3 and a +33 million euros net releases in 1Q 2022 mainly related to a number of corporate and retail files mainly in Belgium and Czech Republic.

The impairment on property and equipment and intangible assets in 1Q 2022 totaled 30 million euros (of which 24 million euros in Ireland). For more information see note 6.6 further in this report.

The impairment on other (Other) in 1Q 2023 includes no significant items, compared to 25 million euros in 4Q 2022 related to modification losses (extension of the interest cap regulation in Hungary).

Income tax expense (note 3.12 in the annual accounts 2021)

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

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, 31-03-2023							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	3 231	0	0	1	0	0	3 232
of which repayable on demand and term loans at not more than three months							*1 213*
Loans and advances to customers (excl. reverse repos)	178 827	0	693	0	0	0	179 520
Trade receivables	*2 525*	*0*	*0*	*0*	*0*	*0*	*2 525*
Consumer credit	*6 419*	*0*	*487*	*0*	*0*	*0*	*6 906*
Mortgage loans	*74 604*	*0*	*206*	*0*	*0*	*0*	*74 811*
Term loans	*82 483*	*0*	*0*	*0*	*0*	*0*	*82 483*
Finance lease	*6 569*	*0*	*0*	*0*	*0*	*0*	*6 569*
Current account advances	*5 401*	*0*	*0*	*0*	*0*	*0*	*5 401*
Other	*826*	*0*	*0*	*0*	*0*	*0*	*826*
Reverse repos	29 574	0	0	1 051	0	0	30 625
with credit institutions and investment firms	*28 943*	*0*	*0*	*1 051*	*0*	*0*	*29 994*
with customers	*631*	*0*	*0*	*0*	*0*	*0*	*631*
Equity instruments	0	1 611	12	488	0	0	2 111
Investment contracts (insurance)	0	0	12 958	0	0	0	12 958
Debt securities issued by	50 332	15 368	16	2 465	0	0	68 180
Public bodies	*42 207*	*11 417*	*0*	*2 391*	*0*	*0*	*56 015*
Credit institutions and investment firms	*5 568*	*1 763*	*0*	*33*	*0*	*0*	*7 365*
Corporates	*2 557*	*2 188*	*16*	*40*	*0*	*0*	*4 800*
Derivatives	0	0	0	5 337	0	532	5 869
Other	1 276	0	0	0	0	0	1 276
Total	263 240	16 979	13 680	9 341	0	532	303 771
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, 31-03-2023					
Deposits from credit institutions and investment firms (excl. repos)	25 310	0	0	0	25 310
of which repayable on demand					*7 148*
Deposits from customers and debt securities (excl. repos)	247 475	87	1 319	0	248 882
Demand deposits	*113 891*	*0*	*0*	*0*	*113 891*
Time deposits	*27 258*	*87*	*131*	*0*	*27 476*
Savings accounts	*77 975*	*0*	*0*	*0*	*77 975*
Subtotal deposits of clients, excl. repos	*219 123*	*87*	*131*	*0*	*219 342*
Certificates of deposit	*8 572*	*0*	*1*	*0*	*8 573*
Savings certificates	*97*	*0*	*0*	*0*	*97*
Non-convertible bonds	*17 013*	*0*	*1 075*	*0*	*18 088*
Non-convertible subordinated liabilities	*2 669*	*0*	*113*	*0*	*2 782*
Repos	6 668	210	0	0	6 878
with credit institutions and investment firms	*3 700*	*210*	*0*	*0*	*3 910*
with customers	*2 968*	*0*	*0*	*0*	*2 968*
Liabilities under investment contracts	30	0	12 134	0	12 164
Derivatives	0	7 154	0	577	7 730
Short positions	0	1 579	0	0	1 579
In equity instruments	*0*	*8*	*0*	*0*	*8*
In debt securities	*0*	*1 572*	*0*	*0*	*1 572*
Other	2 854	1	0	0	2 855
Total	282 337	9 031	13 453	577	305 398
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 1Q 2023 an amount of 2 billion euros was repaid early (and 9.1 billion euros in 4Q 2022), leaving 13.4 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
31-03-2023			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	214 217	- 2 585	211 632
Stage 1 (12-month ECL)	175 477	- 111	175 366
Stage 2 (lifetime ECL)	34 684	- 644	34 040
Stage 3 (lifetime ECL)	3 561	- 1 753	1 807
Purchased or originated credit impaired assets (POCI)	495	- 76	419
Debt Securities	50 351	- 19	50 332
Stage 1 (12-month ECL)	50 200	- 6	50 194
Stage 2 (lifetime ECL)	143	- 6	137
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	15 372	- 4	15 368
Stage 1 (12-month ECL)	15 325	- 3	15 321
Stage 2 (lifetime ECL)	47	- 1	46
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)

During 2022 (and partially modified in 1Q 2023), a collective shift of an exposure of 12.3 billion euros to stage 2 has been applied for the stage 1 portfolios that are either:

- indirectly exposed to Russia, Ukraine and Belarus (i.e. related to military conflict) (2.1 billion euros), or
- vulnerable to the emerging risks (10.1 billion euros).

For more information, see note 1.4 in this report.

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)				31-03-2023				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)	12 835	135	710	13 680	12 651	146	643	13 440
Held for trading	2 194	6 485	662	9 341	1 912	5 825	733	8 471
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	13 674	2 624	680	16 979	13 350	2 645	622	16 617
Hedging derivatives	0	532	0	532	0	542	0	542
Total	28 703	9 776	2 051	40 531	27 913	9 159	1 998	39 070
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 583	6 356	1 092	9 031	885	7 086	1 125	9 096
Designated at fair value	12 134	132	1 188	13 453	11 996	74	1 131	13 201
Hedging derivatives	0	464	113	577	0	479	98	577
Total	13 717	6 951	2 393	23 061	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 1Q 2023, KBC transferred about 182 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 114 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 1Q 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 68 million euros, mostly due to new transactions, only partially offset by changes in market parameters and instruments that reached maturity.
- Financial assets held for trading: the fair value of derivatives decreased by 69 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 58 million euros, primarily due to changes in market parameters.
- Financial liabilities held for trading: the fair value of derivatives decreased by 33 million euros, mostly due to sales of existing positions, changes in market parameters, and transfers out of level 3, only partly offset by new acquisitions and transfers into level 3.
- Financial liabilities designated at fair value: the fair value of debt securities issued increased by 56 million euros, primarily due acquisitions and changes in market parameters, only partially offset by deals that reached maturity and sales of existing positions.

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 2 039 million euros at 31 March 2023, or a slight decrease of 23 million euros. This decrease is mainly explained by the negative change in best estimates reflected in the CSM due to changes in contract composition (amongst others change in premiums and change in death covers) on the portfolio death coverages and fiscal saving contracts, while the 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: KBC filed a motion to dismiss the amended complaint on 18 November 2022 for lack of specific personal jurisdiction of the US court. The court will render a decision probably in May 2023 or at the latest in July 2023. If the motion to dismiss is unsuccessful and the case proceeds to litigation on the merits, KBC still believes, although the burden of proof has been increased, it has good and credible defenses, both procedurally as on the merits 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	31-03-2023	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	*2*	*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 NYSE Euronext (Brussels).

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

The pending sale of loans and deposits at KBC Bank Ireland resulted in a shift in 2021 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 has 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 1Q 2023, see table below). Combined with the reduction of risk-weighted assets by c.4 billion euros, this improves 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
1Q 2023	
Total income	406
of which net other income	*405*
Operating expenses	- 10
Impairment	2
on financial assets at AC and at FVOCI	*2*
other	*0*
Income tax expense	- 28
RESULT AFTER TAX	370
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 (31 March 2023) and the publication of this report (16 May 2023):

- 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 181 million euros (based on the exchange rate of 31 March 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 will have to be translated in the government proposal, which will be 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.

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 this 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 31 MARCH 2023 AND FOR THE THREE-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 31 March 2023 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the three-months' period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the three-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 347.355 million and a consolidated profit (attributable to equity holders of the parent) for the three-months' period then ended of EUR 882 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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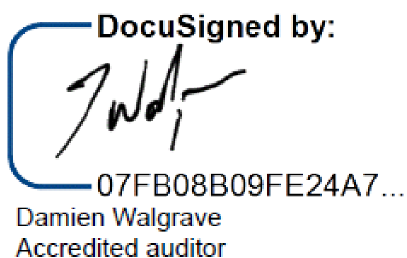
Conclusion

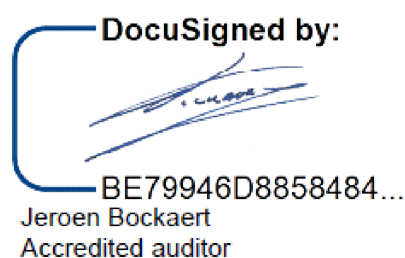
Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Diegem, 15 May 2023

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by



Damien Walgrave
Accredited auditor



Jeroen Bockaert
Accredited auditor

KBC Group

Additional Information

1Q 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 the 31-03-2023 figures of this credit risk section.

Credit risk: loan portfolio overview	31-03-2023	31-12-2022	Pro forma excl. Ireland 31-12-2022
Total loan portfolio (in billions of EUR) [1]			
Amount outstanding and undrawn	256	259	251
Amount outstanding	201	206	198
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)			
Belgium	64.8%	62.7%	65.3%
Czech Republic	19.6%	18.6%	19.4%
International Markets	14.8%	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	40.7%	43.2%	40.9%
Finance and insurance	7.0%	5.9%	6.1%
Governments	2.9%	3.1%	3.2%
Corporates	49.4%	47.9%	49.9%
Services	10.2%	9.9%	10.2%
Distribution	8.3%	8.2%	8.5%
Real estate	6.5%	6.3%	6.6%
Building & construction	4.4%	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	1.7%	1.7%	1.8%
Metals	1.6%	1.6%	1.6%
Chemicals	1.5%	1.4%	1.5%
Oil, gas & other fuels	1.0%	0.9%	0.9%
Machinery & Heavy equipment	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	54.1%	52.7%	54.8%
Czech Republic	18.6%	18.2%	18.9%
Slovakia	6.1%	5.8%	6.1%
Hungary	4.2%	3.6%	3.8%
Bulgaria	4.6%	4.5%	4.7%
Rest of Western Europe	8.3%	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	1.4%	1.4%	1.4%
Asia	1.1%	1.2%	1.3%
Other	1.3%	1.2%	1.3%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)			
Retail	40.7%	43.2%	40.9%
of which: mortgages	37.1%	39.6%	37.2%
of which: consumer finance	3.7%	3.5%	3.6%
SME	21.4%	20.9%	21.8%
Corporate	37.8%	35.9%	37.4%

	31-03-2023	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)	79.0%	78.0%	77.4%
of which: PD 1 - 4	64.6%	61.4%	63.6%
of which: PD 5 - 9 including unrated	14.4%	16.6%	13.8%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [4]	19.0%	19.9%	20.5%
of which: PD 1 - 4	5.7%	6.1%	6.4%
of which: PD 5 - 9 including unrated	13.3%	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	0.9%	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)	4 026	4 350	4 119
of which: more than 90 days past due	2 114	2 289	2 157
Impaired loans ratio (%)			
Belgium	1.9%	1.9%	1.9%
Czech Republic	1.6%	1.7%	1.7%
International Markets	1.7%	1.9%	1.9%
Group Centre [2]	29.5%	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	126	134	128
Loan loss Impairment for Stage 2 portfolio	671	694	674
Loan loss Impairment for Stage 3 portfolio	1 867	2 048	1 921
of which: more than 90 days past due	1 436	1 547	1 466
Cover ratio of impaired loans (%)			
Loan loss impairments for stage 3 portfolio / impaired loans	46.4%	47.1%	46.6%
of which: more than 90 days past due	67.9%	67.6%	68.0%
Cover ratio of impaired loans, mortgage loans excluded (%)			
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	49.7%	49.7%	49.6%
of which: more than 90 days past due	70.4%	70.6%	70.5%
Credit cost ratio (%)			
Belgium	-0.03%	0.03%	0.03%
Czech Republic	-0.07%	0.13%	0.13%
International Markets	-0.05%	0.31%	0.31%
Slovakia	0.04%	0.17%	0.17%
Hungary	-0.55%	0.42%	0.42%
Bulgaria	0.25%	0.43%	0.43%
Group Centre	-0.17%	-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 25 million euros or 0.01% of the outstanding loan portfolio in 3M 2023.

In addition, the direct loan exposure to Credit Suisse and some troubled US financials is immaterial.

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 31-03-2023, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**130 586**			**39 530**			**29 900**			**1 393**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	45 431	35%		23 307	59%		13 326	45%		0	0%	
o/w mortgages	43 794	34%		20 777	53%		10 083	34%		0	0%	
o/w consumer finance	1 637	1%		2 530	6%		3 244	11%		0	0%	
SME	34 332	26%		5 723	14%		3 120	10%		0	0%	
corporate	50 823	39%		10 500	27%		13 454	45%		1 393	100%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	43 745	33%	55%	20 777	53%	54%	10 082	34%	60%	0	0%	0%
o/w FX mortgages	0	0%	-	0	0%	-	127	0%	50%	0	0%	-
o/w ind. LTV > 100%	409	0%	-	24	0%	-	104	0%	-	0	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	99 987	77%		23 339	59%		17 383	58%		873	63%	
medium risk (PD 5-7; 0.80%-6.40%)	24 791	19%		14 220	36%		10 723	36%		109	8%	
high risk (PD 8-9; 6.40%-100.00%)	2 961	2%		1 291	3%		1 146	4%		0	0%	
impaired loans (PD 10 - 12)	2 462	2%		635	2%		517	2%		411	30%	
unrated	385	0%		44	0%		132	0%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 462	968	39%	635	288	45%	517	246	48%	411	364	89%
o/w PD 10 impaired loans	1 298	241	19%	292	86	29%	259	80	31%	64	24	38%
o/w more than 90 days past due (PD 11+12)	1 164	728	62%	344	202	59%	258	166	64%	348	340	98%
all impairments (stage 1+2+3)	1 292			524			480			368		
o/w stage 1+2 impairments (incl. POCI)	323			236			234			4		
o/w stage 3 impairments (incl. POCI)	968			288			246			364		
2022 Credit cost ratio (CCR)[3]	0.03%			0.13%			0.31%			-0.04%		
2023 Credit cost ratio (CCR)[3]	-0.03%			-0.07%			-0.05%			-0.17%		

[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 and 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

31-03-2023, in millions of EUR	Slovakia			Hungary			Bulgaria		
Total portfolio outstanding	**11 947**			**8 362**			**9 592**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	6 790	57%		2 700	32%		3 837	40%	
o/w mortgages	6 271	52%		1 807	22%		2 004	21%	
o/w consumer finance	519	4%		893	11%		1 832	19%	
SME	1 163	10%		85	1%		1 873	20%	
corporate	3 995	33%		5 577	67%		3 882	40%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	6 271	52%	63%	1 807	22%	47%	2 004	21%	59%
o/w FX mortgages	0	0%	-	1	0%	58%	126	1%	50%
o/w ind. LTV > 100%	54	0%	-	32	0%		19	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	8 204	69%		5 024	60%		4 155	43%	
medium risk (PD 5-7; 0.80%-6.40%)	3 005	25%		2 995	36%		4 722	49%	
high risk (PD 8-9; 6.40%-100.00%)	580	5%		196	2%		369	4%	
impaired loans (PD 10 - 12)	138	1%		145	2%		233	2%	
unrated	19	0%		1	0%		112	1%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	138	81	59%	145	46	32%	233	119	51%
o/w PD 10 impaired loans	28	9	32%	115	27	23%	116	44	38%
o/w more than 90 days past due (PD 11+12)	111	73	66%	30	19	64%	117	74	63%
all impairments (stage 1+2+3)	173			112			195		
o/w stage 1+2 impairments (incl. POCI)	92			66			76		
o/w stage 3 impairments (incl. POCI)	81			46			119		
2022 Credit cost ratio (CCR)[1]	0.17%			0.42%			0.43%		
2023 Credit cost ratio (CCR)[1]	0.04%			-0.55%			0.25%		

[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.

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 88% 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. 12%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 11.34% (fully loaded, Danish Compromise which includes the CRR/CRD minimum requirement (4.50%), the Pillar 2 Requirement (1.86%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% buffer for other systemically important banks, 0.20% Systemic Risk Buffer and 0.78% Countercyclical Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

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 table below 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).

In line with CRD Art. 104a(4), ECB allows banks to satisfy the 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.

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	31-03-2023		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)	0.20%	0.20%	0.19%	0.19%
Entity-specific countercyclical buffer	0.78%	0.53%	0.75%	0.40%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. 104a(4)	10.52%	10.27%	10.49%	10.14%
Pillar 2 requirement that can be satisfied with AT1 & AT2	0.81%	0.81%	0.81%	0.81%
Overall Capital Requirement (OCR) (A)[1] no P2R split	11.34%	11.09%	11.30%	10.95%
CET1 used to satisfy shortfall in AT1 bucket (B)	0.11%	0.11%	0.14%	0.14%
CET1 used to satisfy shortfall in T2 bucket (C) [2]	-0.17%	-0.27%	0.38%	0.39%
CET1 requirement for MDA (A+B+C)	11.28%	10.93%	11.82%	11.48%
CET1 capital	17 310	17 048	16 818	15 474
CET1 buffer (= buffer compared to MDA)	5 167	5 284	3 820	2 846

(1) A negative figure in AT1 or T2 bucket relates to a surplus above the pillar 1 bucket for these instruments, which is available to partly satisfy the pillar 2 requirement.
(2) 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) 31-03-2023		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	17 310	107 686	16.07%
Deduction Method	Fully loaded	16 601	102 953	16.13%
Financial Conglomerates Directive	Fully loaded	18 764	123 117	15.24%
Danish Compromise	Transitional	17 048	107 649	15.84%
Deduction Method	Transitional	16 307	102 834	15.86%
Financial Conglomerates Directive	Transitional	18 502	123 080	15.03%

KBC’s fully loaded CET1 ratio of 16.07% at the end of March 2023 represents a solid capital buffer of 4.80% compared with the Maximum Distributable Amount (MDA) of 11.28%. 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 will resubmit 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).

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	31-03-2023 Fully loaded	31-03-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital (after profit appropriation)	21 143	20 988	20 100	18 742
Tier-1 capital	18 810	18 548	18 318	16 974
Common equity	17 310	17 048	16 818	15 474
Parent shareholders' equity (after deconsolidating KBC Insurance)	20 606	19 849	19 623	16 982
Intangible fixed assets, incl deferred tax impact (-)	- 580	- 580	- 609	- 609
Goodwill on consolidation, incl deferred tax impact (-)	- 1 201	- 1 201	- 1 178	- 1 178
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	867	867	936	936
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 38	- 38	- 40	- 40
Value adjustment due to the requirements for prudent valuation (-)	- 27	- 27	- 31	- 31
Dividend payout (-)	- 1 680	- 1 252	- 1 252	0
Coupon of AT1 instruments (-)	- 15	- 15	- 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 (-)	- 204	- 204	- 158	- 158
Deduction re pension plan assets (-)	- 117	- 117	- 143	- 143
IRB provision shortfall (-)	0	0	0	0
Deferred tax assets on losses carried forward (-)	- 155	- 155	- 172	- 172
Transitional adjustments to CET1	0	67	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	2 334	2 440	1 782	1 767
IRB provision excess (+)	338	348	284	136
Transitional adjustments to T2	0	- 83	0	- 46
Subordinated liabilities	1 995	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	107 686	107 649	109 981	109 966
Banking	97 999	97 962	100 300	100 285
Insurance	9 133	9 133	9 133	9 133
Holding activities	617	617	562	562
Elimination of intercompany transactions	- 64	- 64	- 14	- 14
Solvency ratios				
Common equity ratio	16.07%	15.84%	15.29%	14.07%
Tier-1 ratio	17.47%	17.23%	16.66%	15.44%
Total capital ratio	19.63%	19.50%	18.28%	17.04%

Note:

- For the composition of the banking RWA, see section ‘Solvency banking and insurance activities separately’ further in this memo.
- The difference between the fully loaded total own funds (21 143 million euros, interim profit after 50% pay-out re. 2023 is included) and the transitional own funds (20 988 million euros, interim profit after 50% pay-out re. 2023 is not included) as at 31-03-2023 is explained by the net result for 2023 (757 million euros under the Danish Compromise method), the 50% pay-out (-429 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (6 million euros) and the grandfathered tier-2 subordinated debt instruments (-179 million euros).
- 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	31-03-2023 Fully loaded	31-03-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Tier-1 capital	18 810	18 548	18 318	16 974
Total exposures	342 624	342 707	346 481	346 538
Total Assets	347 355	347 355	355 872	355 872
Deconsolidation KBC Insurance	-29 391	-29 391	-30 267	-30 267
Transitional adjustment	0	83	0	57
Adjustment for derivatives	- 498	- 498	-3 032	-3 032
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 340	-2 340	-2 347	-2 347
Adjustment for securities financing transaction exposures	2 242	2 242	813	813
Central Bank exposure	0	0	0	0
Off-balance sheet exposures	25 256	25 256	25 442	25 442
Leverage ratio	5.49%	5.41%	5.29%	4.90%

At the end of March 2023, the fully loaded leverage ratio increased compared to December 2022, due to higher Tier-1 capital (driven mainly by inclusion of 1Q 2023 profits) and lower total assets (driven mainly by the sale of substantially all of the Irish assets and liabilities to Bank of Ireland Group).

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)	31-03-2023 Fully loaded	31-03-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital, after profit appropriation	18 613	17 852	17 164	17 516
Tier-1 capital	16 101	15 412	15 202	15 749
Common equity	14 601	13 912	13 702	14 249
Parent shareholders' equity	17 295	16 539	16 313	15 618
Solvency adjustments	-2 694	-2 627	-2 610	-1 370
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	2 513	2 440	1 962	1 768
Total weighted risk volume	97 999	97 962	100 300	100 285
Credit risk	85 218	85 209	85 003	84 988
Market risk	3 613	3 613	3 132	3 132
Operation risk	11 768	11 768	12 166	12 166
Common equity ratio	14.9%	14.2%	13.7%	14.2%

Solvency II, KBC Insurance consolidated (in millions of EUR)	**31-03-2023**	**31-12-2022**
Own Funds	4 063	3 721
Tier 1	3 563	3 220
IFRS Parent shareholders' equity	3 509	2 157
Dividend payout	- 364	- 309
Deduction intangible assets and goodwill (after tax)	- 195	- 194
Valuation differences (after tax)	420	1 410
Volatility adjustment	150	150
Other	43	6
Tier 2	500	501
Subordinated liabilities	500	501
Solvency Capital Requirement (SCR)	1 965	1 833
Market risk	1 363	1 252
Non-life	711	714
Life	1 146	1 114
Health	203	230
Counterparty	158	122
Diversification	-1 217	-1 185
Other	- 399	- 414
Solvency II ratio	207%	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):

- 27.90% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 26.60% 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:

- 23.95% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 18.47% 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 March 2023, the MREL ratio stands at 30.1% as a % of RWA (versus 27.5% as at the end of December 2022) and at 9.5% as % of LRE (versus 8.7% as at the end of December 2022). The increase of the MREL ratio in % of RWA and in % LRE is mainly driven by the increase of the available MREL and an increase of the CET1 capital (2022 profit included in transitional own funds).

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.77% at YE2023 and 0.78% as of 01-01-2024) + Systemic Risk Buffer (0.20%), 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)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	1 324	5 162	1 417	1 297	1 248	1 201
Insurance revenues before reinsurance	631	2 423	621	621	603	578
Non-life	543	2 050	526	527	506	492
Life	88	373	94	94	98	86
Dividend income	8	59	10	22	21	7
Net result from financial instruments at fair value through profit or loss	90	252	90	35	38	89
Net fee and commission income	576	2 218	549	557	542	570
Insurance finance income and expense (for contracts issued)	- 66	- 96	- 63	- 39	2	4
Net other income	498	16	- 103	3	69	47
TOTAL INCOME	3 060	10 035	2 520	2 496	2 522	2 497
Operating expenses (excluding directly attributable from insurance)	- 1 501	- 4 327	- 1 036	- 952	- 944	- 1 395
Total Opex without banking and insurance tax	- 1 077	- 4 159	- 1 143	- 1 041	- 973	- 1 002
Total banking and insurance tax	- 571	- 646	- 15	- 23	- 94	- 514
Minus: Opex allocated to insurance service expenses	147	478	121	112	123	121
Insurance service expenses before reinsurance	- 490	- 1 908	- 467	- 504	- 421	- 516
Non-Life	- 418	- 1 733	- 416	- 445	- 442	- 430
of which Non-Life - Claim related expenses	- 237	- 1 077	- 247	- 281	- 276	- 274
Life	- 72	- 174	- 51	- 59	21	- 86
Net result from reinsurance contracts held	- 30	- 20	- 15	- 15	- 2	12
Impairment	26	- 282	- 132	- 102	- 28	- 20
on FA at amortised cost and at FVOCI	24	- 154	- 82	- 79	- 9	15
on goodwill	0	- 5	- 5	0	0	0
other	1	- 123	- 46	- 23	- 19	- 36
Share in results of associated companies and joint ventures	- 3	- 10	- 2	- 3	- 2	- 3
RESULT BEFORE TAX	1 062	3 488	867	920	1 126	575
Income tax expense	- 180	- 670	- 139	- 168	- 240	- 123
RESULT AFTER TAX	882	2 818	727	752	887	452
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**882**	**2 818**	**727**	**752**	**887**	**452**
Banking	755	2 203	566	639	653	345
Insurance	125	635	170	110	243	112
Holding activities	2	- 20	- 9	3	- 9	- 4
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	179 520	178 053	178 053	177 098	168 982	164 638
of which Mortgage loans (end of period)	*74 811*	*73 660*	*73 660*	*72 312*	*70 605*	*69 489*
Customer deposits and debt certificates excl. repos (end of period)	248 882	252 746	252 746	242 095	241 625	230 265
Insurance related liabilities (including Inv. Contracts)						
Life insurance	25 626	25 470	25 470	25 537	26 439	28 787
Liabilities under investment contracts (IFRS 9)	*12 164*	*12 026*	*12 026*	*12 004*	*12 193*	*13 180*
Insurance contract liabilities (IFRS 17)	*13 463*	*13 444*	*13 444*	*13 534*	*14 245*	*15 607*
Non-life insurance	2 819	2 714	2 714	2 765	2 842	3 020
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	107 686	109 981	109 981	110 245	106 105	107 256
Required capital, insurance	1 965	1 833	1 833	1 718	1 699	1 883
Allocated capital	13 141	13 269	13 269	13 184	12 696	12 490
Return on allocated capital (ROAC)	27%	22%	22%	23%	28%	15%
Cost/income ratio without banking and insurance tax, group	38%	45%	49%	45%	42%	43%
Combined ratio, non-life insurance	83%	87%	83%	89%	89%	86%
Net interest margin, banking	2.04%	1.96%	2.10%	1.90%	1.91%	1.91%

Business unit Belgium (in millions of EUR)	**1Q 2023**	**FY 2022**	**4Q 2022**	**3Q 2022**	**2Q 2022**	**1Q 2022**
Breakdown P&L						
Net interest income	769	2 827	812	703	677	636
Insurance revenues before reinsurance	385	1 507	385	384	379	359
Non-life	333	1 269	323	325	315	306
Life	52	238	63	59	64	53
Dividend income	7	54	9	19	19	7
Net result from financial instruments at fair value through profit or loss	11	57	14	- 21	36	29
Net fee and commission income	382	1 512	369	365	374	404
Insurance finance income and expense (for contracts issued)	- 40	- 131	- 38	- 38	- 36	- 19
Net other income	87	213	48	35	89	41
TOTAL INCOME	1 603	6 039	1 599	1 447	1 537	1 457
Operating expenses (excluding directly attributable from insurance)	- 849	- 2 360	- 542	- 509	- 484	- 826
Total Opex without banking and insurance tax	- 584	- 2 284	- 612	- 574	- 554	- 544
Total banking and insurance tax	- 347	- 349	0	1	4	- 354
Minus: Opex allocated to insurance service expenses	82	273	71	64	66	72
Insurance service expenses before reinsurance	- 304	- 1 174	- 277	- 314	- 242	- 342
Non-Life	- 250	- 1 084	- 239	- 277	- 286	- 281
of which Non-Life - Claim related expenses	- 156	- 711	- 142	- 183	- 193	- 193
Life	- 54	- 90	- 38	- 36	44	- 60
Net result from reinsurance contracts held	- 21	21	- 15	- 5	15	26
Impairment	11	- 46	- 43	- 21	25	- 7
on FA at amortised cost and at FVOCI	9	- 35	- 38	- 21	25	- 1
on goodwill	0	0	0	0	0	0
other	2	- 12	- 5	0	0	- 6
Share in results of associated companies and joint ventures	- 2	- 9	- 2	- 3	- 2	- 2
RESULT BEFORE TAX	438	2 472	719	596	850	307
Income tax expense	- 139	- 596	- 174	- 148	- 197	- 76
RESULT AFTER TAX	299	1 876	545	447	652	231
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**299**	**1 876**	**545**	**447**	**652**	**231**
Banking	214	1 318	415	348	418	138
Insurance	85	558	131	99	235	94
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	116 698	117 221	117 221	117 613	114 910	111 303
of which Mortgage loans (end of period)	*44 627*	*44 326*	*44 326*	*43 840*	*43 327*	*42 478*
Customer deposits and debt certificates excl. repos (end of period)	147 749	155 971	155 971	148 120	153 686	142 241
Insurance related liabilities (including Inv. Contracts)						
Life insurance	23 950	23 858	23 858	23 926	24 756	26 920
Liabilities under investment contracts (IFRS 9)	*12 164*	*12 026*	*12 026*	*12 004*	*12 193*	*13 180*
Insurance contract liabilities (IFRS 17)	*11 787*	*11 832*	*11 832*	*11 922*	*12 562*	*13 740*
Non-life insurance	2 177	2 101	2 101	2 172	2 249	2 412
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	56 186	55 783	55 783	57 166	55 749	57 143
Required capital, insurance	1 634	1 505	1 505	1 393	1 357	1 580
Allocated capital	8 006	7 831	7 831	7 876	7 679	7 757
Return on allocated capital (ROAC)	15%	24%	28%	23%	33%	12%
Cost/income ratio without banking and insurance tax, group	40%	41%	42%	43%	39%	41%
Combined ratio, non-life insurance	81%	85%	80%	87%	87%	85%
Net interest margin, banking	1.91%	1.68%	1.95%	1.62%	1.59%	1.57%

Business unit Czech Republic (in millions of EUR)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	309	1 313	323	325	340	326
Insurance revenues before reinsurance	132	488	128	129	118	112
Non-life	109	401	106	106	97	91
Life	23	87	22	23	21	21
Dividend income	0	1	0	0	1	0
Net result from financial instruments at fair value through profit or loss	38	133	26	29	19	58
Net fee and commission income	80	282	62	75	72	73
Insurance finance income and expense (for contracts issued)	- 16	- 10	- 15	- 8	12	2
Net other income	2	- 185	- 144	- 43	- 4	6
TOTAL INCOME	544	2 023	381	506	558	577
Operating expenses (excluding directly attributable from insurance)	- 253	- 815	- 209	- 186	- 178	- 242
Total Opex without banking and insurance tax	- 220	- 861	- 235	- 212	- 204	- 209
Total banking and insurance tax	- 60	- 61	- 1	0	1	- 60
Minus: Opex allocated to insurance service expenses	28	107	27	27	25	27
Insurance service expenses before reinsurance	- 90	- 378	- 104	- 94	- 86	- 94
Non-Life	- 79	- 327	- 95	- 82	- 72	- 78
of which Non-Life - Claim related expenses	- 43	- 190	- 59	- 46	- 39	- 46
Life	- 11	- 51	- 9	- 12	- 14	- 16
Net result from reinsurance contracts held	- 9	- 6	1	- 2	- 2	- 3
Impairment	6	- 60	- 29	- 31	- 5	4
on FA at amortised cost and at FVOCI	7	- 46	- 23	- 31	- 2	10
on goodwill	0	- 5	- 5	0	0	0
other	0	- 9	- 1	1	- 3	- 5
Share in results of associated companies and joint ventures	0	- 1	0	0	0	- 1
RESULT BEFORE TAX	198	762	40	194	287	241
Income tax expense	- 14	- 109	1	- 24	- 43	- 42
RESULT AFTER TAX	184	653	41	170	244	199
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**184**	**653**	**41**	**170**	**244**	**199**
Banking	153	591	13	173	220	186
Insurance	32	62	28	- 3	24	13
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	36 609	35 445	35 445	34 989	34 169	33 972
of which Mortgage loans (end of period)	*20 313*	*19 696*	*19 696*	*19 196*	*18 916*	*18 974*
Customer deposits and debt certificates excl. repos (end of period)	54 569	51 069	51 069	49 781	48 366	48 729
Insurance related liabilities (including Inv. Contracts)						
Life insurance	975	943	943	974	1 011	1 125
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*975*	*943*	*943*	*974*	*1 011*	*1 125*
Non-life insurance	336	316	316	304	305	316
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	17 625	17 408	17 408	16 594	17 226	17 110
Required capital, insurance	175	170	170	171	178	159
Allocated capital	2 173	2 144	2 144	2 052	2 132	2 008
Return on allocated capital (ROAC)	34%	31%	8%	33%	47%	42%
Cost/income ratio without banking and insurance tax, group	43%	45%	66%	44%	39%	38%
Combined ratio, non-life insurance	82%	83%	90%	79%	75%	88%
Net interest margin, banking	2.30%	2.55%	2.40%	2.45%	2.70%	2.65%

Business unit International Markets (in millions of EUR)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	284	888	270	237	193	187
Insurance revenues before reinsurance	111	412	103	104	102	103
Non-life	98	365	93	92	89	91
Life	13	47	9	12	12	12
Dividend income	0	1	0	0	0	0
Net result from financial instruments at fair value through profit or loss	23	70	41	24	- 5	10
Net fee and commission income	116	429	120	119	98	92
Insurance finance income and expense (for contracts issued)	- 10	45	- 10	7	26	22
Net other income	5	- 7	- 5	3	- 10	5
TOTAL INCOME	530	1 837	520	495	404	419
Operating expenses (excluding directly attributable from insurance)	- 305	- 816	- 190	- 178	- 217	- 231
Total Opex without banking and insurance tax	- 183	- 683	- 200	- 176	- 151	- 156
Total banking and insurance tax	- 158	- 228	- 13	- 22	- 97	- 96
Minus: Opex allocated to insurance service expenses	36	95	23	20	31	21
Insurance service expenses before reinsurance	- 96	- 347	- 87	- 87	- 94	- 79
Non-Life	- 89	- 314	- 83	- 76	- 85	- 70
of which Non-Life - Claim related expenses	- 37	- 170	- 48	- 43	- 44	- 35
Life	- 7	- 33	- 4	- 11	- 9	- 9
Net result from reinsurance contracts held	- 5	- 14	- 3	- 5	- 2	- 4
Impairment	3	- 152	- 62	- 51	- 30	- 8
on FA at amortised cost and at FVOCI	4	- 78	- 27	- 27	- 16	- 8
on goodwill	0	0	0	0	0	0
other	0	- 74	- 36	- 24	- 14	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	128	509	178	174	60	97
Income tax expense	- 20	- 81	- 17	- 29	- 16	- 20
RESULT AFTER TAX	108	428	160	145	45	77
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**108**	**428**	**160**	**145**	**45**	**77**
Banking	96	387	150	132	47	59
Insurance	12	41	11	14	- 2	19
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	26 210	25 384	25 384	24 494	19 902	19 362
of which Mortgage loans (end of period)	*9 871*	*9 638*	*9 638*	*9 276*	*8 362*	*8 036*
Customer deposits and debt certificates excl. repos (end of period)	29 577	29 962	29 962	28 457	23 808	24 079
Insurance related liabilities (including Inv. Contracts)						
Life insurance	701	669	669	637	672	743
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*701*	*669*	*669*	*637*	*672*	*743*
Non-life insurance	292	281	281	270	273	275
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	22 562	21 501	21 501	20 892	17 321	17 141
Required capital, insurance	155	150	150	141	147	154
Allocated capital	2 713	2 588	2 588	2 510	2 112	2 007
Return on allocated capital (ROAC)	16%	18%	27%	25%	8%	13%
Cost/income ratio without banking and insurance tax, group	37%	41%	41%	39%	42%	40%
Combined ratio, non-life insurance	97%	91%	94%	90%	100%	82%
Net interest margin, banking	3.31%	3.00%	3.18%	3.11%	2.84%	2.81%

Note: The combined ratio, non-life insurance of 97% in 1Q 2023 is driven mainly by a significant windfall tax fully booked in 1Q 2023. Excluding the windfall tax, the combined ratio amounted to 83% in 1Q 2022.

Slovakia (in millions of EUR)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	65	235	66	55	56	58
Insurance revenues before reinsurance	23	86	22	22	21	21
Non-life	18	70	19	18	17	16
Life	4	16	3	4	4	4
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	1	33	6	10	8	8
Net fee and commission income	20	82	22	20	21	20
Insurance finance income and expense (for contracts issued)	- 1	8	1	0	4	3
Net other income	2	- 3	- 6	2	0	1
TOTAL INCOME	110	441	111	109	110	111
Operating expenses (excluding directly attributable from insurance)	- 58	- 226	- 59	- 52	- 53	- 61
Total Opex without banking and insurance tax	- 60	- 248	- 67	- 59	- 61	- 61
Total banking and insurance tax	- 4	- 7	0	0	0	- 6
Minus: Opex allocated to insurance service expenses	7	29	8	7	8	6
Insurance service expenses before reinsurance	- 19	- 71	- 20	- 17	- 17	- 17
Non-Life	- 16	- 59	- 17	- 14	- 15	- 13
of which Non-Life - Claim related expenses	- 10	- 33	- 10	- 8	- 9	- 7
Life	- 3	- 12	- 3	- 3	- 2	- 4
Net result from reinsurance contracts held	- 1	- 3	- 1	- 1	0	- 1
Impairment	- 1	- 21	- 10	- 7	- 4	- 1
on FA at amortised cost and at FVOCI	- 1	- 19	- 8	- 6	- 4	- 1
on goodwill	0	0	0	0	0	0
other	0	- 3	- 2	- 1	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	31	119	21	32	36	30
Income tax expense	- 6	- 27	- 5	- 8	- 7	- 7
RESULT AFTER TAX	24	91	16	24	29	22
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**24**	**91**	**16**	**24**	**29**	**22**
Banking	22	81	15	21	25	20
Insurance	2	11	1	3	4	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	11 168	10 796	10 796	10 524	10 241	9 790
of which Mortgage loans (end of period)	*6 217*	*6 114*	*6 114*	*5 928*	*5 734*	*5 332*
Customer deposits and debt certificates excl. repos (end of period)	8 156	8 421	8 421	8 281	8 021	7 617
Insurance related liabilities (including Inv. Contracts)						
Life insurance	164	169	169	175	182	200
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*164*	*169*	*169*	*175*	*182*	*200*
Non-life insurance	47	44	44	43	42	42
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	6 508	6 383	6 383	6 161	6 097	6 037
Required capital, insurance	28	27	27	26	28	29
Allocated capital	766	751	751	725	719	682
Return on allocated capital (ROAC)	13%	13%	9%	14%	16%	13%
Cost/income ratio without banking and insurance tax, group	57%	58%	63%	56%	57%	57%
Combined ratio, non-life insurance	93%	90%	98%	83%	88%	89%

Hungary (in millions of EUR)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	130	423	123	108	99	93
Insurance revenues before reinsurance	46	159	39	39	39	43
Non-life	41	141	35	34	35	38
Life	5	18	4	5	4	5
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	18	60	34	15	1	10
Net fee and commission income	58	228	60	59	56	53
Insurance finance income and expense (for contracts issued)	- 6	14	- 11	4	10	11
Net other income	1	- 8	1	0	- 12	3
TOTAL INCOME	247	876	245	226	193	212
Operating expenses (excluding directly attributable from insurance)	- 168	- 409	- 72	- 71	- 138	- 128
Total Opex without banking and insurance tax	- 60	- 238	- 67	- 56	- 56	- 59
Total banking and insurance tax	- 130	- 211	- 13	- 22	- 99	- 78
Minus: Opex allocated to insurance service expenses	23	40	8	7	17	8
Insurance service expenses before reinsurance	- 49	- 142	- 30	- 34	- 43	- 35
Non-Life	- 46	- 130	- 28	- 30	- 40	- 32
of which Non-Life - Claim related expenses	- 14	- 60	- 13	- 16	- 17	- 13
Life	- 3	- 12	- 2	- 4	- 4	- 3
Net result from reinsurance contracts held	- 1	- 3	- 1	- 1	- 1	- 1
Impairment	11	- 97	- 36	- 41	- 17	- 3
on FA at amortised cost and at FVOCI	11	- 29	- 5	- 17	- 3	- 4
on goodwill	0	0	0	0	0	0
other	0	- 68	- 30	- 24	- 14	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	40	225	108	79	- 7	45
Income tax expense	- 8	- 37	- 9	- 14	- 5	- 10
RESULT AFTER TAX	32	188	99	65	- 12	36
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**32**	**188**	**99**	**65**	**- 12**	**36**
Banking	34	181	93	58	0	30
Insurance	- 2	7	6	7	- 12	6
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	6 334	5 879	5 879	5 516	5 274	5 436
of which Mortgage loans (end of period)	*1 766*	*1 681*	*1 681*	*1 597*	*1 693*	*1 812*
Customer deposits and debt certificates excl. repos (end of period)	9 302	9 515	9 515	8 780	9 235	9 897
Insurance related liabilities (including Inv. Contracts)						
Life insurance	268	236	236	217	240	278
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*268*	*236*	*236*	*217*	*240*	*278*
Non-life insurance	91	85	85	79	86	91
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	8 540	7 721	7 721	7 386	7 413	7 553
Required capital, insurance	53	49	49	45	49	51
Allocated capital	1 022	925	925	882	890	868
Return on allocated capital (ROAC)	13%	21%	45%	29%	-5%	16%
Cost/income ratio without banking and insurance tax, group	25%	30%	29%	28%	34%	30%
Combined ratio, non-life insurance	115%	94%	83%	91%	116%	85%

Note: The combined ratio, non-life insurance of 115% in 1Q 2023 is driven mainly by a significant windfall tax fully booked in 1Q 2023. Excluding the windfall tax, the combined ratio amounted to 83% in 1Q 2022.

Bulgaria (in millions of EUR)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	90	229	81	74	38	36
Insurance revenues before reinsurance	43	166	42	43	41	40
Non-life	39	153	40	39	37	37
Life	4	13	2	3	4	3
Dividend income	0	1	0	0	0	0
Net result from financial instruments at fair value through profit or loss	4	- 22	1	- 2	- 13	- 8
Net fee and commission income	37	119	39	40	21	19
Insurance finance income and expense (for contracts issued)	- 3	23	0	3	12	8
Net other income	2	4	1	1	1	1
TOTAL INCOME	172	520	164	160	100	96
Operating expenses (excluding directly attributable from insurance)	- 79	- 181	- 59	- 54	- 26	- 42
Total Opex without banking and insurance tax	- 62	- 197	- 66	- 60	- 33	- 37
Total banking and insurance tax	- 24	- 10	0	0	2	- 12
Minus: Opex allocated to insurance service expenses	7	26	7	6	6	7
Insurance service expenses before reinsurance	- 27	- 134	- 37	- 36	- 33	- 27
Non-Life	- 27	- 125	- 38	- 32	- 30	- 25
of which Non-Life - Claim related expenses	- 14	- 77	- 25	- 19	- 19	- 14
Life	- 1	- 9	1	- 4	- 3	- 2
Net result from reinsurance contracts held	- 3	- 8	- 2	- 3	- 1	- 2
Impairment	- 6	- 33	- 17	- 3	- 10	- 4
on FA at amortised cost and at FVOCI	- 6	- 30	- 14	- 3	- 9	- 3
on goodwill	0	0	0	0	0	0
other	0	- 4	- 3	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	57	164	49	63	31	21
Income tax expense	- 6	- 16	- 4	- 7	- 3	- 2
RESULT AFTER TAX	51	148	45	56	27	19
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**51**	**148**	**45**	**56**	**27**	**19**
Banking	39	125	41	53	22	9
Insurance	12	23	4	3	6	10
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	8 708	8 709	8 709	8 454	4 387	4 136
of which Mortgage loans (end of period)	*1 888*	*1 843*	*1 843*	*1 751*	*935*	*892*
Customer deposits and debt certificates excl. repos (end of period)	12 119	12 026	12 026	11 396	6 551	6 565
Insurance related liabilities (including Inv. Contracts)						
Life insurance	269	264	264	245	249	264
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*269*	*264*	*264*	*245*	*249*	*264*
Non-life insurance	154	153	153	148	145	142
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	7 513	7 397	7 397	7 345	3 811	3 551
Required capital, insurance	73	73	73	70	70	73
Allocated capital	925	912	912	903	502	457
Return on allocated capital (ROAC)	22%	23%	28%	39%	23%	15%
Cost/income ratio without banking and insurance tax, group	40%	43%	45%	43%	40%	45%
Combined ratio, non-life insurance	79%	90%	102%	92%	88%	76%

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)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	- 39	134	11	32	37	53
Insurance revenues before reinsurance	2	16	4	4	4	3
Non-life	2	16	4	4	4	3
Life	0	0	0	0	0	0
Dividend income	0	4	0	2	2	0
Net result from financial instruments at fair value through profit or loss	18	- 8	8	4	- 12	- 8
Net fee and commission income	- 2	- 5	- 3	- 2	- 2	1
Insurance finance income and expense (for contracts issued)	0	0	0	0	0	0
Net other income	404	- 5	- 1	8	- 6	- 5
TOTAL INCOME	384	136	20	48	23	45
Operating expenses (excluding directly attributable from insurance)	- 95	- 337	- 96	- 80	- 64	- 97
Total Opex without banking and insurance tax	- 90	- 332	- 96	- 79	- 63	- 93
Total banking and insurance tax	- 5	- 8	- 1	- 1	- 2	- 4
Minus: Opex allocated to insurance service expenses	1	3	1	1	1	1
Insurance service expenses before reinsurance	- 1	- 9	1	- 9	0	- 1
Non-Life	- 1	- 9	1	- 9	0	- 1
of which Non-Life - Claim related expenses	0	- 6	2	- 9	1	0
Life	0	0	0	0	0	0
Net result from reinsurance contracts held	5	- 22	2	- 4	- 13	- 7
Impairment	5	- 24	2	1	- 17	- 10
on FA at amortised cost and at FVOCI	5	5	6	0	- 16	14
other	0	- 28	- 4	1	- 1	- 24
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	299	- 254	- 71	- 43	- 71	- 70
Income tax expense	- 7	116	51	33	17	15
RESULT AFTER TAX	291	- 139	- 19	- 10	- 54	- 55
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**291**	**- 139**	**- 19**	**- 10**	**- 54**	**- 55**
Banking	292	- 93	- 11	- 13	- 31	- 38
Insurance	- 3	- 26	1	0	- 14	- 13
Holding activities	2	- 20	- 9	3	- 9	- 4
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	3	3	3	3	3	3
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	16 987	15 743	15 743	15 738	15 766	15 216
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 179	6 155	6 155	6 460	6 675	6 729
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	1	8	8	13	17	- 9
Allocated capital (end of period)	248	706	706	746	774	718

Business unit Group Centre – Of which Ireland:

Ireland (in millions of EUR)	1Q 2023	FY 2022	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Breakdown P&L						
Net interest income	24	240	57	56	61	66
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 1	- 3	1	0	- 1	- 3
Net fee and commission income	0	- 2	- 1	- 2	- 1	2
Insurance finance income and expense (for contracts issued)	0	0	0	0	0	0
Net other income	404	- 8	- 1	0	- 4	- 3
TOTAL INCOME	428	228	56	54	55	63
Operating expenses (excluding directly attributable from insurance)	- 52	- 208	- 40	- 52	- 44	- 71
Total Opex without banking and insurance tax	- 47	- 200	- 39	- 52	- 42	- 67
Total banking and insurance tax	- 5	- 8	- 1	- 1	- 2	- 4
Impairment	4	- 18	5	1	- 13	- 10
on FA at amortised cost and at FVOCI	4	7	5	0	- 13	14
on goodwill	0	0	0	0	0	0
other	0	- 24	- 1	1	0	- 24
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	379	3	20	3	- 2	- 18
Income tax expense	- 28	34	13	17	0	3
RESULT AFTER TAX	351	37	33	21	- 2	- 15
attributable to minority interests	0	0	0	0	0	0
attributable to equity holders of the parent	**351**	**37**	**33**	**21**	**- 2**	**- 15**
Banking	352	42	33	21	- 1	- 11
Insurance	- 1	- 5	0	- 1	- 1	- 4
Breakdown Loans and deposits						
Total customer loans excluding reverse repos (end of period)	3	3	3	3	3	3
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	176	418	418	644	840	974
Performance Indicators						
Risk-weighted assets, banking (Basel III fully loaded)	401	4 332	4 332	4 585	4 855	4 962
Allocated capital	45	491	491	520	551	536

We describe the impact of the sale transaction of the Irish loan and deposit portfolio in note 5.11 and note 6.6 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	1Q 2023	2022	1Q 2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	882	2 818	452
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 50	- 12
/				
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)		2.09	6.64	1.06
Diluted = (A-B) / (D) (in EUR)		2.09	6.64	1.06

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	1Q 2023	2022	1Q 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'	266	1 080	258
+				
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'	160	602	144
/				
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'	514	1 943	467
= (A+B) / (C)		82.7%	86.6%	85.9%

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	1Q 2023	2022	1Q 2022
Cost/income ratio				
Total Opex without banking and insurance tax (A) +	Consolidated income statement	1 077	4 159	1 002
Insurance commissions paid (B)	Note 3.7, component of 'Insurance Service Expenses'	77	308	69
/				
Total income (C)	Consolidated income statement	3 060	10 035	2 497
=(A+B) / (C)		37.7%	44.5%	42.9%

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 50% in 1Q 2023 (versus 49% in 2022 and 46% in 1Q 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	1Q 2023	2022	1Q 2022
Stage 3 impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	1 867	2 048	2 159
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 026	4 350	4 479
= (A) / (B)		46.4%	47.1%	48.2%

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	1Q 2023	2022	1Q 2022
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 20	155	- 15
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	199 498	197 052	191 311
= (A) (annualised) / (B)		-0.04%	0.08%	-0.03%

Note: a negative % is a release

In 1Q 2023, the credit cost ratio without the outstanding ECL for geopolitical and emerging risks, amounts to 0.00% (no changes versus the credit cost ratio without outstanding ECL for geopolitical and emerging risks 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	1Q 2023	2022	1Q 2022
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 026	4 350	4 479
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	201 409	205 720	194 233
= (A) / (B)		2.0%	2.1%	2.3%

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	1Q 2023	2022	1Q 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	91 145	91 928	110 199
/				
Total net cash outflows over the next 30 calendar days (B)		60 320	60 820	68 250
= (A) / (B)		152%	152%	162%

KBCs large stock of high-quality liquid assets (approximately 91 billion euros), which consist of cash and bonds which can be repoed in the private market and at the central banks. Note that the 91bn EUR consist of:

- 46 billion euros (or 51%) 'Cash & Central Bank receivables' (= liquidity that could at all times be used instantaneously to cover outflows
- 45 billion euros (or 49%) 'LCR eligible bonds which are reported at fair value at all times, independent of IFRS classification

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1Q 2023	2022	1Q 2022
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	179 520	178 053	164 639
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	2 939	785	2 100
+				
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'	6 711	6 157	5 161
+				
Other exposures to credit institutions (D)		3 764	4 072	4 778
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	10 360	10 222	9 290
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 603	2 636	2 535
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 1 986	- 1 997	- 2 061
+				
Non-loan-related receivables (H)		- 649	- 602	- 417
+				
Other (I)	Component of Note 4.1	- 1 851	6 394	8 208
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		201 409	205 720	194 233

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	1Q 2023	2022	1Q 2022
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	1 157	4 450	1 034
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	226 989	224 014	216 590
= (A) (annualised x360/number of calendar days) / (B)		2.04%	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	1Q 2023	2022	1Q 2022
Available amount of stable funding (A)	Regulation (EU) 2019/876 dd. 20-05-2019	214 719	209 271	224 862
/				
Required amount of stable funding (B)		154 454	153 767	150 766
= (A) / (B)		139%	136%	149%

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	1Q 2023	2022	1Q 2022
Parent shareholders' equity (A)	'Consolidated balance sheet'	21 641	20 319	21 582
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417	417
= (A) / (B) (in EUR)		51.88	48.74	51.79

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	1Q 2023	2022	1Q 2022
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	299	1 876	231
/				
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)		7 918	7 890	7 733
= (A) annualised / (B)		15.1%	23.8%	12.0%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	184	653	199
/				
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)		2 159	2 053	1 880
= (A) annualised / (B)		34.0%	31.4%	40.7%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	108	428	77
/				
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)		2 651	2 362	2 196
= (A) annualised / (B)		16.2%	18.1%	14.1%

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	1Q 2023	2022	1Q 2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	882	2 818	452
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 50	- 12
/				
Average parent shareholders' equity (C)	'Consolidated statement of changes in equity'	20 980	20 611	21 243
= (A-B) (annualised) / (C)		16.6%	13.4%	8.3%

In 1Q 2023, the return on equity amounts to 15% 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 products, unit-linked investment contracts and hybrid contracts.

Calculation (in millions of EUR or %)	Reference	1Q 2023	2022	1Q 2022
Guaranteed Interest products		248	989	247
+				
Unit-Linked products		199	968	264
+				
Hybrid products		31	115	27
Total sales Life (A)+ (B) + (C)		477	2 071	538

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	1Q 2023	2022	1Q 2022
Belgium Business Unit (A)	Company presentation on www.kbc.com	193	184	206
+				
Czech Republic Business Unit (B)		16	15	14
+				
International Markets Business Unit (C)		8	7	7
A)+(B)+(C)		217	206	228