KBC GROUP
QUARTERLY REPORT 3Q2022

KBC GROUP
Report for 3Q2022

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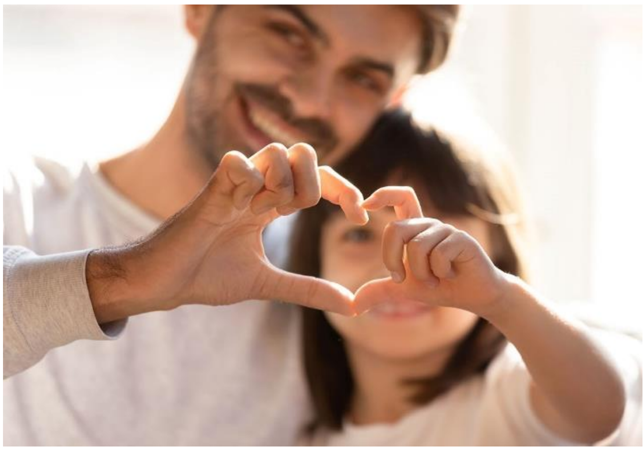
Consolidated financial statements

Additional information

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.'



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.

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This report contains information that is subject to transparency regulations for listed companies.
Date of release: 9 November 2022

Third-quarter result of 776 million euros

KBC Group – overview (consolidated, IFRS)	3Q2022	2Q2022	3Q2021	9M2022	9M2021
Net result (in millions of EUR)	776	811	601	2 046	1 951
Basic earnings per share (in EUR)	1.83	1.92	1.41	4.82	4.59
Breakdown of the net result by business unit (in millions of EUR)*					
Belgium	*444*	*564*	*603*	*1 234*	*1 511*
Czech Republic	*197*	*237*	*209*	*640*	*500*
International Markets	*147*	*52*	*-158*	*272*	*70*
Group Centre	*-11*	*-41*	*-53*	*-100*	*-130*
Parent shareholders' equity per share (in EUR, end of period)	44.5	45.0	53.0	44.5	53.0

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

'Almost nine months have now passed since Russia invaded Ukraine and, unfortunately, there is no sign of an end to the war. The tragedy in Ukraine is causing immense human suffering and our heartfelt solidarity goes out to all victims of this conflict. We sincerely hope that a respectful, peaceful and lasting solution can be achieved as soon as possible. The war in Ukraine, alongside other geopolitical uncertainties, is also sending shockwaves throughout the global economy, resulting in high inflation and weighing on economic growth. Given those uncertainties, we have further increased our dedicated reserve for geopolitical and emerging risks, bringing it close to 0.4 billion euros at the end of the quarter under review.

The tragedy unfolding in Ukraine comes on top of other pressing issues such as the climate crisis, as evidenced by the extreme weather events of the past year. In that respect, sustainability and ESG in general also remain high on our agenda. In August, for example, we became the first Belgian financial institution to issue a social bond, for an amount of 750 million euros. The money raised will be used for investments in the health care sector. What's more, having already achieved or even surpassed almost all our previously set sustainability objectives ahead of schedule, we have – in accordance with our climate commitments – now set new climate-related targets for a number of key sectors and activities. You can read all about them in our first ever Climate Report on www.kbc.com.

In early July, we finalised the acquisition of Raiffeisenbank Bulgaria. This entity and our existing Bulgarian subsidiary UBB will merge their operations, allowing us to significantly expand our share of our Bulgarian core market to an estimated 19% in terms of assets. Raiffeisenbank Bulgaria has now been included in our consolidated results for the first time.

As regards our financial results, we posted an excellent net profit of 776 million euros in the quarter under review. Quarter-on-quarter total income was more or less stable, with higher net interest income, technical insurance income and net fee and commission income being offset by lower trading & fair value income and net other income. Costs were also more or less at the previous quarter's level, though that quarter did include a one-off 78-million euro charge in the form of a new additional bank and insurance tax in Hungary. We recorded a net impairment release on our loan book, which was more than offset by an increase in the reserve for geopolitical and emerging risks. Our solvency position remained very solid with a common equity ratio of 15% on a fully loaded basis, and our liquidity position was excellent, as illustrated by an NSFR of 140% and an LCR of 155%. As announced earlier, we will – in line with our general dividend policy – pay out an interim dividend of 1 euro per share on 16 November 2022 as an advance on the total dividend for financial year 2022.

In closing, a few words about our mobile app. A few weeks ago, independent international research agency Sia Partners again named KBC Mobile one of the top performing mobile banking apps worldwide. KBC Mobile is also the best mobile banking and insurance app in Belgium where it has further consolidated the leading position it already occupied. This is not only recognition of the quality of service we provide, it's also a clear sign that we remain committed to innovation and ensuring maximum convenience for our customers, who continue to put their trust in us. I would like to thank our customers, our employees, our shareholders and all our other stakeholders for their continuing trust and support.'

Johan Thijs
Chief Executive Officer

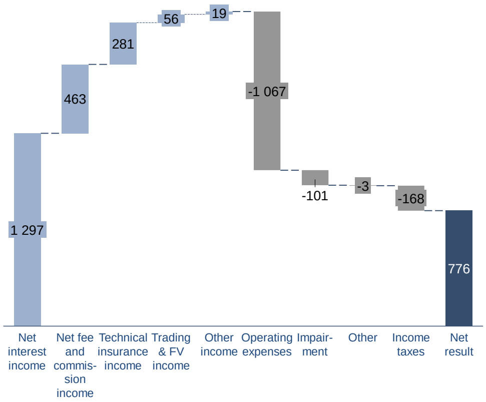
The cornerstones of our strategy

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

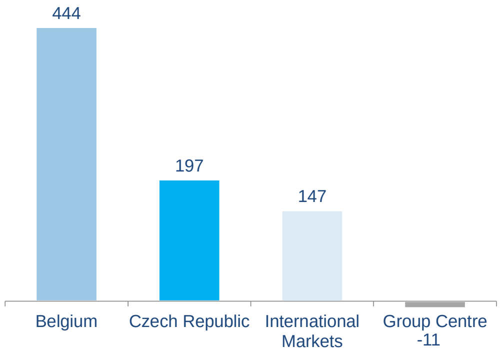
Financial highlights in the third quarter of 2022

- **Net interest income** increased by 4% quarter-on-quarter and by 17% year-on-year (1% quarter-on-quarter and 14% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The net interest margin for the quarter under review amounted to 1.90%, down 1 basis point quarter-on-quarter but up 10 basis points on the year-earlier quarter. Loan volumes continued to increase, going up by 2% quarter-on-quarter and 9% year-on-year. Deposits excluding debt certificates fell by 2% quarter-on-quarter but increased by 6% year-on-year. These volume growth figures were calculated on an organic basis (excluding the changes in the scope of consolidation and forex effects).
- Technical income from our **non-life insurance activities** (premiums less charges, plus the ceded reinsurance result) was up 4% on the level recorded in the previous quarter and 33% on the year-earlier quarter. The year-on-year increase was related to higher premium income and lower technical charges, partially offset by a lower ceded reinsurance result. The combined ratio for the first nine months of 2022 amounted to an excellent 86%. Sales of our **life insurance** products were down 8% and 15% on the level recorded in the previous and year-earlier quarters, respectively.
- **Net fee and commission income** was up 3% on its level in the previous quarter but down 1% on the year-earlier quarter (down 2% quarter-on-quarter and 5% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The organic quarter-on-quarter decrease was due mainly to the higher level of distribution fees paid.
- **Trading & fair value result** was down 37% on the level recorded in the previous quarter, but double the relatively low level recorded in the year-earlier quarter. The quarter-on-quarter decrease was attributable primarily to a significantly lower dealing room result and a less positive change in the market value of derivatives used for asset/liability management purposes.
- **All other income items combined** were down 80% and 79% on the figure recorded in the previous and year-earlier quarters, respectively. The quarter-on-quarter decrease was almost entirely due to the drop in net other income (resulting in part from realised losses on the sale of bonds in the quarter under review and a high capital gain in the previous quarter).
- **Costs** excluding bank taxes were up 7% on their level in the previous quarter and 4% on their year-earlier level. Excluding recently consolidated Raiffeisenbank Bulgaria, costs excluding bank taxes were up 4% quarter-on-quarter and 2% year-on-year. The cost/income ratio for the first nine months of 2022 amounted to 54%. In that calculation, certain non-operating items have been excluded and bank taxes spread evenly throughout the year. Excluding all bank taxes, the cost/income ratio amounted to 48%.
- The quarter under review included a 79-million-euro net **loan loss impairment charge**, compared to a net charge of 9 million euros in the previous quarter, and a net release of 66 million euros in the year-earlier quarter. The net charge in the quarter under review included a 24-million-euro net release for the loan book, which was more than offset by a 103-million-euro increase in the reserve for geopolitical and emerging risks. As a consequence, the credit cost ratio for the first nine months of 2022 amounted to 0.05%, compared to -0.18% for full-year 2021 (a negative sign implies a positive impact on the results).
- Our **liquidity position** remained strong, with an LCR of 155% and NSFR of 140%. Our **capital base** remained robust, with a fully loaded common equity ratio of 15.0%.

Breakdown of 3Q2022 result
(in millions of EUR)



Contribution of the business units to 3Q2022 group result
(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2022	2Q2022	1Q2022	4Q2021	3Q2021	9M2022	9M2021
Net interest income	1 297	1 248	1 200	1 177	1 112	3 745	3 274
Non-life insurance (before reinsurance)	238	222	197	181	150	657	601
Earned premiums	*521*	*503*	*487*	*486*	*484*	*1 512*	*1 399*
Technical charges	*-284*	*-280*	*-291*	*-305*	*-334*	*-855*	*-798*
Life insurance (before reinsurance)	50	14	11	10	12	75	35
Earned premiums	*268*	*266*	*290*	*375*	*256*	*824*	*820*
Technical charges	*-218*	*-252*	*-279*	*-365*	*-244*	*-749*	*-786*
Ceded reinsurance result	-7	2	24	15	23	19	10
Dividend income	22	21	7	9	11	50	36
Net result from financial instruments at fair value through P&L[1]	56	89	143	-39	28	289	183
Net realised result from debt instruments at fair value through other comprehensive income	-5	-14	-2	1	4	-21	5
Net fee and commission income	463	451	482	479	467	1 396	1 357
Net other income	2	90	54	56	77	146	168
Total income	2 115	2 123	2 116	1 887	1 884	6 355	5 671
Operating expenses	-1 067	-1 071	-1 520	-1 078	-1 025	-3 658	-3 318
Impairment	-101	-28	-22	16	45	-151	245
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-79*	*-9*	*15*	*62*	*66*	*-72*	*272*
Share in results of associated companies & joint ventures	-3	-2	-3	-2	-2	-7	-3
Result before tax	945	1 023	571	823	903	2 538	2 595
Income tax expense	-168	-211	-113	-160	-302	-493	-644
Result after tax	776	811	458	663	601	2 046	1 951
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**776**	**811**	**458**	**663**	**601**	**2 046**	**1 951**
Basic earnings per share (EUR)	1.83	1.92	1.07	1.56	1.41	4.82	4.59
Diluted earnings per share (EUR)	1.83	1.92	1.07	1.56	1.41	4.82	4.59

Key consolidated balance sheet figures, IFRS KBC Group (in millions of EUR)	30-09-2022	30-06-2022	31-03-2022	31-12-2021	30-09-2021
Total assets	363 528	369 807	369 903	340 346	354 336
Loans & advances to customers, excl. reverse repos	177 100	168 984	164 639	159 728	156 712
Securities (equity and debt instruments)	66 043	66 703	66 789	67 794	66 269
Deposits from customers excl. debt certificates & repos	217 538	217 293	205 896	199 476	198 021
Technical provisions, before reinsurance	18 569	18 817	19 092	18 967	18 971
Liabilities under investment contracts, insurance	11 964	12 153	13 131	13 603	13 213
Parent shareholders' equity	18 540	18 739	21 608	21 577	22 096

Selected ratios KBC Group (consolidated)	9M2022	FY2021
Return on equity	14%	13%
Cost/income ratio, group excl. certain non-operating items and evenly spreading bank taxes throughout the year / excl. full bank taxes	58% 54% / 48%	58% 55% / 51%
Combined ratio, non-life insurance	86%	89%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	15.0% [13.9%]	15.5% [16.8%]
Common equity ratio, FICOD fully loaded [transitional]	14.6% [14.1%]	14.8% [16.1%]
Credit cost ratio[3]	0.05%	-0.18%
Impaired loans ratio	2.0%	2.9%
for loans more than 90 days past due	1.1%	1.5%
Net stable funding ratio (NSFR)	140%	148%
Liquidity coverage ratio (LCR)	155%	167%

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

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

Analysis of the quarter (3Q2022)

Total income 2 115 million euros	• Total income was in line with the figure recorded in the previous quarter. Excluding the consolidation of Raiffeisenbank Bulgaria, total income was down 3% quarter-on-quarter. • Net interest income, technical insurance income and net fee and commission income were all up, while trading & fair value income and net other income were down quarter-on-quarter.

Net interest income amounted to 1 297 million euros in the quarter under review, up 4% and 17% on its level in the previous and year-earlier quarters, respectively. When the impact of the consolidation of Raiffeisenbank Bulgaria as of the third quarter of 2022 is eliminated, net interest income was up 1% quarter-on-quarter and 14% year-on-year. In both cases, net interest income benefited from organic growth in lending volumes (see below), the continued improvement in reinvestment yields in all core countries, increased income related to funding and the higher number of days in the reporting period (quarter-on-quarter only). This was partly offset by the negative effect of a number of factors, including pressure on loan margins in almost all core countries, the abolishment of the charging of negative interest rates on current accounts held by corporate entities and SMEs during the third quarter, no positive ECB tiering effect since the end of July 2022, lower reinvestment income from retained earnings due to a large dividend being paid out in the Czech Republic at the end of the second quarter, lower income from inflation-linked bonds (quarter-on-quarter) and a negative forex impact. The net interest margin for the quarter under review amounted to 1.90%, down 1 basis point quarter-on-quarter but up 10 basis points year-on-year.

Customer deposits excluding debt certificates were down 2% quarter-on-quarter but up 6% year-on-year on an organic basis (or +1% and +6%, respectively, when excluding volatility in deposits at the foreign branches of KBC Bank). The total volume of customer lending rose 2% quarter-on-quarter and 9% year-on-year on an organic basis. In the organic growth figures, the forex-related impact and the effects of changes in the scope of consolidation were eliminated.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 232 million euros to total income, up 4% and 33% on its performance in the previous and year-earlier quarters, respectively. Compared to the previous quarter, earned premiums were up 4%, only partially offset by a lower ceded reinsurance result and slightly higher technical charges (up just 1% as they benefited from the positive effect of technical provisions being released in the Czech Republic). Compared to the year-earlier quarter, the increase in the technical non-life result was attributable to the combination of an 8% increase in premium income and 15% reduction in technical charges (the reference quarter had included the adverse impact of the heavy flooding in Belgium in the summer of 2021, among other factors), partly offset by a lower ceded reinsurance result. Overall, the combined ratio for the first nine months of 2022 amounted to an excellent 86%, compared to 89% for full-year 2021.

Technical income from our **life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 49 million euros, compared to 14 million euros in the previous quarter and 11 million euros in the year-earlier quarter. The current quarter's figure benefited from the positive effect of a release of technical provisions in the Czech Republic. Sales of life insurance products in the quarter under review (391 million euros) were down 8% and 15% on the level recorded in the previous and year-earlier quarters, respectively, due almost entirely to lower sales of unit-linked life insurance products. Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 57% in the quarter under review, with unit-linked products accounting for the remaining 43%.

Net fee and commission income amounted to 463 million euros, up 3% on its level in the previous quarter and down 1% compared to the level of the year-earlier quarter. Excluding the impact of the consolidation of Raiffeisenbank Bulgaria, net fee and commission income was down 2% quarter-on-quarter and 5% year-on-year. The small quarter-on-quarter organic decrease was accounted for mainly by the higher level of distribution fees paid. The 5% year-on-year organic decrease was due to the combination of a decrease in asset management-related fee income (management fees and entry fees) and higher distribution fees paid, offset partly by an increase in fees for banking services. At the end of September 2022, our total assets under management amounted to 205 billion euros, down 3% quarter-on-quarter and 11% year-on-year, due almost entirely to the negative market performance.

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 56 million euros, compared to 89 million euros in the previous quarter and a low 28 million euros in the year-earlier quarter. The quarter-on-quarter decrease was caused essentially by a significantly lower dealing room result and a less positive change in the market value of derivatives used for asset/liability management purposes, which more than offset the small positive change in market value adjustments (xVA) and the increased result related to the insurer's equity portfolio. Year-on-year, trading & fair value income doubled thanks to the combination of a positive change in the market value adjustments of derivatives used for asset/liability management purposes and a positive change in xVA, only partly offset by a lower dealing room result.

The **other remaining income items** (totalling 19 million euros) included dividend income of 22 million euros (although the bulk of dividends is traditionally received in the second quarter, dividend income in the quarter under review was at the same level as the second-quarter figure, owing to an exceptional item), a net realised result from debt instruments at fair value through other comprehensive income of -5 million euros and net other income of 2 million euros. The latter figure was significantly below the 50-million-euro normal run rate for this item, due mainly to realised losses on the sale of bonds in the quarter under review. Note that the previous quarter's net other income had benefited from a 68-million-euro gain on the sale of a real estate subsidiary.

Operating expenses

1 067 million euros

- Operating expenses excluding bank taxes and Raiffeisenbank Bulgaria were up 4% quarter-on-quarter and 2% year-on-year.
- Group cost/income ratio for the first nine months of 2022 amounted to 54% when certain non-operating items are excluded and bank taxes spread evenly throughout the year.

Operating expenses in the third quarter of 2022 amounted to 1 067 million euros. They included some 23 million euros in bank taxes as opposed to 94 million euros in the previous quarter, which had included a 78-million-euro charge in the form of a new additional bank and insurance tax in Hungary.

Operating expenses excluding bank taxes were up 7% on their level in the previous quarter and 4% on their year-earlier level. When the impact of the consolidation of Raiffeisenbank Bulgaria is eliminated, operating expenses excluding bank taxes were up 4% quarter-on-quarter and 2% year-on-year, which in both cases – apart from certain one-off items – was due to a number of factors, including inflationary pressure and wage indexation, and higher facility expenses and professional fees.

The cost/income ratio for the group came to 58% for the first nine months of 2022. When bank taxes are spread evenly throughout the year and certain non-operating items excluded, the ratio amounted to 54%, compared to 55% for full-year 2021. When excluding all bank taxes, the cost-income ratio falls to 48%.

Loan loss impairment

79-million-euro net charge

- Net impairment release on the loan book more than offset by an increase in the reserve for geopolitical and emerging risks.
- Credit cost ratio for the first nine months of 2022 at 0.05%.

In the quarter under review, we recorded a 79-million-euro net loan loss impairment charge, compared with a net charge of 9 million euros in the previous quarter and a net release of 66 million euros in the year-earlier quarter. The net impairment charge in the quarter under review was accounted for primarily by an additional 103-million-euro charge for geopolitical and emerging risks, which more than offset the net release of 24 million euros for our loan book. As a consequence (and when the consolidation of Raiffeisenbank Bulgaria is also taken into account), the outstanding reserve for geopolitical and emerging risks amounted to 387 million euros at the end of September 2022. A detailed calculation and background information is provided in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report.

Broken down by country, the net loan loss impairment charge breaks down into 21 million euros in Belgium, 31 million euros in the Czech Republic, 6 million euros in Slovakia, 17 million euros in Hungary, 3 million euros in Bulgaria and 0 million euros for the group Centre.

For the entire group, the credit cost ratio amounted to 0.05% in the first nine months of 2022 (-0.03% excluding the amounts recorded for geopolitical and emerging risks and the release of the remaining reserve for the coronavirus crisis), compared to -0.18% for full-year 2021 (0.09% excluding the partial release of the reserve for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of September 2022, 2% of our total loan book was classified as impaired ('Stage 3'), compared to 2.9% at year-end 2021. Impaired loans that are more than 90 days past due amounted to 1.1% of the loan book, compared to 1.5% at year-end 2021. The improvement in the impaired loans ratios was largely related to the sale of the bulk of the non-performing Irish mortgage loan book in February 2022.

Impairment on assets *other than loans* amounted to 23 million euros, compared to 19 million euros in the previous quarter and 21 million euros in year-earlier quarter. The figure for the quarter under review related mainly to modification losses from the extension of the interest cap regulation in Hungary.

Net result by business unit	Belgium	Czech Republic	International Markets	Group Centre
	444 million euros	197 million euros	147 million euros	-11 million euros

Belgium: the net result (444 million euros) was 21% lower quarter-on-quarter. This was due primarily to the combined effect of lower total income (owing mainly to lower trading & fair value income, net other income and net fee and commission income, while net interest income and technical insurance income increased), higher costs and a net impairment charge (as opposed to a net release in the previous quarter).

Czech Republic: the net result (197 million euros) was down 17% on its level for the previous quarter. This was attributable to a combination of lower total income (net interest income, trading & fair value income and net other income fell, while technical insurance income and net fee and commission income increased, among other factors), higher costs and higher net impairment charges.

International Markets: the 147-million-euro net result breaks down as follows: 24 million euros in Slovakia, 62 million euros in Hungary and 61 million euros in Bulgaria (25 million euros of which relating to Raiffeisenbank Bulgaria). For the business unit as a whole, the net result was almost three times higher than the previous quarter's result. When disregarding the consolidation of Raiffeisenbank Bulgaria and the fact that the previous quarter had included a new tax charge in Hungary totalling 78 million euros, the net result was virtually stable quarter-on-quarter. This was attributable to a combination of higher total income, flat costs and higher net impairment charges.

Group Centre: the net result (-11 million euros) was 30 million euros higher than the figure recorded in the previous quarter. Note that, as of 2022, the Group Centre includes the result for Ireland given the pending sale. The net result for Ireland in the quarter under review amounted to 21 million euros and included a positive 9 million euros in various one-off effects related to the ongoing sale transaction, compared to -2 and -17 million euros in the previous quarter, respectively.

	Belgium		Czech Republic		International Markets[1]	
Selected ratios by business unit	**9M2022**	**FY2021**	**9M2022**	**FY2021**	**9M2022**	**FY2021**
Cost/income ratio, group: excl. certain non-operating items and evenly spreading the banking tax throughout the year / excl. full banking tax	54%/46%	51%/45%	45%/43%	53%/50%	51%/43%	63%/61%
Combined ratio, non-life insurance	87%	90%	82%	87%	86%	86%
Credit cost ratio[2]	-0.01%	-0.26%	0.08%	-0.42%	0.28%	0.36%
Impaired loans ratio	1.8%	2.2%	1.6%	1.8%	2.1%	5.7%

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

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

Equity, solvency and liquidity	Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
	20.0 billion euros	15.0%	155%	140%

At the end of September 2022, total equity came to 20.0 billion euros, comprising 18.5 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was down 3.0 billion euros on its level at the end of 2021. This was accounted for by the combined effect of a number of items, including the profit for the first nine months (+2.0 billion euros), payment of the final dividend (7.60 euros per share) for 2021 in May 2022 and the interim dividend (1.00 euros per share) for 2022 payable in November 2022 (-3.6 billion euros in total), a decrease in the revaluation reserves (-1.5 billion euros) and a number of minor items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

On 30 September 2022, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 15%, compared to 15.5% at the end of 2021. Note that the acquisition of Raiffeisenbank Bulgaria accounted for a 0.9 percentage points decrease in the common equity ratio in the third quarter of 2022. The solvency ratio for KBC Insurance under the Solvency II framework was 227% at the end of September 2022, compared to 201% at the end of 2021. We have provided more details and additional information on solvency under 'Solvency' in the 'Additional information' section of the quarterly report.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 155% and an NSFR ratio of 140%, compared to 167% and 148%, respectively, at the end of 2021.

Analysis of the year-to-date period (9M2022)

Net profit 2 046 million euros	• Net profit up 5% on the figure for the year-earlier period. • Total income up 12% thanks mainly to net interest income, trading & fair value income and technical insurance income. • Operating expenses excluding bank taxes up 7% year-on-year. Bank taxes up by as much as 32% year-on-year. • 72-million-euro net loan loss impairment charge, compared to a large net release of 272 million euros in the year-earlier period.

Highlights (compared to the first nine months of 2021, unless otherwise stated):

- **Net interest income** up 14% to 3 745 million euros. This was attributable in part to the improvement in reinvestment yields in all core countries, lending and deposit volume growth (see below), increased income related to funding, the higher netted positive impact of ALM forex swaps, the consolidation of Raiffeisenbank Bulgaria since the third quarter of 2022 and a positive forex effect. That was partly offset by the negative effect of a number of factors, including pressure on loan margins in almost all core countries, the abolishment during the third quarter of the charging of negative interest rates on current accounts held by corporate entities and SMEs and no positive ECB tiering effect since the end of July 2022. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of customer lending rose by 9% and deposits excluding debt certificates rose by 6% year-on-year. The net interest margin in the first nine months of 2022 came to 1.91%, up 12 basis points year-on-year.
- **Technical insurance result** up 16% to 751 million euros. The non-life insurance technical result was up 11% on the figure for the year-earlier period, thanks to higher premium income (+8%) and a higher ceded reinsurance result, which more than offset the increase in technical charges (+7%). The non-life combined ratio for the first nine months of 2022 amounted to an excellent 86%, compared to 89% for full-year 2021. Life insurance sales were down by 4% to 1 362 million euros due to lower sales of unit-linked insurance products.
- **Net fee and commission income** up 3% to 1 396 million euros. Half of the increase was accounted for by the consolidation of Raiffeisenbank Bulgaria in the third quarter, the remainder being accounted for by organic growth of fees for asset management services and banking services, partly offset by higher distribution fees paid. At the end of September 2022, total assets under management were down 11% to 205 billion euros, due to the negative market performance.
- **Trading & fair value income** up 57% to 289 million euros. This was attributable primarily to a positive change in the market value of derivatives used for asset/liability management purposes.
- **All other income items combined** down 16% to 175 million euros. This came about mainly because of lower net other income and the lower net realised result from debt instruments at fair value through OCI.
- **Operating expenses** up 10% to 3 658 million euros. They included bank taxes of 631 million euros, up 32% compared to the reference period, partly due to an extraordinary payment to the deposit guarantee fund related to Sberbank Hungary and a new bank and insurance tax in Hungary in the period under review. Excluding bank taxes, the effect of the consolidation of Raiffeisenbank Bulgaria, forex effects and various one-off items (see further), operating expenses increased by 6%. This was mainly attributable to inflation-linked wage drift, higher ICT expenses, increased facility and marketing costs and higher professional fees. The main one-off items in the period under review were an extraordinary profit bonus for staff (compared to a smaller Covid-related bonus in the reference period), some one-off costs relating to the sale of the Irish portfolios (compared to a higher impact in the reference period) and small one-off integration costs related to Raiffeisenbank Bulgaria. The year-to-date cost/income ratio came to 58%, or an adjusted 54% when certain non-operating items are excluded and bank taxes evenly spread throughout the year (compared to 55% for full-year 2021). When bank taxes are fully excluded, the cost-income ratio for the period under review amounted to 48%.
- **Loan loss impairment:** a net charge of 72 million euros, compared to a net release of 272 million in the reference period. The first nine months of 2022 included the full release of the remainder of the previously recorded provision for the coronavirus crisis, a net release for individual loans and a new provision for geopolitical and emerging risks (which now amounts to 387 million euros). The large net release in the reference period was mainly attributable to a large partial take-back of the reserve set aside for the coronavirus crisis, partly offset by one-off impairment charges related to the sale agreements in Ireland. As a result, the credit cost ratio for the whole group amounted to 0.05%, compared to -0.18% for full-year 2021 (a negative figure implies a positive impact on the result). Impairment on assets other than loans amounted to 79 million euros, up from 27 million euros in the reference period, due to various one-off items.
- The 2 046-million-euro **net result** for the first nine months of 2022 breaks down as follows: 1 234 million euros for the Belgium Business Unit (down 277 million euros on its year-earlier level), 640 million euros for the Czech Republic Business Unit (up 141 million euros), 272 million euros for the International Markets Business Unit (down 84 million euros on a comparable basis, i.e. excluding Ireland and Raiffeisenbank Bulgaria) and -100 million euros for the Group Centre (up 291 million euros on a comparable basis, i.e. including Ireland).

Recent ESG developments

We recently published our first ever Climate Report, which sets out specific targets for reducing future greenhouse gas emissions.

In previous years, we had already set ambitious targets, the majority of which we have since met or exceeded ahead of schedule. In 2019, we signed up to the United Nations' Collective Commitment to Climate Action and undertook – in collaboration with our customers – to promote the maximum greening of the economy in an effort to limit global warming to well below 2°C and strive for 1.5°C as set out in the Paris Agreement.

Our Climate Report outlines our vision and ambitions for climate throughout the group in the years ahead. It focuses on our lending and asset management activities, as – at present – not enough recognised research and reporting methods are available for insurance activities. The report contains analyses and greenhouse gas (GHG) intensity reduction targets for the energy, real estate, transport, agriculture, construction and metals sectors, some of which have been broken down into sub-sectors. We have set specific and measurable targets for these sectors in the short term (2030) and in the longer term (2050) and the baselines have been externally assured. Each sector faces specific challenges and, therefore, not all sectors will be able to reduce their $CO2$ emissions at the same rate and to the same extent, given that they each face different economic and technological challenges.

Besides targets aimed at reducing the GHG intensity of selected sectors, we also set responsible investing targets. Currently, of every 100 euros invested, more than half is invested according to responsible investment criteria. This gives KBC Asset Management plenty of financial clout to facilitate the transition to a carbon-neutral society.

Our Climate Report is available on www.kbc.com.

Risk statement, economic views and guidance

Risk statement

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

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

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

Our view on economic growth

After two consecutive negative quarter-on-quarter growth rates, the US economy grew again in the third quarter by 0.6% quarter-on-quarter (non-annualised), due primarily to the positive contribution made by net exports. However, the next two quarters are expected to see a mild contraction of the economy, largely driven by ongoing high inflation and a further tightening of financial conditions as a result of the Fed's monetary policy and the strong trade-weighted exchange rate of the US dollar.

Meanwhile, after strong growth in the first two quarters of 2022, third-quarter growth in the euro area also remained positive (0.2% quarter-on quarter). Leading confidence indicators, however, suggest that the euro area economy entered a technical recession in the fourth quarter of 2022, with the economy expected to shrink in that quarter and the opening quarter of 2023 due to the impact of the energy crisis and the tightening financial conditions.

In the third quarter of 2022, economic growth in both Belgium and the Czech Republic was negative (-0.1% and -0.4% quarter-on-quarter, respectively). Both economies have likely entered a technical recession in the third quarter, with real GDP expected to shrink in the fourth quarter as well.

The most important risk to our short-term European growth outlook relates to critical energy deficits, caused by the possible inability of Europe to compensate a severe disruption of Russian gas supplies. Other risks continue to include general, post-pandemic supply chain disruptions, new waves of Covid infections and vulnerability caused by high levels of debt in what are tightening financing conditions worldwide.

Our view on interest rates and foreign exchange rates

To fight increasing inflationary pressure, the Fed continued to raise its policy rate in the third quarter by 75 basis points each at the end of July and September and by another 75 basis points in November to the current target range of 3.75%-4.00%, which is above the Fed's own estimate of the longer-term neutral rate. We expect the Fed to continue raising its policy rate in the coming quarters. Moreover, the run-down of the Fed's balance sheet ('Quantitative Tightening') has been fully phased in since September and is contributing to a tightening monetary policy stance. Meanwhile, the ECB also raised all of its policy rates at the end of July by 50 basis points and by 75 basis points each in mid-September and at the end of October. We expect the ECB to continue raising these rates and to start gradually running down its APP portfolio.

After an initial moderate and temporary fall in July on the back of recession trades, both US and German 10-year yields continued their synchronous upward trend from early August on, when markets became convinced that both the Fed and the ECB were fully determined to restore price stability. On balance, both US and German 10-year bond yields rose by about 100 basis points in the period between the beginning of the third quarter and mid-October.

During the third quarter, the euro (EUR) continued to depreciate against the US dollar (USD). This was mainly a reflection of the general strength of the USD against most other currencies, a situation driven by the Fed's rate-hiking cycle. Specifically in terms of the EUR exchange rate, vulnerabilities to the ongoing energy crisis also played an important role. Since these factors are likely to persist in the coming quarters, we expect the EUR to depreciate further to around 0.95 USD per EUR before bottoming out and very gradually recovering.

The Czech koruna (CZK) remained quite volatile during the third quarter, fluctuating around its current value of 24.50 CZK per EUR in relatively wide bands. Targeted FX interventions by the Czech National Bank (CNB) supported the CZK's exchange rate. The CNB left its policy rate unchanged at 7%, which we expect to be the peak level in the current tightening cycle. This may result in some additional weakening of the CZK against the EUR over the next few quarters, before it gradually starts appreciating again. Further targeted FX interventions by the CNB, if necessary, are expected to stabilise the CZK against the EUR in the coming quarters.

To address high inflation, the National Bank of Hungary (NBH) raised its base rate in four steps from 7.75% to the current level of 13%. The NBH indicated that this would be the end of its tightening cycle with respect to the base rate. During most of the third quarter, the exchange rate of the Hungarian forint (HUF) against the EUR was volatile but generally stable. However, since the second half of September, the HUF has sharply depreciated mainly because of market concerns about the impact of the energy crisis, in particular on the current account balance, and fears of a global economic recession. After the NBH introduced special interest rate measures targeting international investors, the HUF partially recovered. Nevertheless, it has still depreciated significantly against the EUR compared to the exchange rate at the beginning of 2022.

Guidance

Based upon our latest set of macroeconomic and business assumptions (impacted by Russia's invasion of Ukraine, causing major macroeconomic and financial shocks and very volatile markets), we confirm*:

- Our full-year 2022 guidance for 'total income' of approximately 8.4 billion euros, of which approximately 5.05 billion euros net interest income.
- Our full-year 2022 guidance for 'operating expenses excluding bank taxes' of approximately 4.15 billion euros.
- This implies jaws over 2021-2022 (between y-o-y top line growth and operating expenses growth) of roughly 4.0%
- Our full-year 2022 'credit cost ratio' of between 10 and 25 basis points.

Upcoming events	• Interim dividend: ex-coupon 14 November 2022, record 15 November 2022, payment 16 November 2022 • 4Q2022 results: 9 February 2023 • Annual Report 2022: 3 April 2023 • AGM: 4 May 2023 • 1Q2023 results: 16 May 2023 • Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 3Q2022	• Quarterly report: www.kbc.com / Investor Relations / Reports • Company presentation: www.kbc.com / Investor Relations / Presentations
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.

* Our group guidance for 2022 is based on the following assumptions:
- The consolidation of Raiffeisen Bulgaria as of mid-2022 and the consolidation of KBC Bank Ireland for the entire year 2022 (due to a delay of transaction approval)
- An additional P&L benefit from TLTRO3 of 73 million euros in 2H22 (neutralization of TLTRO3 benefit as of 23rd November 2022 taken into account)
- We took into account the CNB policy rate at 7.00% by end 2022 and further ECB rate hikes during 2022 (2.25% by end 2022)
- Volume growth estimated at roughly 8% y-o-y.

KBC Group

Consolidated financial statements according to IFRS

3Q 2022 and 9M 2022

Section reviewed by the Auditor

Glossary

AC: Amortised Cost
AFS: Available For Sale (IAS 39)
ALM: Asset Liability Management
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
FVPL – overlay: Fair Value through Profit or Loss - overlay
GCA: Gross Carrying Amount
HFT: Held For Trading
MFVPL: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)
OCI: Other Comprehensive Income
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	9M 2022	9M 2021	3Q 2022	2Q 2022	3Q 2021
Net interest income	3.1	3 745	3 274	1 297	1 248	1 112
Interest income	*3.1*	*7 753*	*4 566*	*2 897*	*2 505*	*1 557*
Interest expense	*3.1*	*-4 008*	*-1 291*	*-1 600*	*-1 258*	*- 445*
Non-life insurance (before reinsurance)	3.7	657	601	238	222	150
Earned premiums	*3.7*	*1 512*	*1 399*	*521*	*503*	*484*
Technical charges	*3.7*	*- 855*	*- 798*	*- 284*	*- 280*	*- 334*
Life insurance (before reinsurance)	3.7	75	35	50	14	12
Earned premiums	*3.7*	*824*	*820*	*268*	*266*	*256*
Technical charges	*3.7*	*- 749*	*- 786*	*- 218*	*- 252*	*- 244*
Ceded reinsurance result	3.7	19	10	- 7	2	23
Dividend income		50	36	22	21	11
Net result from financial instruments at fair value through profit or loss	3.3	289	183	56	89	28
of which result on equity instruments (overlay approach)		*43*	*76*	*15*	*4*	*17*
Net realised result from debt instruments at fair value through OCI		- 21	5	- 5	- 14	4
Net fee and commission income	3.5	1 396	1 357	463	451	467
Fee and commission income	*3.5*	*2 088*	*1 975*	*693*	*684*	*686*
Fee and commission expense	*3.5*	*- 691*	*- 618*	*- 231*	*- 233*	*- 219*
Net other income	3.6	146	168	2	90	77
TOTAL INCOME		6 355	5 671	2 115	2 123	1 884
Operating expenses	3.8	-3 658	-3 318	-1 067	-1 071	-1 025
Staff expenses	*3.8*	*-1 899*	*-1 842*	*- 644*	*- 616*	*- 659*
General administrative expenses	*3.8*	*-1 486*	*-1 223*	*- 333*	*- 371*	*- 279*
Depreciation and amortisation of fixed assets	*3.8*	*- 272*	*- 252*	*- 90*	*- 84*	*- 87*
Impairment	3.10	- 151	245	- 101	- 28	45
on financial assets at AC and at FVOCI	*3.10*	*- 72*	*272*	*- 79*	*- 9*	*66*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 79*	*- 27*	*- 23*	*- 19*	*- 21*
Share in results of associated companies and joint ventures		- 7	- 3	- 3	- 2	- 2
RESULT BEFORE TAX		2 538	2 595	945	1 023	903
Income tax expense		- 493	- 644	- 168	- 211	- 302
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		2 046	1 951	776	811	601
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**2 046**	**1 951**	**776**	**811**	**601**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		4.82	4.59	1.83	1.92	1.41
Diluted		4.82	4.59	1.83	1.92	1.41

We describe the impact of the most significant acquisitions and disposals in 2021 and 2022 (the acquisition of NN's Bulgarian pension and life insurance business, the pending sale of the Irish credit and deposit portfolios and the acquisition of the Bulgarian operations of Raiffeisen Bank International) in Note 6.6 further in this report.

The interest income and interest expense have been affected by a presentation change (no impact on net interest income). For more information, see note 3.1 further in this report.

Overview impact of the overlay approach on the consolidated income statement

The equity instruments of the insurance companies within the group are designated under the overlay approach. These equity instruments, mainly classified as AFS under IAS 39, would have been measured at fair value through P&L under IFRS 9. The overlay approach reclassifies from the income statement to OCI the extra volatility related to the adoption of IFRS 9 as long as IFRS 17 is not in place, until 31 December 2022.

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to -345 million euros in 9M 2022. It can be summarized as the difference between:

- IFRS 9 result (without applying the overlay): -303 million euros of which -309 million euros realised and unrealised fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and +6 million euros income taxes;
- IAS 39 result: +43 million euros including net realised result amounting to +116 million euros and impairment loss of -73 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	9M 2022	9M 2021	3Q 2022	2Q 2022	3Q 2021
RESULT AFTER TAX	**2 046**	**1 951**	**776**	**811**	**601**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	2 046	1 951	776	811	601
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**- 1 678**	**60**	**- 518**	**- 696**	**- 65**
Net change in revaluation reserve (FVOCI debt instruments)	- 1 328	- 353	- 336	- 526	- 49
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 345	96	- 72	- 142	- 13
Net change in hedging reserve (cashflow hedges)	121	192	- 63	133	30
Net change in translation differences	- 115	174	- 13	- 215	- 26
Hedge of net investments in foreign operations	- 12	- 49	- 34	55	- 7
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	1	0	0	0	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**214**	**271**	**- 32**	**200**	**- 31**
Net change in revaluation reserve (FVOCI equity instruments)	1	49	1	- 1	0
Net change in defined benefit plans	211	224	- 33	200	- 31
Net change in own credit risk	1	- 2	- 1	2	0
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**581**	**2 282**	**226**	**315**	**505**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	581	2 282	226	315	505

The largest movements in other comprehensive income (9M 2022 and 9M 2021):

- Net change in revaluation reserve (FVOCI debt instruments): the -1 328 million euros in 9M 2022 and the -353 million euros in 9M 2021 are both mainly explained by higher interest rates, for the largest part related to government bonds of European countries.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -345 million euros in 9M 2022 can be explained by negative fair value movements and by transfers to net result (gains on disposal partly offset by impairments). The +96 million euros in 9M 2021 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments).
- Net change in hedging reserve (cash flow hedge): the +121 million euros in 9M 2022 and the +192 million euros in 9M 2021 can mainly be explained by the higher interest rates.
- The net change in translation differences: the -115 million euros in 9M 2022 was mainly caused by the depreciation of the HUF versus the EUR, partly compensated by the appreciation of the USD and CZK. The hedge of net investments in foreign operations (-12 million euros) was negatively impacted due to the appreciation of the USD and CZK (only limited hedged volumes in HUF). The +174 million euros in 9M 2021 was mainly caused by the appreciation of the CZK and the HUF versus the EUR, partially offset by the hedge of net investments in foreign operations (-49 million euros). The hedging policy of FX participations aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in revaluation reserve (FVOCI equity instruments): no material change in 9M 2022. The +49 million euros in 9M 2021 is mainly explained by positive fair value movements related to an amendment to the articles of association of an unquoted equity participation, as a result of which KBC is entitled to a larger compensation in the event of an exit.
- Net change in defined benefit plans: the +211 million euros in 9M 2022 is mainly explained by the effect of the higher discount rate applied on the obligations, partly offset by the negative return of the plan assets and the impact of the higher inflation rate. The +224 million euros in 9M 2021 is explained by the combined effect of the higher discount rate applied on the obligations and the positive return of the plan assets, partly offset by the impact of the (as of 3Q 2021 quarterly updated) market based inflation-curve (versus a yearly one-point estimator in previous reporting periods) .

Consolidated balance sheet

(in millions of EUR)	Note	30-09-2022	31-12-2021
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		49 759	40 653
Financial assets	4.0	300 012	281 658
Amortised cost	*4.0*	*260 289*	*240 128*
Fair value through OCI	*4.0*	*12 381*	*15 824*
Fair value through profit or loss	*4.0*	*26 759*	*25 422*
of which held for trading	*4.0*	*12 199*	*8 850*
Hedging derivatives	*4.0*	*583*	*283*
Reinsurers' share in technical provisions, insurance		228	191
Profit/loss on positions in portfolios hedged for interest rate risk		-4 489	- 436
Tax assets		1 324	1 296
Current tax assets		*185*	*179*
Deferred tax assets		*1 139*	*1 117*
Non-current assets held for sale and disposal groups	*5.11*	8 558	10 001
Investments in associated companies and joint ventures		32	37
Property, equipment and investment property		3 483	3 568
Goodwill and other intangible assets		2 243	1 749
Other assets		2 377	1 630
TOTAL ASSETS		363 528	340 346
LIABILITIES AND EQUITY			
Financial liabilities	4.0	320 643	291 667
Amortised cost	*4.0*	*295 909*	*268 387*
Fair value through profit or loss	*4.0*	*24 108*	*22 187*
of which held for trading	*4.0*	*10 982*	*7 271*
Hedging derivatives	*4.0*	*626*	*1 094*
Technical provisions, before reinsurance		18 569	18 967
Profit/loss on positions in portfolios hedged for interest rate risk		-1 599	- 863
Tax liabilities		229	435
Current tax liabilities		*85*	*87*
Deferred tax liabilities		*144*	*348*
Liabilities associated with disposal groups	*5.11*	2 400	4 262
Provisions for risks and charges		257	282
Other liabilities		2 988	2 520
TOTAL LIABILITIES		343 488	317 269
Total equity	5.10	20 040	23 077
Parent shareholders' equity	5.10	18 540	21 577
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		363 528	340 346

The impact of the most important acquisitions and divestments in 2021 and 2022 is described in Note 6.6.

Besides the impact of the most important acquisitions in 2022, the increase of the balance sheet total in 9M 2022 can for the largest part be explained by higher repos and demand and time deposits, leading to higher cash balances with central banks and higher loans and advances to customers. This is partly offset by higher loss on positions in portfolios hedged for interest rate risk (both on assets and liabilities), explained by the substantial increase of interest rates.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
30-09-2022									
Balance at the end of the previous period	1 460	5 528	0	14 272	318	21 577	1 500	0	23 077
Net result for the period	0	0	0	2 046	0	2 046	0	0	2 046
Other comprehensive income for the period	0	0	0	1	- 1 465	- 1 464	0	0	- 1 464
Subtotal	0	0	0	2 047	- 1 465	581	0	0	581
Dividends	0	0	0	- 3 585	0	- 3 585	0	0	- 3 585
Coupon on AT1	0	0	0	- 34	0	- 34	0	0	- 34
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
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	- 1 559	- 1 478	- 3 038	0	0	- 3 038
Balance at the end of the period	1 460	5 528	0	12 713	- 1 160	18 540	1 500	0	20 040
2021									
Balance at the end of the previous period	1 459	5 514	- 1	13 146	- 88	20 030	1 500	0	21 530
Net result for the period	0	0	0	2 614	0	2 614	0	0	2 614
Other comprehensive income for the period	0	0	0	- 2	403	401	0	0	401
Subtotal	0	0	0	2 612	403	3 015	0	0	3 015
Dividends	0	0	0	- 1 433	0	- 1 433	0	0	- 1 433
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	13	0	0	0	14	0	0	14
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 3	3	0	0	0	0
Purchase/sale of treasury shares	0	0	1	0	0	1	0	0	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	1	13	1	1 126	406	1 547	0	0	1 547
Balance at the end of the period	1 460	5 528	0	14 272	318	21 577	1 500	0	23 077
30-09-2021									
Balance at the end of the previous period	1 459	5 514	- 1	13 146	- 88	20 030	1 500	0	21 530
Net result for the period	0	0	0	1 951	0	1 951	0	0	1 951
Other comprehensive income for the period	0	0	0	0	332	331	0	0	331
Subtotal	0	0	0	1 950	332	2 282	0	0	2 282
Dividends	0	0	0	- 183	0	- 183	0	0	- 183
Coupon on AT1	0	0	0	- 34	0	- 34	0	0	- 34
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 1	1	0	0	0	0
Purchase/sale of treasury shares	0	0	1	0	0	1	0	0	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	1	1 732	333	2 066	0	0	2 066
Balance at the end of the period	1 459	5 514	0	14 878	245	22 096	1 500	0	23 596

9M 2022

The General Meeting of Shareholders approved on 5 May 2022 a gross final dividend of 7.60 euros per share, of which:

- an ordinary dividend of 3.00 euros per share related to the accounting year 2021 and paid in May 2022 (in addition to an interim dividend of 1.00 euro per share already paid in November 2021 together with the payment of an interim dividend of 2.00 euros per share for financial year 2020 also in November 2021)
- an extraordinary dividend of 4.60 euros per share (paid in May 2022)

The total amount of 3 168 million euros (or 7.60 euros per share) was deducted from retained earnings in 2Q 2022 (paid in May 2022).

As decided by KBC Group's Board of Directors of 10 August 2022, and in line with our general dividend policy, an interim dividend of 1.00 euro per share (417 million euros in total) as an advance on the total dividend for financial year 2022 will be paid on 16 November 2022 (already deducted from retained earnings in 3Q 2022).

2021

The total amount of dividend deducted from retained earnings in 2021 amounts to 1 433 million euros, of which:

- a closing dividend of 0.44 euros for the financial year 2020 was paid out per share on 19 May 2021 (183 million euros in total) based on the approval of the general meeting of shareholders on 6 May 2021
- an interim dividend of 3.00 euros per share (1 250 million euros in total), as decided by KBC Group's Board of Directors of 10 November 2021 and paid on 17 November 2021, consisting of:
  - 2.00 euros per share for financial year 2020
  - 1.00 euro per share, as an advance on the final dividend for 2021

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	30-09-2022	31-12-2021	30-09-2021
Total	-1 160	318	245
Revaluation reserve (FVOCI debt instruments)	- 686	642	777
Revaluation reserve (FVPL equity instruments) - overlay	151	496	421
Revaluation reserve (FVOCI equity instruments)	62	74	66
Hedging reserve (cashflow hedges)	- 987	-1 108	-1 102
Translation differences	- 225	- 110	- 208
Hedge of net investments in foreign operations	67	79	114
Remeasurement of defined benefit plans	457	246	179
Own credit risk through OCI	0	- 1	- 1

Consolidated cash flow statement

(in millions of EUR)	Note	9M 2022	9M 2021
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	2 538	2 595
Adjustments for non-cash items in profit & loss		1 073	179
Changes in operating assets (excluding cash and cash equivalents)		-13 506	-2 380
Changes in operating liabilities (excluding cash and cash equivalents)		22 031	29 290
Income taxes paid		- 426	- 357
Net cash from or used in operating activities		11 711	29 328
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	-1 924	3 437
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		- 51	- 71
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		111	0
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)		- 29	- 205
Purchase and proceeds from the sale of property, plant and equipment		- 11	10
Other		44	20
Net cash from or used in investing activities		-1 862	3 191
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Consolidated statement of changes in equity	0	1
Issue or repayment of promissory notes and other debt securities	4.1	743	- 340
Proceeds from or repayment of subordinated liabilities	4.1	- 769	736
Proceeds from the issuance of share capital	Consolidated statement of changes in equity	0	0
Issue of additional tier-1 instruments	Consolidated statement of changes in equity	0	0
Dividends paid	Consolidated statement of changes in equity	-3 168	- 183
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	- 34	- 34
Net cash from or used in financing activities		-3 228	180
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		6 622	32 699
Cash and cash equivalents at the beginning of the period		63 554	47 794
Effects of exchange rate changes on opening cash and cash equivalents		- 115	738
Cash and cash equivalents at the end of the period		70 061	81 230
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	49 759	56 319
Term loans to banks at not more than three months (excl. reverse repos)	4.1	3 916	3 463
Reverse repos with credit institutions and investment firms at not more than three months	4.1	23 905	27 057
Deposits from banks repayable on demand	4.1	-7 519	-5 608
Cash and cash equivalents belonging to disposal groups		0	0
Total		70 061	81 230
of which not available		*0*	*0*

The net cash from operating activities in 9M 2022 (+11 711 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher demand and time deposits and repos, partly offset by an increasing mortgage and term loan portfolio.

The net cash from operating activities in 9M 2021 (+29 328 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher certificates of deposit, demand deposits, repos and deposits from credit institutions and investment firms. 9M 2021 also includes 2.5 billion euros additional TLTRO III funding (bringing the total TLTRO III funding at 24.5 billion euros).

Net cash from (used in) investing activities in 9M 2022 (-1 862 million euros) is mainly explained by additional investments in debt securities at amortised cost, as well as -51 million euros mainly related to the acquisition of Raiffeisenbank Bulgaria (the acquisition price of 1 009 million euros for the shares and 58 million euros for the AT1 was almost offset by the available cash and cash equivalents on the Raiffeisenbank Bulgaria balance sheet – more details are provided in Note 6.6).

The net cash from investing activities in 9M 2021 (+3 191 million euros) is a.o. explained by maturing investments in debt securities at amortised cost.

The net cash flow from financing activities in 9M 2022 (-3 228 million euros) mainly includes the dividend payment (-3 168 million euros), matured covered bond position (-2.3 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 (+3.1 billion euros).

The net cash flow from financing activities in 9M 2021 (+180 million euros) mainly includes the issue of Senior Holdco instruments (2.2 billion euros) and a Tier II instrument (750 million euros) in anticipation of the expected call of a Tier II instrument in the beginning of 2022, mostly offset by matured covered bonds (1.2 billion euros), Senior Holdco instruments (750 million euros), a dividend payment (183 million euros) and repayments.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2021)

The condensed interim financial statements of the KBC Group for the period ended 30 September 2022 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 2021, 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 were issued but not yet effective in 2022. KBC will apply these standards when they become mandatory.

- IFRS 17:

  In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and 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. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

  The interpretation of the IFRS 17 standard was gradually adjusted where necessary when new information became available from external sources or internal sources. Thus, we also take into account the amendments to the original standard that were published by the IASB in June 2020. On November 23, 2021 the EU regulation of the IFRS 17 standard, including the amendments to the original standard and including a solution for the annual cohort requirement for certain types of insurance contracts was published. As a result, the IFRS 17 standard has been endorsed for use in the European Union.

  IFRS 17 will become effective for reporting periods beginning on or after 1 January 2023, with comparative figures being required. KBC launched a group-wide project to implement IFRS 17 in 2018. The project is composed of sub-projects such as data delivery, local reporting, impact on business and strategic implications, guidance and support, consolidated reporting and IFRS 17 calculation tool. The project is driven by the insurance business and Finance together and involves all departments and entities at group and local level that are affected. In 2022, the focus is on the finalization of the implementation of an IFRS17-compliant process for the accounting closing.

- Other:

  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.

In line with ESMA expectations, KBC provides insights in the main known impacts of introducing IFRS 17 in the text below, which will be further completed in the upcoming quarters.

- **Main differences IFRS 4 and IFRS 17:**

  For Non-Life insurance the main difference with IFRS 4 is that under IFRS 17 the claim reserves are discounted.

  The IFRS 4 undiscounted claim reserves are replaced by IFRS 17 discounted best estimate of future cash outflows + risk adjustment (= safety margin).

  For Life insurance currently under IFRS 4 paid premiums are recognised as earned premiums. The IFRS 4 Life mathematical reserves are replaced by IFRS 17 discounted best estimate of future cash flows + risk adjustment (= safety margin) +

contractual service margin (CSM, similar to unearned profit). IFRS 17 prohibits gains at day one; the CSM on the balance sheet is released over the duration of the contract in revenue based on provided services in the period. The profit over the lifetime of an individual contract will be equal, but the recognition over time will be different. Technical charges under IFRS 4 are presented in IFRS 17 in a more transparent way namely insurance service results including insurance revenue and insurance service expenses and this separated from insurance finance income or expenses.

When facts and circumstances indicate onerous contracts, the related expected losses are recognised immediately under IFRS 17.

IFRS 17 has no impact on :

- Solvency II ratio of KBC Insurance: differences in regulation between Solvency II and IFRS are recognised as a reconciliation reserve in own funds.
- Common equity ratio (Danish compromise) of KBC Group: KBC Insurance is valued at group consolidated level as a participation at historical book value.
- Dividend policy: is based on BGAAP results and not on IFRS results.

- **Uniform measurement principles**

  IFRS 17 introduces uniform measurement principles for insurance liabilities that take into account the insurance contracts characteristics. In KBC for long term Life insurance contracts the Building Block Approach (BBA) and the Variable Fee Approach (VFA) measurement models are used. The Premium Allocation Approach (PAA) measurement model is applied for the short term Non-Life insurance contracts and for (ceded) reinsurance, when fulfilling the PAA eligibility criteria.

  The discount curves for Life insurance are based on the top-down approach (= using a risk-free rate adjusted with a spread based on a reference portfolio of assets and excluding the part not related to the insurance liabilities for discounting), while the bottom-up approach (= risk free rate + illiquidity premium) is used for the discount curves of Non-Life insurance.

  IFRS 17 insurance liabilities are valued at current rate. This implies that the impact of the time value of money is revalued each closing period at the current interest rate. An accounting policy choice needs to be made regarding recognising the impact of the changes of current rate either in the Income statement or in OCI. KBC chooses to disaggregate Insurance Finance Income or Expense between the Income statement and Other Comprehensive Income (OCI). This means recognizing in the Income Statement 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 IFRS 17 insurance liabilities and reinsurance assets are presented separately on the balance sheet on a received basis and not on a written basis. To present appropriately the insurance liabilities on a received basis, a correction is performed by netting of insurance payables and receivables against the Liability for Remaining Coverage (LRC).

  When moving from IFRS 4 to IFRS 17 , KBC applies the default Full Retrospective Approach (FRA) for recent years for which the requested historical data is available to perform these FRA transition calculations. Applying FRA for non-recent years is impracticable due to either lack of historical information (data and assumptions set) or due to high costs of making past information available for FRA transition calculations whereby these costs outweigh the benefits and/or due to technical limitations in local source systems. When FRA is impracticable, mainly the Fair Value Approach is applied to determine the CSM at transition date. The Modified Retrospective Approach is rarely used given that the application of this transition approach would be complex to implement with the associated costs outweighing the benefits.

- **Level of aggregation**

  The IFRS17 calculations are done on an aggregated level and take into account:

  - IFRS 17 portfolio (aggregation of contracts with similar risks and managed together)
  - Annual cohort (year of policy conclusion)
  - Group of contracts (same profitability expectation at inception)

  The IFRS 17 group portfolios for Life allow reporting at the level of Non-Unit Linked , Unit-Linked and Hybrid products. For Non-Life, reporting is done on the level of Property, Liability and Personal products. New business is aggregated in annual cohorts. Assigning contracts to a group of contracts happens on the level of a set of insurance contracts that have the same profitability characteristics at initial recognition (policy conclusion).

- **IFRS 17 and Solvency II**

  As a basis, Solvency II cashflows are used to ensure consistencies with IFRS 17. IFRS 17 best estimate of future cashflows deviates from the Solvency II best estimate, based on the following differences:

  - Directly attributable and non-directly attributable expenses
  - Contract boundaries
  - Level of aggregation of projected cashflows.

Summary of significant accounting policies (note 1.2 in the annual accounts 2021)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2021.

Main exchange rates used:

	Exchange rate at 30-09-2022		Average exchange rate in 9M 2022	
	1 EUR = … … currency	Changes relative to 31-12-2021 Positive: appreciation relative to EUR Negative: depreciation relative to EUR	1 EUR = … … currency	Changes relative to the average 9M 2021 Positive: appreciation relative to EUR Negative: depreciation relative to EUR
CZK	24.549	1%	24.630	5%
HUF	422.18	-13%	385.77	-8%

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 3Q 2022, the ECL for the geopolitical and emerging risks amounted to 387 million euros (up from 268 million euros as at the first half of 2022). The figures for 3Q 2022 include an impairment charge of 103 million euros and an increase of 16 million euros following the acquisition of Raiffeisenbank Bulgaria– see Note 6.6 for more information on this acquisition. The 16-million-euro increase due to the acquisition is fully accounted for on the balance sheet through goodwill.

ECL for geopolitical and emerging risks, by country

(in millions of EUR)	9M 2022	P&L changes	Acquisition Raiffeisenbank Bulgaria	1H 2022
KBC Group	387	103	16	268
Belgium	141	36	0	105
Czech Republic	119	48	0	71
Hungary	47	6	0	41
Slovakia	30	5	0	25
Bulgaria	32	1	16	15
Ireland	18	7	0	11

The ECL for geopolitical and emerging risks increased by 103 million euros (excluding the acquisition of Raiffeisenbank Bulgaria). The main drivers were the updated impact assessment (93 million euros) and the negative revision of probabilities applied to the macroeconomic scenarios (17 million euros), partly offset by a reduction in direct transfer risk (7 million euros). The impact assessment methodology used for geopolitical and emerging risks and the macroeconomic assumptions considered are described below in more detail.

As a reminder, the provision for the ECL for Covid risks was fully released in 2Q 2022.

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 3Q 2022, this resulted in an impairment charge of 103 million euros. The ECL for geopolitical and emerging risks amounts to 387 million euros, comprising:

Direct exposure to Russia, Ukraine & Belarus	ECL for transfer risk exposure to Russia, Ukraine and Belarus amounts to 28 million euros (mainly concentrated in commercial exposures to Russian banks), down from 35 million euros in 1H 2022 due to recoveries from these counterparties.
Indirect impact of the military conflict on the loan portfolio	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 3.1 billion euros' worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment* (up from 2 billion euros in 1H 2022). The ECL for the indirect impact amounts to 49 million euros in 3Q 2022 (up from 33 million euros in 1H 2022). The increase was mainly driven by an extended list of counterparties in energy-sensitive sectors identified as being at risk following a prolonged disruption of gas supplies.
Emerging risks	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 9 billion euros' worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment* (up from 6.3 billion euros in 1H 2022). The ECL for emerging risks amounted to 245 million euros in 3Q 2022 (up from 168 million euros in 1H 2022). The increase was mainly driven by recent inflation dynamics and energy prices, which resulted in an extended list of sectors and a broadened scope of retail clients deemed at risk.

Macroeconomic scenarios	The probabilities applied to the base-case, optimistic and pessimistic macroeconomic scenarios were adjusted from 60%, 5% and 35%, respectively, to 55%, 1% and 44%. This was the main reason for the model-driven ECL for geopolitical and emerging risks amounting to 49 million euros in 3Q 2022 (up from 32 million euros in 1H 2022).
Raiffeisenbank Bulgaria	We analysed the portfolio of Raiffeisenbank Bulgaria for geopolitical and emerging risks. The ECL for these risks amounts to 16 million euros, consisting of 10 million euros for emerging risks and 6 million euros for direct transfer risk exposure, with both items being fully accounted for on the balance sheet through goodwill.

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

Other factors

Soaring energy prices and surging inflation have triggered initiatives to support the purchasing power of households and the viability of companies. Governments in our home countries are looking at the banking and insurance sector to support the economy. The main impacts on our home countries are:

- In Hungary, the exceptional geopolitical and macroeconomic circumstances have indirectly led to a modification loss of 24 million euros in the mortgage loan portfolio, due mainly to the extension of the interest cap that has been captured in other impairment charges. The interest cap has been extended until 30 June 2023 (from 31 December 2022 in 1H22). Furthermore, the Hungarian government decided in October 2022 to extend the scope of loans protected by the interest cap to include all mortgage loans with a fixed interest rate for periods of up to five years and all loans to SMEs (except overdraft and loans with state incentive). This will lead to an additional modification loss in 4Q 2022. Note that 1H 2022 also included a modification loss of 14 million euros (due largely to the extension of an interest cap) and an increase in bank and insurance taxes (operational expenditure) of 102 million euros.
- In Belgium, financial institutions launched a repayment holiday for mortgage loans in light of the energy crisis. Private individuals who meet specified conditions can request a temporary suspension of principal repayments, starting from 1 October 2022. No modification loss or any significant additional impact on ECL is expected, as interest payments are not suspended and clients expected to apply for a repayment holiday have already been allocated to Stage 2 based on the collective assessments described above. In addition, the Prime Minister announced on 11 October that the deductibility of bank taxes would be largely abolished as from 2023.
- In the Czech Republic, the Czech Parliament will impose a windfall tax on the excess profits of large banks in the period 2023 to 2025.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2021)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2021.
As a result of the pending sale to Bank 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 (without retroactive restatement). Regarding the impact of the acquisition of Raiffeisenbank Bulgaria, 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
9M 2022									
Net interest income	2 014	991	617	*300*	*169*	*148*	*123*	183	3 745
Non-life insurance (before reinsurance)	359	157	127	*40*	*26*	*61*	*14*	0	657
Earned premiums	*939*	*296*	*263*	*106*	*52*	*105*	*13*	*0*	*1 512*
Technical charges	*- 581*	*- 140*	*- 136*	*- 66*	*- 26*	*- 44*	*2*	*0*	*- 855*
Life insurance (before reinsurance)	- 33	75	33	*8*	*10*	*15*	*0*	0	75
Earned premiums	*610*	*128*	*86*	*30*	*23*	*34*	*0*	*0*	*824*
Technical charges	*- 643*	*- 52*	*- 54*	*- 22*	*- 13*	*- 19*	*0*	*0*	*- 749*
Ceded reinsurance result	49	- 8	- 9	*- 2*	*- 2*	*- 5*	*- 13*	0	19
Dividend income	44	1	1	*0*	*0*	*1*	*3*	0	50
Net result from financial instruments at fair value through profit or loss	82	135	84	*51*	*34*	*0*	*- 12*	- 4	289
Net realised result from debt instruments at fair value through OCI	- 2	- 12	- 5	*- 5*	*0*	*0*	*- 3*	0	- 21
Net fee and commission income	961	169	270	*161*	*53*	*55*	*- 4*	- 1	1 396
Net other income	179	- 29	2	*- 3*	*3*	*3*	*- 6*	- 7	146
TOTAL INCOME	3 653	1 479	1 120	*549*	*293*	*277*	*103*	172	6 355
Operating expenses	- 2 032	- 689	- 695	*- 368*	*- 186*	*- 141*	*- 241*	- 167	- 3 658
Impairment	- 3	- 32	- 90	*- 61*	*- 12*	*- 17*	*- 26*	- 22	- 151
of which on FA at amortised cost and at fair value through OCI	*4*	*- 23*	*- 51*	*- 24*	*- 11*	*- 16*	*- 2*	*1*	*- 72*
Share in results of associated companies and joint ventures	- 6	- 1	0	*0*	*0*	*0*	*0*	0	- 7
RESULT BEFORE TAX	1 611	756	335	*120*	*96*	*120*	*- 164*	- 17	2 538
Income tax expense	- 376	- 116	- 63	*- 29*	*- 22*	*- 12*	*63*	21	- 493
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 234	640	272	*91*	*73*	*107*	*- 100*	4	2 046
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 234	640	272	*91*	*73*	*107*	*- 100*	4	2 046

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
9M 2021									
Net interest income	1 892	680	713	*221*	*173*	*105*	*214*	- 11	3 274
Non-life insurance (before reinsurance)	360	107	120	*38*	*27*	*55*	*0*	13	601
Earned premiums	*889*	*248*	*251*	*108*	*45*	*98*	*0*	*11*	*1 399*
Technical charges	*- 528*	*- 141*	*- 131*	*- 71*	*- 18*	*- 43*	*0*	*2*	*- 798*
Life insurance (before reinsurance)	- 38	44	30	*7*	*10*	*12*	*0*	0	35
Earned premiums	*605*	*135*	*81*	*29*	*23*	*28*	*0*	*0*	*820*
Technical charges	*- 643*	*- 92*	*- 51*	*- 22*	*- 13*	*- 16*	*0*	*0*	*- 786*
Ceded reinsurance result	23	9	- 12	*- 2*	*- 6*	*- 5*	*0*	- 10	10
Dividend income	31	1	1	*0*	*0*	*0*	*0*	4	36
Net result from financial instruments at fair value through profit or loss	191	60	29	*29*	*4*	*0*	*- 4*	- 96	183
Net realised result from debt instruments at fair value through OCI	2	- 1	0	*0*	*0*	*0*	*0*	5	5
Net fee and commission income	982	161	218	*143*	*53*	*26*	*- 3*	- 4	1 357
Net other income	157	18	- 5	*2*	*4*	*3*	*- 14*	- 2	168
TOTAL INCOME	3 599	1 078	1 093	*437*	*265*	*197*	*194*	- 100	5 671
Operating expenses	- 1 878	- 599	- 785	*- 253*	*- 193*	*- 105*	*- 234*	- 56	- 3 318
Impairment	260	112	- 119	*26*	*17*	*3*	*- 165*	- 7	245
of which on FA at amortised cost and at fair value through OCI	*258*	*116*	*- 94*	*34*	*17*	*4*	*- 149*	*- 7*	*272*
Share in results of associated companies and joint ventures	- 2	- 2	0	*0*	*0*	*0*	*0*	0	- 3
RESULT BEFORE TAX	1 979	590	189	*211*	*89*	*95*	*- 206*	- 163	2 595
Income tax expense	- 468	- 90	- 119	*- 31*	*- 22*	*- 10*	*- 56*	33	- 644
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 511	500	70	*180*	*67*	*85*	*- 261*	- 130	1 951
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 511	500	70	*180*	*67*	*85*	*- 261*	- 130	1 951

Other notes

Net interest income (note 3.1 in the annual accounts 2021)

(in millions of EUR)	9M 2022	9M 2021	3Q 2022	2Q 2022	3Q 2021
Total	3 745	3 274	1 297	1 248	1 112
Interest income	7 753	4 566	2 897	2 505	1 557
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	5 490	3 448	2 079	1 779	1 175
Financial assets at FVOCI	190	219	63	65	72
Hedging derivatives	1 180	227	467	412	90
Financial liabilities (negative interest)	243	295	53	90	102
Other	71	15	25	28	0
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	24	17	9	8	6
Financial assets held for trading	553	345	201	123	112
Of which economic hedges	*461*	*318*	*161*	*93*	*101*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-4 008	-1 291	-1 600	-1 258	- 445
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	-1 267	- 335	- 650	- 335	- 106
Financial assets (negative interest)	- 93	- 187	- 16	- 18	- 70
Hedging derivatives	-1 278	- 438	- 501	- 443	- 152
Other	- 4	- 6	- 1	- 1	- 3
Interest expense on other financial instruments					
Financial liabilities held for trading	-1 346	- 316	- 421	- 454	- 110
Of which economic hedges	*-1 310*	*- 283*	*- 412*	*- 442*	*- 96*
Other financial liabilities at FVPL	- 21	- 9	- 10	- 7	- 3
Net interest expense relating to defined benefit plans	- 1	- 1	0	0	0

The vast majority of negative interest on financial liabilities and financial assets relates to transactions with central banks, interbank and professional counterparties as well as the TLTRO (for more information on the TLTRO III, see note 'Financial assets and liabilities: breakdown by portfolio and product' (note 4.1) further in this report).

The increase in interest income and expense from hedging derivatives and financial assets and liabilities held for trading (of which economic hedges) relates to a presentation change of negative interest on derivatives (at KBC Bank, in conformity with Schema A reporting under BGAAP; this results in an increase in interest income as well as interest expense with 439 million euros in 9M 2022, of which respectively 174, 165 and 100 million euros in 1Q, 2Q and 3Q 2022) as well as to overall increase of interest rates in 9M 2022.

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2021)

(in millions of EUR)	9M 2022	9M 2021	3Q 2022	2Q 2022	3Q 2021
Total	289	183	56	89	28
Breakdown by driver					
Market value adjustments (xVA)	79	48	28	25	11
MTM ALM derivatives	11	- 92	7	27	- 33
Financial instruments to which the overlay is applied and other income	44	87	25	- 15	14
Dealing room	155	140	- 5	53	35

The result from financial instruments at fair value through profit or loss in 3Q 2022 is 33 million euro lower compared to 2Q 2022. The quarter-on-quarter decrease is attributable to:

- Significantly lower dealing room income mainly in Belgium
- Less positive MTM ALM derivatives in 3Q 2022 compared to 2Q 2022, mainly driven by more negative basis spreads CZK/EUR, only partly compensated by positive impact from strongly increased EUR-rates

Partly compensated by

- Higher net result on equity instruments (insurance) and other income, driven by higher realised gains on shares, only partly offset by higher impairments on equity instruments following decreasing stock markets
- More positive impact from market value adjustments (xVA) in 3Q 2022 compared to 2Q 2022, related to increasing yield curves

The result from financial instruments at fair value through profit or loss in 9M 2022 is 105 million euros higher compared to 9M 2021, for a large part explained by:

- Higher dealing room in the Czech Republic and Hungary, partly offset by lower dealing room and other income in Belgium
- Significantly more positive MTM ALM derivatives in 9M 2022 compared to highly negative MTM ALM derivatives in 9M 2021
- More positive impact from market value adjustments (xVA) in 9M 2022 compared to 9M 2021

Partly offset by

- Lower positive net result on equity instruments (insurance) and other income in 9M 2022, fully driven by higher impairments on equity instruments due to weak equity markets despite higher realised gains.

Net realised result from debt instruments at fair value through OCI (note 3.4 in the annual accounts 2021)

The realised result from debt instruments at fair value through OCI in 9M 2022 was impacted by -21 million euros realised loss on the sale of low yielding bonds.

Net fee and commission income (note 3.5 in the annual accounts 2021)

(in millions of EUR)	9M 2022	9M 2021	3Q 2022	2Q 2022	3Q 2021
Total	1 396	1 357	463	451	467
Fee and commission income	2 088	1 975	693	684	686
Fee and commission expense	- 691	- 618	- 231	- 233	- 219
Breakdown by type					
Asset Management Services	890	878	288	290	306
Fee and commission income	*931*	*936*	*293*	*308*	*328*
Fee and commission expense	*- 41*	*- 58*	*- 5*	*- 18*	*- 22*
Banking Services	756	701	264	244	237
Fee and commission income	*1 092*	*974*	*382*	*359*	*336*
Fee and commission expense	*- 336*	*- 273*	*- 118*	*- 114*	*- 98*
Distribution	- 249	- 221	- 89	- 83	- 77
Fee and commission income	*64*	*66*	*19*	*18*	*23*
Fee and commission expense	*- 314*	*- 287*	*- 108*	*- 101*	*- 99*

The impact of the acquisition of Raiffeisenbank Bulgaria (see note 6.6) on Net fee and commission income is mainly included in the Banking Services.

Net other income (note 3.6 in the annual accounts 2021)

(in millions of EUR)	9M 2022	9M 2021	3Q 2022	2Q 2022	3Q 2021
Total	146	168	2	90	77
of which gains or losses on					
Sale of financial assets measured at amortised cost	- 78	22	- 45	- 32	23
Repurchase of financial liabilities measured at amortised cost	0	0	1	0	0
of which other, including:	223	146	47	122	54
Income from operational leasing activities	87	73	31	27	27
Income from VAB Group	40	40	12	13	12
Legacy legal cases	7	0	0	0	0
Gain on sale real estate subsidiary at KBC Insurance	68	0	0	68	0
Gain on sale KBC Tower in Antwerp	0	13	0	0	13
Provisioning for tracker mortgage review	0	- 13	0	0	- 13

In 9M 2022:

- Gain on sale of a real estate subsidiary at KBC Insurance (KBC Vastgoed Nederland) (+68 million euros)
- Realised loss on exceptional sale of low yielding bonds at amortised cost mainly in Czech Republic, Belgium and Hungary (-78 million euros)
- Legacy legal case in Czech Republic (+7 million euros)

In 9M 2021 (almost all in 3Q 2021):

- Sale of bonds at amortised cost (+22 million euros), mainly optimization of low yield bond portfolio in Belgium
- Gain on sale of KBC Tower in Antwerp (+13 million euros)
- Provision for tracker mortgage review in KBC Bank Ireland (-13 million euros)

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2021)

(in millions of EUR)	Life	Non-life	Non-technical account	Total
9M 2022				
Earned premiums, insurance (before reinsurance)	824	1 527	-	2 351
of which change in provision unearned premiums	*0*	*- 172*		*- 172*
Technical charges, insurance (before reinsurance)	- 749	- 856	-	- 1 605
Claims paid	*- 1 059*	*- 758*		*- 1 817*
Changes in technical provisions	*411*	*- 88*		*323*
Other technical result	*- 102*	*- 10*		*- 112*
Net fee and commission income	- 2	- 298	-	- 299
Ceded reinsurance result	- 2	21	-	19
General administrative expenses	- 117	- 210	- 2	- 329
Internal claims settlement expenses	*- 7*	*- 47*	*-*	*- 54*
Indirect acquisition costs	*- 24*	*- 51*	*-*	*- 74*
Administrative expenses	*- 87*	*- 112*	*-*	*- 199*
Investment management fees	*0*	*0*	*- 2*	*- 2*
Technical result	- 46	184	- 2	137
Investment Income *	262	77	34	373
Technical-financial result	217	261	32	510
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	217	261	32	510
Income tax expense	-	-	-	- 90
RESULT AFTER TAX	-	-	-	419
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***419***
9M 2021				
Earned premiums, insurance (before reinsurance)	821	1 414	-	2 235
of which change in provision unearned premiums	*0*	*- 139*		*- 138*
Technical charges, insurance (before reinsurance)	- 786	- 799	-	- 1 585
Claims paid	*- 842*	*- 642*		*- 1 485*
Changes in technical provisions	*41*	*- 150*		*- 109*
Other technical result	*16*	*- 7*		*9*
Net fee and commission income	- 1	- 273	-	- 274
Ceded reinsurance result	- 2	12	-	10
General administrative expenses	- 113	- 188	- 2	- 303
Internal claims settlement expenses	*- 6*	*- 45*	*-*	*- 51*
Indirect acquisition costs	*- 22*	*- 51*	*-*	*- 73*
Administrative expenses	*- 85*	*- 93*	*-*	*- 177*
Investment management fees	*0*	*0*	*- 2*	*- 2*
Technical result	- 81	166	- 2	83
Investment Income *	293	71	51	414
Technical-financial result	212	237	49	497
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	212	237	49	497
Income tax expense	-	-	-	- 101
RESULT AFTER TAX	-	-	-	396
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***396***

** 9M 2022 Investment income consists of (in millions of EUR): Net interest income (316), Net Dividend income (32), Net result from financial instruments at fair value through profit and loss (48), Impairment (-1), Net result from financial instruments at fair value through OCI (-15) and Net other income (-8).*
** 9M 2021 Investment income consists of (in millions of EUR): Net interest income (297), Net Dividend income (25), Net result from financial instruments at fair value through profit and loss (86), Net other income (3), Impairment (2) and Net result from financial instruments at fair value through OCI (1).*

The non-technical account includes also results of non-insurance companies such as VAB group and ADD.

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2021 annual accounts).

In 9M 2022, the technical result non-life was negatively impacted by storms mainly in 1Q 2022 in Belgium (-101 million euros before tax, before reinsurance; -51 million euros before tax, after reinsurance). In 9M 2021, the technical result non-life was severely negatively impacted by storms: several floods in Belgium starting mid of July (impact -100 million euros pre-tax - before reinsurance; -79 million euros pre-tax - after reinsurance, of which 38 million euros above the legal limit but still within the conventional limit as agreed between the Belgian insurance sector and the Walloon regional government) and a tornado in the Czech Republic in June (-24 million euros pre-tax - before reinsurance).

The technical charges Life and Non-Life (after reinsurance) in 3Q 2022 include a release of technical provisions of respectively 31 and 10 million euros, booked in the Czech Republic Business Unit, as a result of reassessing the confidence level of the technical provisions.

Note: acquisition of certain life and pension insurance policies from NN in Bulgaria (see Note 6.6 further in this report).

Operating expenses – income statement (note 3.8 in the annual accounts 2021)

The operating expenses for 3Q 2022 include 23 million euros related to bank (and insurance) levies (94 million euros in 2Q 2022; 24 million euros in 3Q 2021).
Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

At the beginning of April 2022 the National Deposit Insurance Fund of Hungary (OBA) required an extraordinary contribution fee of all its member banks, due to the revoking of the license of Sberbank Hungary by the Hungarian National Bank at the beginning of March 2022, which triggered the compensation for the deposits of clients up to 100 000 euro from the Deposit Guarantee Fund. For K&H Bank the extraordinary contribution fee amounts to 24 million euros and is included in the result of 1Q 2022.

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 78 million euros and is 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 pending sale transaction in Ireland (see note 6.6 further in this report).

Impairment – income statement (note 3.10 in the annual accounts 2021)

(in millions of EUR)	9M 2022	9M 2021	3Q 2022	2Q 2022	3Q 2021
Total	**- 151**	**245**	**- 101**	**- 28**	**45**
Impairment on financial assets at AC and at FVOCI	- 72	272	- 79	- 9	66
Of which impairment on financial assets at AC	- 73	270	- 79	- 10	65
By product					
Loans and advances	*- 96*	*250*	*- 106*	*- 27*	*65*
Debt securities	*- 2*	*- 1*	*- 3*	*0*	*- 3*
Off-balance-sheet commitments and financial guarantees	*24*	*20*	*30*	*16*	*2*
By type					
Stage 1 (12-month ECL)	*- 18*	*58*	*- 9*	*- 14*	*14*
Stage 2 (lifetime ECL)	*- 51*	*404*	*- 95*	*1*	*237*
Stage 3 (non-performing; lifetime ECL)	*- 7*	*- 196*	*26*	*2*	*- 196*
Purchased or originated credit impaired assets	*2*	*4*	*- 1*	*2*	*9*
Of which impairment on financial assets at FVOCI	1	2	0	1	2
Debt securities	1	2	0	1	2
Stage 1 (12-month ECL)	*0*	*3*	*0*	*0*	*1*
Stage 2 (lifetime ECL)	*1*	*0*	*0*	*1*	*1*
Stage 3 (non-performing; lifetime ECL)	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 79	- 27	- 23	- 19	- 21
Intangible fixed assets (other than goodwill)	- 22	- 7	1	- 2	- 7
Property, plant and equipment (including investment property)	- 9	- 11	0	0	- 9
Associated companies and joint ventures	0	0	0	0	0
Other	- 48	- 8	- 24	- 18	- 5

The impairments on financial assets at AC and at FVOCI in 9M 2022 include a net impairment charge of 116 million euros for the geopolitical, emerging and Covid risks (of which 18 million euros charge in 1Q 2022, 5 million euros release in 2Q 2022 and 103 million euros charge in 3Q 2022, compared to a release of 415 million euros collective Covid-19 ECL impact (of which 26m in 1Q 2021, 129 million euros in 2Q 2021 and 260 million euros in 3Q 2021) (the reference periods only related to Covid risks). For more information, see note 1.4 of this report.

Additionally, the impairments on financial assets at AC and at FVOCI in 9M 2022 include +43 million euros net releases largely in stage 3 mainly related to a number of corporate and retail files in Czech Republic and Belgium (+33 million euros releases in 1Q 2022, -14 million euros charges in 2Q 2022 and +24 million euros releases in 3Q 2022) compared to +28 million euros net releases in 9M 2021.

The impairment on other (Other) in 9M 2022 include -38 million euros modification losses, largely related to the extension of the interest cap regulation in Hungary (interest cap was extended until June 2023) compared to -7 million euros in 9M 2021 related to modification losses in Hungary.

9M 2022 includes -32 million euros related to impairments on property and equipment and intangible assets, of which -24 million euros in Ireland in 1Q 2022, compared to -15 million euros related to one-off write-offs on (in)tangible assets in Ireland in 3Q 2021. For more information see note 6.6 further in this report.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2021)

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Mandatorily measured at FV through P&L (MFVPL) excl. HFT &overlay	Measured at fair value - overlay approach (overlay)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	Pro Forma excl. Raiffeisenbank Bulgaria
FINANCIAL ASSETS, 30-09-2022									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 925	0	0	0	1	0	0	6 926	*6 890*
of which repayable on demand and term loans at not more than three months								*3 916*	*3 916*
Loans and advances to customers (excl. reverse repos)	176 524	0	570	0	6	0	0	177 100	*173 264*
Trade receivables	*2 667*	*0*	*0*	*0*	*0*	*0*	*0*	*2 667*	*2 632*
Consumer credit	*6 166*	*0*	*388*	*0*	*0*	*0*	*0*	*6 554*	*5 887*
Mortgage loans	*72 130*	*0*	*182*	*0*	*0*	*0*	*0*	*72 312*	*71 565*
Term loans	*81 843*	*0*	*0*	*0*	*0*	*0*	*0*	*81 843*	*79 791*
Finance lease	*6 192*	*0*	*0*	*0*	*0*	*0*	*0*	*6 192*	*5 940*
Current account advances	*6 467*	*0*	*0*	*0*	*0*	*0*	*0*	*6 467*	*6 431*
Other	*1 060*	*0*	*0*	*0*	*6*	*0*	*0*	*1 066*	*1 018*
Reverse repos	25 783	0	0	0	801	0	0	26 584	*26 584*
with credit institutions and investment firms	*24 391*	*0*	*0*	*0*	*801*	*0*	*0*	*25 191*	*25 191*
with customers	*1 392*	*0*	*0*	*0*	*0*	*0*	*0*	*1 392*	*1 392*
Equity instruments	0	330	10	1 195	332	0	0	1 868	*1 862*
Investment contracts (insurance)	0	0	12 768	0	0	0	0	12 768	*12 768*
Debt securities issued by	49 569	12 051	17	0	2 538	0	0	64 175	*63 454*
Public bodies	*42 432*	*8 081*	*0*	*0*	*2 440*	*0*	*0*	*52 953*	*52 318*
Credit institutions and investment firms	*4 475*	*1 769*	*0*	*0*	*34*	*0*	*0*	*6 278*	*6 235*
Corporates	*2 662*	*2 201*	*17*	*0*	*63*	*0*	*0*	*4 943*	*4 900*
Derivatives	0	0	0	0	8 521	0	583	9 105	*9 080*
Other	1 488	0	0	0	0	0	0	1 488	*1 478*
Total	260 289	12 381	13 364	1 195	12 199	0	583	300 012	*295 380*
FINANCIAL ASSETS, 31-12-2021									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	7 920	0	0	0	1	0	0	7 920	
of which repayable on demand and term loans at not more than three months								*3 146*	
Loans and advances to customers (excl. reverse repos)	159 167	0	560	0	0	0	0	159 728	
Trade receivables	*2 090*	*0*	*0*	*0*	*0*	*0*	*0*	*2 090*	
Consumer credit	*5 470*	*0*	*381*	*0*	*0*	*0*	*0*	*5 851*	
Mortgage loans	*67 486*	*0*	*179*	*0*	*0*	*0*	*0*	*67 665*	
Term loans	*72 998*	*0*	*0*	*0*	*0*	*0*	*0*	*72 998*	
Finance lease	*5 815*	*0*	*0*	*0*	*0*	*0*	*0*	*5 815*	
Current account advances	*4 819*	*0*	*0*	*0*	*0*	*0*	*0*	*4 819*	
Other	*490*	*0*	*0*	*0*	*0*	*0*	*0*	*490*	
Reverse repos	24 978	0	0	0	0	0	0	24 978	
with credit institutions and investment firms	*24 861*	*0*	*0*	*0*	*0*	*0*	*0*	*24 861*	
with customers	*117*	*0*	*0*	*0*	*0*	*0*	*0*	*117*	
Equity instruments	0	321	8	1 366	448	0	0	2 144	
Investment contracts (insurance)	0	0	14 620	0	0	0	0	14 620	
Debt securities issued by	47 172	15 503	17	0	2 958	0	0	65 650	
Public bodies	*41 475*	*10 514*	*0*	*0*	*2 517*	*0*	*0*	*54 507*	
Credit institutions and investment firms	*3 310*	*2 245*	*0*	*0*	*357*	*0*	*0*	*5 912*	
Corporates	*2 387*	*2 744*	*17*	*0*	*84*	*0*	*0*	*5 232*	
Derivatives	0	0	0	0	5 443	0	283	5 727	
Other	892	0	0	0	0	0	0	892	
Total	240 128	15 824	15 205	1 366	8 850	0	283	281 658	

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	Pro Forma excl. Raiffeisen-bank Bulgaria
FINANCIAL LIABILITIES, 30-09-2022						
Deposits from credit institutions and investment firms (excl. repos)	37 234	7	0	0	37 241	*37 152*
of which repayable on demand					*7 519*	*7 519*
Deposits from customers and debt securities (excl. repos)	240 901	33	1 162	0	242 095	*237 159*
Demand deposits	*121 646*	*0*	*0*	*0*	*121 646*	*117 233*
Time deposits	*16 632*	*33*	*69*	*0*	*16 733*	*16 280*
Savings accounts	*75 796*	*0*	*0*	*0*	*75 796*	*75 772*
Special deposits	*3 015*	*0*	*0*	*0*	*3 015*	*2 970*
Other deposits	*347*	*0*	*0*	*0*	*347*	*347*
Subtotal deposits of clients, excl. repos	*217 436*	*33*	*69*	*0*	*217 538*	*212 602*
Certificates of deposit	*5 726*	*0*	*1*	*0*	*5 727*	*5 727*
Savings certificates	*137*	*0*	*0*	*0*	*137*	*137*
Non-convertible bonds	*15 427*	*0*	*956*	*0*	*16 383*	*16 383*
Non-convertible subordinated liabilities	*2 174*	*0*	*137*	*0*	*2 311*	*2 311*
Repos	14 519	38	0	0	14 557	*14 557*
with credit institutions and investment firms	*9 070*	*29*	*0*	*0*	*9 099*	*9 099*
with customers	*5 448*	*9*	*0*	*0*	*5 457*	*5 457*
Liabilities under investment contracts	0	0	11 964	0	11 964	*11 964*
Derivatives	0	9 529	0	626	10 154	*10 130*
Short positions	0	1 376	0	0	1 376	*1 376*
In equity instruments	*0*	*9*	*0*	*0*	*9*	*9*
In debt securities	*0*	*1 367*	*0*	*0*	*1 367*	*1 367*
Other	3 256	0	0	0	3 256	*3 172*
Total	295 909	10 982	13 126	626	320 643	*315 510*
FINANCIAL LIABILITIES, 31-12-2021						
Deposits from credit institutions and investment firms (excl. repos)	38 047	0	0	0	38 047	
of which repayable on demand					*4 695*	
Deposits from customers and debt securities (excl. repos)	224 759	21	1 312	0	226 093	
Demand deposits	*112 097*	*0*	*0*	*0*	*112 097*	
Time deposits	*9 106*	*21*	*60*	*0*	*9 187*	
Savings accounts	*74 801*	*0*	*0*	*0*	*74 801*	
Special deposits	*2 962*	*0*	*0*	*0*	*2 962*	
Other deposits	*428*	*0*	*0*	*0*	*428*	
Subtotal deposits of clients, excl. repos	*199 395*	*21*	*60*	*0*	*199 476*	
Certificates of deposit	*6 273*	*0*	*0*	*0*	*6 273*	
Savings certificates	*253*	*0*	*0*	*0*	*253*	
Non-convertible bonds	*15 892*	*0*	*1 118*	*0*	*17 011*	
Non-convertible subordinated liabilities	*2 946*	*0*	*134*	*0*	*3 080*	
Repos	3 293	2	0	0	3 295	
with credit institutions and investment firms	*2 888*	*2*	*0*	*0*	*2 890*	
with customers	*405*	*0*	*0*	*0*	*405*	
Liabilities under investment contracts	0	0	13 603	0	13 603	
Derivatives	0	5 619	0	1 094	6 713	
Short positions	0	1 628	0	0	1 628	
In equity instruments	*0*	*18*	*0*	*0*	*18*	
In debt securities	*0*	*1 611*	*0*	*0*	*1 611*	
Other	2 288	0	0	0	2 288	
Total	268 387	7 271	14 916	1 094	291 667	

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme (totaling 24.5 billion euros, unchanged in 2022).

Impaired financial assets (note 4.2.1 in the annual accounts 2021)

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
30-09-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	211 849	- 2 617	209 232
Stage 1 (12-month ECL)	174 608	- 128	174 480
Stage 2 (lifetime ECL)	33 275	- 583	32 693
Stage 3 (lifetime ECL)	3 485	- 1 824	1 662
Purchased or originated credit impaired assets (POCI)	480	- 83	398
Debt Securities	49 587	- 18	49 569
Stage 1 (12-month ECL)	49 502	- 6	49 496
Stage 2 (lifetime ECL)	76	- 4	73
Stage 3 (lifetime ECL)	9	- 8	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	12 056	- 5	12 051
Stage 1 (12-month ECL)	12 003	- 3	12 000
Stage 2 (lifetime ECL)	53	- 2	51
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
31-12-2021			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	194 638	- 2 573	192 065
Stage 1 (12-month ECL)	167 426	- 104	167 322
Stage 2 (lifetime ECL)	23 131	- 507	22 624
Stage 3 (lifetime ECL)	3 493	- 1 848	1 645
Purchased or originated credit impaired assets (POCI)	588	- 114	474
Debt Securities	47 181	- 9	47 172
Stage 1 (12-month ECL)	47 155	- 5	47 150
Stage 2 (lifetime ECL)	24	- 3	21
Stage 3 (lifetime ECL)	1	- 1	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	15 509	- 6	15 503
Stage 1 (12-month ECL)	15 418	- 3	15 415
Stage 2 (lifetime ECL)	91	- 3	88
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)

In 9M 2022, a collective shift to stage 2 has been applied or maintained for the stage 1 portfolios that are either:

- indirectly exposed to Russia, Ukraine and Belarus (i.e. related to military conflict) (3.1 billion euros), or
- vulnerable to the emerging risks (9.0 billion euros) (including Czech retail clients expected to be impacted by the sharp interest rate increases).

An exposure of 12.1 billion euros has been transferred to stage 2 based on these collective assessments in 9M 2022 (for more information, see note 1.4 in this report).

The figures of note 4.2.1 of 30 September 2022 are impacted by the acquisition of Raiffeisenbank Bulgaria (for more information see Note 6.6 further in this report), mainly in the loans and advances at amortised cost which include a total carrying amount after impairment of 3.9 billion euros from Raiffeisenbank Bulgaria EAD, of which respectively 3.3, 0.6 and 0.0 billion euros in stage 1, 2 and 3 (additional impairments of 0.1 billion euros mainly in stage 3).

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2021)

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 2021.

(in millions of EUR)				30-09-2022				31-12-2021
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	13 690	185	685	14 560	15 702	254	615	16 572
Held for trading	2 574	8 785	840	12 199	1 970	5 915	965	8 850
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	9 487	2 367	527	12 381	12 284	2 964	577	15 824
Hedging derivatives	0	583	0	583	0	283	0	283
Total	25 751	11 919	2 053	39 723	29 956	9 416	2 157	41 529
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 389	8 373	1 220	10 982	1 582	4 480	1 209	7 271
Designated at fair value	11 964	70	1 092	13 126	13 603	61	1 251	14 916
Hedging derivatives	0	506	120	626	0	696	398	1 094
Total	13 352	8 949	2 433	24 734	15 185	5 238	2 857	23 280

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2021)

During 9M 2022, KBC transferred about 186 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 215 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 2021)

In 9M 2022 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 unquoted equities increased by 59 million euros, mostly due to new transactions.
- Financial assets held for trading: the fair value of derivatives decreased by 125 million euros, primarily due to changes in market parameters and sales of existing positions, not fully offset by new acquisitions and transfers into level 3.
- Financial assets measured at fair value through other comprehensive income: the fair value of debt securities has decreased by 38 million euros, mostly due to changes in market parameters.
- Financial liabilities designated at fair value: the fair value of debt securities issued decreased by 159 million euros, primarily due to deals that reached maturity and sales of existing positions, only partially offset by new transactions.
- Financial liabilities in hedge accounting: the fair value of derivatives decreased by 277 million euros due to changes in market parameters

Details of provisions for other risks and charges (note 5.7.3 in the annual accounts 2021)

Possible outflow: 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 110 million US dollars 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 2022 we refer to the annual report.

Recent developments: after consideration, the claim was amended to 86 million US dollars (plus pre judgement interest, costs and expenses) and the Trustee filed this amended complaint on 5 August 2022. KBC Investments Ltd will have the right to seek to dismiss the complaint, including for lack of specific personal jurisdiction of the US court, in particular due to the insufficient nexus between KBC Investments Ltd's actions and the United States. Although certain defenses are now unavailable and the burden of proof has been shifted for others, KBC still believes it has good and credible defenses, both procedurally as on the merits including demonstrating its good faith. The procedure may still take several years.

Non-current assets held for sale and discontinued operations (note 5.11 in the annual accounts 2021)

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' because we consider all IFRS 5 conditions are met.

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2021)

NN's Bulgarian pension and life insurance business

On 30 July 2021, we completed the acquisition of NN's Bulgarian pension and life insurance business for 77.7 million euros, without any contingent consideration. It concerns an acquisition by DZI (Bulgarian subsidiary of KBC) of all shares of NN Pension Insurance Company EAD (Bulgaria) and all assets and liabilities of NN Insurance Co. Ltd. - Sofia Branch. For more information, see note 6.6 in the annual accounts of 2021.

KBC Bank Ireland:

Transaction with CarVal Investors

On 30 August 2021 KBC Bank Ireland sold substantially all of its remaining non-performing mortgage loan portfolio of roughly 1.1 billion euros in a transaction financed by funds managed by CarVal Investors ("CarVal"). Post completion, Pepper Finance Corporation (Ireland) DAC will be managing the loans as Legal Title Holder. Pepper is regulated by the Central Bank of Ireland. The impact on KBC Group's P&L in 2021 is -120 million euros (see table with details further in this note) and +3 million euros in 1Q 2022. The transaction is marginally capital accretive with a combined impact (P&L and RWA) on the CET1 ratio of KBC Group of approximately 2bps, fully in 2021. The risk-weighted assets decreased by 0.8 billion euros (in 3Q 2021). On 7 February 2022, the deal was finalized, leading to a decline of the balance sheet item 'Non-current assets held for sale and disposal groups' with 0.6 billion euros in 1Q 2022.

Transaction with Bank of Ireland Group

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.

The acquisition for a total consideration of c. 5.0 billion euros (net of deposits), involves c.8.8 billion euros of performing mortgages, c. 0.1 billion euros of mainly performing commercial and consumer loans, c. 0.3 billion euros of non-performing mortgages, and c. 4.4 billion euros of deposits. The exact size of the portfolio and consideration payable will depend on movements in the portfolio up to completion, but is not expected to materially change.

The transaction remains subject to ministerial approval. On 23 May 2022 the transaction already received approval from the Irish Competition and Consumer Protection Commission (CCPC).

As mentioned, at the time of the announcement, the transaction will have an impact on KBC Group's P&L which has been estimated at +0.2 billion euros at completion. Furthermore, as the transaction would ultimately result in KBC Group's withdrawal from the Irish market, this also triggered a P&L impact in 2021 of -241 million euros (see table with details further in this note) and -43 million euros in 9M 2022. Combined, it further improves KBC's solid capital position on completion of the transaction, with a positive impact of +0.9%pt. on the CET1 ratio primarily by reducing risk-weighted assets, expected in 1H 2023.

As a result of this announcement, the P&L-lines of KBC Bank Ireland have been transferred from Business Unit International Markets to Group Centre as of 1 January 2022 (without retroactive restatement) (see note 2.2 in this report for more information).

Impact of transactions relating to Ireland non-recurring items (in millions of EUR)	**Sale of non-performing loans to CarVal**	**Sale of loans and deposits to BOI and planned wind-down**	**Total**
9M 2022			
Total income	6	0	6
Operating expenses	0	- 27	- 28
Impairment	- 2	- 36	- 38
on financial assets at AC and at FVOCI	*- 2*	*- 13*	*- 15*
other	*0*	*- 23*	*- 23*
Income tax expense	0	20	20
RESULT AFTER TAX	3	- 43	- 40
FY 2021			
Total income	0	- 3	- 3
Operating expenses	- 7	- 91	- 97
Impairment	- 129	- 81	- 210
on financial assets at AC and at FVOCI	*- 129*	*- 49*	- 178
other	*0*	*- 32*	- 32
Income tax expense	16	- 67	- 51
RESULT AFTER TAX	- 120	- 241	- 361

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 also includes Raiffeisenbank Bulgaria's fully-owned subsidiaries Raiffeisen Leasing Bulgaria, Raiffeisen Asset Management (Bulgaria), Raiffeisen Insurance Broker (serving Raiffeisenbank Bulgaria's leasing and corporate clients) and Raiffeisen Service.

The transaction was completed on 7 July 2022 and the results have been fully consolidated as of 3Q 2022. The impact in 3Q amounts to +53 million euros in total income (of which +33 million euros in net interest income and +19 million euros in net fee and commission income), -26 million euros in operating expenses, +1 million euros in impairment, and +25 million euros in result after tax. For more information on the impact of the consolidation of Raiffeisenbank Bulgaria on the financial assets and liabilities of KBC, we refer to note 4.1 and regarding the staging to note 4.2.1. See also the table below for the fair value of the assets and liabilities involved in the acquisition of Raiffeisenbank Bulgaria.

The deal involves a total consideration of 1 009 million euros paid in cash (without any contingent consideration arrangements). KBC recognized a goodwill of 428 million euros in its consolidated financial statements in 3Q 2022 for Raiffeisenbank Bulgaria, taking into account limited fair value adjustments. This is accounted for by the quality of Raiffeisenbank Bulgaria reflected by the qualitative credit portfolio and its profitability (based on the results achieved in previous years and the business plan for the years ahead). This allows KBC to serve more clients and consequently to benefit from economies of scale (via significant cost synergies on the branch network and headquarter overlap in Bulgaria and revenue synergies related to increased sales of insurance products of DZI) and increased visibility. The acquisition provides KBC an opportunity to deploy its excess capital in a value accretive transaction in a market the group knows intimately.

It should be noted that, in principle, IFRS 3 (Business Combinations) allows the amount of goodwill to be adjusted during the 12-month measurement period starting from the acquisition date (IFRS 3.45). The amount of goodwill is therefore temporary and subject to change (there are currently no indications that the goodwill calculation will be subject to any major adjustments). Goodwill is not deductible for tax purposes.

The transaction had a capital impact of -0,9pp on KBC Group's CET1 in 3Q 2022.

In 2023, Raiffeisenbank Bulgaria will be legally merged with United Bulgarian Bank (UBB).

The table below shows the fair value of the assets and liabilities involved in the acquisition of Raiffeisenbank Bulgaria.

in millions of EUR	2022
Purchase or sale	Purchase
	Raiffeisen-bank Bulgaria EAD
Total share percentage at the end of the relevant year	100.00%
For business unit/segment	International Markets
Deal date (month and year)	July 2022
Incorporation of the result of the company in the result of the group as of:	07-07-2022
Purchase price (*)	1 009
Cashflow for acquiring or selling companies less cash and cash equivalents acquired	- 42
Recognised amounts of identifiable assets acquired and liabilities assumed - (provisional) fair value:	
Cash and cash balances with central banks	1 053
Financial assets	4 686
At amortised cost	4 521
Fair value through OCI	132
Fair value through profit or loss	30
Hedging derivatives	4
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0
Tax assets	2
Investments in associated companies and joint ventures	2
Property and equipment	35
Goodwill and other intangible assets	15
Other assets	20
of which: cash and cash equivalents (included in the assets above)	*1 053*
Financial liabilities	5 150
Held for trading	19
At amortised cost	5 130
Provisions for risks and charges	9
Other liabilities	21
of which: cash and cash equivalents (included in the liabilities above)	*28*

(*) Additionally, 58 million euros was paid for an Additional tier-1 instrument included in equity at nominal value issued by Raiffeisenbank Bulgaria from RBI

Post-balance sheet events (note 6.8 in the annual accounts 2021)

Significant non-adjusting event between the balance sheet date (30 September 2022) and the publication of this report (9 November 2022):

The soaring energy prices and general unbound inflation have triggered initiatives to support the purchase power of households and the viability of companies. Governments in our home countries are looking at the banking and insurance sector to support the economy. See note 1.4 in this report for more information on the main impacts for our home countries.

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022 AND FOR THE NINE-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 September 2022 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the nine-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine-month 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 363.528 million and a consolidated profit (attributable to equity holders of the parent) for the nine-month period then ended of EUR 2.046 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, 8 November 2022

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave
Accredited auditor

Jeroen Bockaert
Accredited auditor

KBC Group

Additional Information 3Q 2022 and 9M 2022

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 2021. 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.

Credit risk: loan portfolio overview	30-09-2022	Pro forma excl. Ireland 30-09-2022	31-12-2021	Pro forma excl. Ireland 31-12-2021
Total loan portfolio (in billions of EUR) [1]				
Amount outstanding and undrawn	258	249	237	226
Amount outstanding	207	198	188	178
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)				
Belgium	63.1%	65.9%	63.4%	67.1%
Czech Republic	18.3%	19.1%	18.8%	19.9%
International Markets	13.5%	14.1%	16.8%	11.9%
Group Centre [2]	5.0%	0.9%	1.0%	1.1%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)				
Private individuals	42.5%	40.0%	44.4%	41.2%
Finance and insurance	6.6%	6.9%	6.0%	6.3%
Governments	3.8%	3.9%	2.8%	2.9%
Corporates	47.1%	49.2%	46.8%	49.5%
Services	9.7%	10.1%	10.3%	10.9%
Distribution	8.0%	8.3%	7.5%	8.0%
Real estate	6.1%	6.4%	6.1%	6.4%
Building & construction	4.2%	4.4%	4.2%	4.4%
Agriculture, farming, fishing	2.7%	2.8%	2.7%	2.9%
Automotive	2.4%	2.5%	2.4%	2.6%
Food Producers	1.7%	1.8%	1.8%	1.9%
Electricity	1.6%	1.7%	1.6%	1.6%
Metals	1.6%	1.7%	1.4%	1.5%
Chemicals	1.4%	1.5%	1.3%	1.4%
Machinery & Heavy equipment	0.9%	0.9%	0.9%	0.9%
Oil, gas & other fuels	0.8%	0.9%	0.6%	0.7%
Hotels, bars & restaurants	0.7%	0.7%	0.7%	0.8%
Shipping	0.6%	0.6%	0.7%	0.7%
Traders	0.5%	0.6%	0.5%	0.5%
Electrotechnics	0.5%	0.6%	0.5%	0.5%
Textile & Apparel	0.5%	0.5%	0.5%	0.5%
Other [3]	3.0%	3.1%	3.1%	3.3%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)				
Belgium	53.1%	55.4%	53.9%	57.1%
Czech Republic	18.1%	18.8%	17.6%	18.7%
Slovakia	5.8%	6.1%	5.6%	6.0%
Hungary	3.3%	3.5%	3.6%	3.8%
Bulgaria	4.4%	4.6%	2.3%	2.4%
Ireland	4.2%	0.1%	5.7%	0.1%
Rest of Western Europe	6.7%	7.0%	6.9%	7.3%
Rest of Central and Eastern Europe	0.2%	0.2%	0.2%	0.2%
of which: Russia and Ukraine	0.01%	0.01%		
North America	1.3%	1.4%	1.3%	1.3%
Asia	1.5%	1.6%	1.5%	1.6%
Other	1.3%	1.4%	1.4%	1.5%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)				
Retail	42.5%	40.0%	44.4%	41.2%
of which: mortgages	39.0%	36.4%	41.2%	37.8%
of which: consumer finance	3.5%	3.6%	3.2%	3.4%
SME	20.6%	21.5%	21.5%	22.8%
Corporate	36.9%	38.5%	34.0%	36.0%

	30-09-2022	Pro forma excl. Ireland 30-09-2022	31-12-2021	Pro forma excl. Ireland 31-12-2021
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)				
Stage 1 (credit risk has not increased significantly since initial recognition)	80.4%	79.9%	83.5%	83.5%
of which: PD 1 - 4	61.8%	64.1%	62.3%	65.4%
of which: PD 5 - 9 including unrated	18.6%	15.8%	21.2%	18.1%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [4]	17.6%	18.1%	13.6%	14.1%
of which: PD 1 - 4	6.7%	7.0%	5.1%	5.4%
of which: PD 5 - 9 including unrated	10.9%	11.1%	8.5%	8.7%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [4]	2.0%	2.0%	2.9%	2.4%
of which: PD 10 impaired loans	0.9%	0.9%	1.4%	1.1%
of which: more than 90 days past due (PD 11+12)	1.1%	1.1%	1.5%	1.2%
Impaired loan portfolio (in millions of EUR)				
Impaired loans (PD10 + 11 + 12)	4 202	3 963	5 454	4 198
of which: more than 90 days past due	2 309	2 177	2 884	2 157
Impaired loans ratio (%)				
Belgium	1.8%	1.8%	2.2%	2.2%
Czech Republic	1.6%	1.6%	1.8%	1.8%
International Markets	2.1%	2.1%	5.7%	2.5%
Group Centre [2]	6.4%	24.2%	21.5%	21.5%
Total	2.0%	2.0%	2.9%	2.4%
of which: more than 90 days past due	1.1%	1.1%	1.5%	1.2%
Loan loss impairment (in millions of EUR)				
Loan loss Impairment for Stage 1 portfolio	158	151	127	123
Loan loss Impairment for Stage 2 portfolio	632	613	559	528
Loan loss Impairment for Stage 3 portfolio	2 082	1 953	2 569	2 025
of which: more than 90 days past due	1 578	1 497	1 905	1 513
Cover ratio of impaired loans (%)				
Loan loss impairments for stage 3 portfolio / impaired loans	49.5%	49.3%	47.1%	48.2%
of which: more than 90 days past due	68.4%	68.8%	66.1%	70.2%
Cover ratio of impaired loans, mortgage loans excluded (%)				
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	52.2%	52.1%	50.9%	50.8%
of which: more than 90 days past due	71.5%	71.5%	72.8%	72.7%
Credit cost ratio (%)				
Belgium	-0.01%	-0.01%	-0.26%	-0.26%
Czech Republic	0.08%	0.08%	-0.42%	-0.42%
International Markets	0.28%	0.28%	0.36%	-0.19%
Slovakia	0.13%	0.13%	-0.16%	-0.16%
Hungary	0.46%	0.46%	-0.34%	-0.34%
Bulgaria	0.31%	0.31%	-0.06%	-0.06%
Ireland [2]			1.43%	
Group Centre	0.02%	0.20%	0.28%	0.28%
o.w. Ireland	-0.02%			
Total	0.05%	0.05%	-0.18%	-0.27%

[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] As a result of the pending sale to Bank of Ireland Group of substantially all of KBC Bank Ireland's performing loan assets, its deposit book, and a small portfolio of non-performing mortgages (NPEs), the loan portfolio of KBC Bank Ireland has been transferred from Business Unit International Markets to Group Centre as of 1 January 2022 (without retroactive restatement)
[3] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors
[4] Purchased or originated credit impaired assets

As of 3Q 2022, the total outstanding loan portfolio includes 4.4 billion euros following the acquisition of Raiffeisenbank Bulgaria (see note 6.6 for more information on this acquisition).

In 9M 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 direct exposure to these countries is 28 million euros or 0.01% of the outstanding loan portfolio.

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 2021 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Loan portfolio per Business Unit (banking activities)

Legend:

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

Loan portfolio per Business Unit 30-09-2022, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**130 550**			**37 910**			**27 907**			**10 366**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	44 647	34%		22 001	58%		12 563	45%		8 560	83%	
o/w mortgages	42 998	33%		19 644	52%		9 501	34%		8 472	82%	
o/w consumer finance	1 649	1%		2 357	6%		3 062	11%		88	1%	
SME	34 010	26%		5 420	14%		3 104	11%		41	0%	
corporate	51 893	40%		10 489	28%		12 239	44%		1 765	17%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	42 948	33%	57%	19 644	52%	55%	9 501	34%	60%	8 472	82%	52%
o/w FX mortgages	0	0%	-	0	0%	-	139	0%	49%	0	0%	-
o/w ind. LTV > 100%	403	0%	-	33	0%	-	111	0%	-	61	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	101 335	78%		22 572	60%		15 695	56%		1 936	19%	
medium risk (PD 5-7; 0.80%-6.40%)	23 414	18%		13 445	35%		9 849	35%		7 199	69%	
high risk (PD 8-9; 6.40%-100.00%)	3 213	2%		1 245	3%		1 119	4%		568	5%	
impaired loans (PD 10 - 12)	2 336	2%		623	2%		580	2%		663	6%	
unrated	252	0%		25	0%		663	2%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 336	995	43%	623	300	48%	580	289	50%	663	497	75%
o/w PD 10 impaired loans	1 131	226	20%	354	119	34%	267	87	33%	141	71	50%
o/w more than 90 days past due (PD 11+12)	1 204	769	64%	269	181	67%	313	202	65%	522	426	82%
all impairments (stage 1+2+3)	1 330			510			505			527		
o/w stage 1+2 impairments (incl. POCI)	335			209			215			30		
o/w stage 3 impairments (incl. POCI)	995			300			289			497		
2021 Credit cost ratio (CCR)[3]	-0.26%			-0.42%			0.36%			0.28%		
2022 Credit cost ratio (CCR)[3] - YTD	-0.01%			0.08%			0.28%			0.02%		

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

[2] Business Unit Group Centre = part of non-legacy portfolio assigned to BU Group and activities in wind-down (e.g. ex-Antwerp Diamond Bank)
As a result of the sale to Bank of Ireland Group of substantially all of KBC Bank Ireland's performing loan assets, its deposit book, and a small portfolio of non-performing mortgages (NPEs), the loan portfolio of KBC Bank Ireland has been transferred from Business Unit International Markets to Group Centre as of 1 January 2022 (without retroactive restatement). More detail can be found in the following table.

[3] CCR at country level in local currency

Loan portfolio Business Unit International Markets and Group Centre

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 and Group Centre	Business Unit International Markets, o.w.:												Group Centre, o.w:		
30-09-2022, in millions of EUR	Slovakia			Hungary			Bulgaria			Bulgaria, o.w.: Raiffeisenbank			Ireland[1]		
Total portfolio outstanding	**11 657**			**6 918**			**9 332**			**4 365**			**8 613**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
retail	6 516	56%		2 418	35%		3 629	39%		1 734	40%		8 560	99%	
o/w mortgages	5 987	51%		1 649	24%		1 865	20%		854	20%		8 472	98%	
o/w consumer finance	529	5%		768	11%		1 765	19%		880	20%		88	1%	
SME	1 127	10%		70	1%		1 907	20%		710	16%		41	0%	
corporate	4 014	34%		4 431	64%		3 795	41%		1 920	44%		12	0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	5 987	51%	64%	1 649	24%	47%	1 865	20%	58%	854	20%	58%	8 472	98%	52%
o/w FX mortgages	0	0%	-	1	0%	67%	137	1%	49%	79	2%	43%	0	0%	-
o/w ind. LTV > 100%	59	1%	-	34	0%		18	0%	-	6	0%	-	61	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	7 837	67%		3 896	56%		3 962	42%		2 527	58%		731	8%	
medium risk (PD 5-7; 0.80%-6.40%)	2 530	22%		2 737	40%		4 582	49%		1 393	32%		7 075	82%	
high risk (PD 8-9; 6.40%-100.00%)	608	5%		138	2%		372	4%		198	5%		568	7%	
impaired loans (PD 10 - 12)	154	1%		140	2%		287	3%		119	3%		240	3%	
unrated	527	5%		7	0%		129	1%		129	3%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	154	93	61%	140	54	38%	287	142	50%	119	75	63%	240	129	54%
o/w PD 10 impaired loans	34	9	27%	111	34	30%	121	44	36%	68	38	55%	108	48	44%
o/w more than 90 days past due (PD 11+12)	119	84	70%	29	20	69%	165	99	60%	50	37	73%	132	81	62%
all impairments (stage 1+2+3)	176			117			212			116			155		
o/w stage 1+2 impairments (incl. POCI)	83			63			70			41			26		
o/w stage 3 impairments (incl. POCI)	93			54			142			75			129		
2021 Credit cost ratio (CCR)[2]	-0.16%			-0.34%			-0.06%						1.43%		
2022 Credit cost ratio (CCR)[2] - YTD	0.13%			0.46%			0.31%			-0.03%			-0.02%		

[1] Following IFRS 5 included in the balance sheet line 'Non-current assets held for sale and disposal groups'

[2] 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 2021 and the final dividend re. 2021 is recognised in the official (transitional) CET1 of the 1st quarter 2022, which is reported after the General Meeting. The (informal) fully loaded 31-12-2021 figures already fully reflected the 2021 profit and proposed dividend.

As regard 9M 2022, 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 recognized 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. 85% according to Advanced and approx. 3% 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 11.43% (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% Systemic Buffer, 0.32% Systemic Risk Buffer and 0.75% 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. KBC might consider to make use of this specific CRD article.

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	30-09-2022 Fully loaded	30-09-2022 Actuals	31-12-2021 Fully loaded	31-12-2021 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%	0.98%
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)	0.32%	0.32%	0.00%	0.00%
Entity-specific countercyclical buffer	0.75%	0.30%	0.45%	0.17%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. 104a(4)	10.62%	10.17%	10.00%	9.66%
Pillar 2 requirement that can be satisfied with AT1 & AT2	0.81%	0.81%	0.81%	0.77%
Overall Capital Requirement (OCR) (A)[1] no P2R split	11.43%	10.98%	10.81%	10.42%
CET1 used to satisfy shortfall in AT1 bucket (B)	0.14%	0.14%	0.07%	0.06%
CET1 used to satisfy shortfall in T2 bucket (C)[2]	0.44%	0.37%	0.36%	0.34%
CET1 requirement for MDA (A+B+C)	12.01%	11.49%	11.23%	10.82%
CET1 capital	16 504	15 373	16 224	17 498
CET1 buffer (= buffer compared to MDA)	3 269	2 711	4 470	6 204

(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) 30-09-2022		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	16 504	110 245	14.97%
Deduction Method	Fully loaded	15 708	105 294	14.92%
Financial Conglomerates Directive	Fully loaded	17 844	122 587	14.56%
Danish Compromise	Transitional	15 373	110 236	13.95%
Deduction Method	Transitional	14 461	104 993	13.77%
Financial Conglomerates Directive	Transitional	17 237	122 578	14.06%

KBC's fully loaded CET1 ratio of 14.97% at the end of September 2022 represents a solid capital buffer of 2.97% compared with the Maximum Distributable Amount (MDA) of 12.01%.

The acquisition of Raiffeisenbank Bulgaria had a capital impact of -0.9pp on KBC Group's CET1 ratio in 3Q 2022 (for more information see note 6.6 in this report).

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	30-09-2022 Fully loaded	30-09-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital (after profit appropriation)	19 729	18 673	19 445	20 733
Tier-1 capital	18 004	16 873	17 724	18 998
Common equity	16 504	15 373	16 224	17 498
Parent shareholders' equity (after deconsolidating KBC Insurance)	18 559	16 826	20 049	17 708
Intangible fixed assets, incl deferred tax impact (-)	- 630	- 630	- 539	- 539
Goodwill on consolidation, incl deferred tax impact (-)	- 1 161	- 1 161	- 746	- 746
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	985	985	1 108	1 108
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 49	- 49	- 16	- 16
Value adjustment due to the requirements for prudent valuation (-)	- 31	- 31	- 28	- 28
Dividend payout (-)	- 569	0	- 3 168	0
Coupon of AT1 instruments (-)	- 15	- 15	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 90	- 90	- 72	- 72
Deduction re NPL backstops (-)	- 134	- 134	- 68	- 68
Deduction re pension plan assets (-)	- 129	- 129	0	0
IRB provision shortfall (-)	0	0	0	- 31
Deferred tax assets on losses carried forward (-)	- 177	- 177	- 227	- 227
Transitional adjustments to CET1	0	34	0	478
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	1 725	1 800	1 721	1 735
IRB provision excess (+)	227	153	224	493
Transitional adjustments to T2	0	- 31	0	- 493
Subordinated liabilities	1 498	1 677	1 497	1 735
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	110 245	110 236	104 646	104 362
Banking	100 599	100 590	95 120	94 836
Insurance	9 133	9 133	9 133	9 133
Holding activities	536	536	396	396
Elimination of intercompany transactions	- 23	- 23	- 4	- 4
Solvency ratios				
Common equity ratio	14.97%	13.95%	15.50%	16.77%
Tier-1 ratio	16.33%	15.31%	16.94%	18.20%
Total capital ratio	17.90%	16.94%	18.58%	19.87%

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 (19 729 million euros; interim profit after 50% pay-out re. 2022 is included) and the transitional own funds (18 673 million euros; interim profit after 50% pay-out re. 2022 is not included) as at 30-09-2022 is explained by the net result for 2022 (1 733 million euros under the Danish Compromise method), the 50% pay-out incl. AT1 coupon of IFRS profit (-986 million euros dividend, of which -417 million euros interim dividend and -569 million euros final dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (+71 million euros) and the grandfathered tier-2 subordinated debt instruments (-180 million euros).

Leverage ratio KBC Group

Leverage ratio KBC Group In millions of EUR	30-09-2022 Fully loaded	30-09-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Tier-1 capital	18 004	16 873	17 724	18 998
Total exposures	349 540	349 586	326 792	292 365
Total Assets	363 528	363 528	340 346	340 346
Deconsolidation KBC Insurance	-30 367	-30 367	-34 026	-34 026
Transitional adjustment	0	46	0	617
Adjustment for derivatives	-8 056	-8 056	-1 656	-1 656
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 318	-2 318	-1 665	-1 696
Adjustment for securities financing transaction exposures	2 281	2 281	1 016	1 016
Central Bank exposure	0	0	0	-35 014
Off-balance sheet exposures	24 473	24 473	22 776	22 776
Leverage ratio	5.15%	4.83%	5.42%	6.50%

At the end of September 2022, the fully loaded leverage ratio slightly decreased compared to December 2021, mainly due to higher total assets, driven by short-term money market and repo opportunities. But partly compensated by higher Tier 1 capital, mainly driven by inclusion of 9M2022 profits.

As from 01-04-2022, Central Bank exposures are no longer excluded from the leverage ratio exposure amount in the transitional calculation, causing a decrease in the transitional leverage ratio exposure amount.

Solvency banking and insurance activities separately

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

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

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	30-09-2022 Fully loaded	30-09-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital, after profit appropriation	17 674	17 466	18 318	17 964
Tier-1 capital	15 769	15 666	16 415	16 210
Common equity	14 269	14 166	14 915	14 710
Parent shareholders' equity	15 622	15 485	17 047	14 912
Solvency adjustments	-1 353	-1 319	-2 132	- 202
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	1 905	1 800	1 903	1 754
Total weighted risk volume	100 599	100 590	95 120	94 836
Credit risk	85 218	85 209	80 971	80 687
Market risk	3 613	3 613	2 665	2 665
Operation risk	11 768	11 768	11 484	11 484
Common equity ratio	14.2%	14.1%	15.7%	15.5%

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-09-2022	31-12-2021
Own Funds	3 897	4 075
Tier 1	3 397	3 574
IFRS Parent shareholders equity	2 453	3 991
Dividend payout	- 416	- 525
Deduction intangible assets and goodwill (after tax)	- 191	- 194
Valuation differences (after tax)	1 389	267
Volatility adjustment	161	43
Other	0	- 8
Tier 2	501	500
Subordinated liabilities	501	500
Solvency Capital Requirement (SCR)	1 718	2 029
Market risk	1 155	1 581
Non-life	658	626
Life	1 038	834
Health	219	314
Counterparty	134	114
Diversification	-1 112	-1 133
Other	- 375	- 308
Solvency II ratio	227%	201%

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 2Q 2022, the SRB communicated to KBC updated final MREL targets (under BRRD2) for 01-01-2024, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE):

- 27.46% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 26.35% at YE 2022 (including the Combined Buffer Requirement(1));
- 7.41% 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 HoldCo senior debt 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:

- 22.99% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 18.22% at YE 2022 (including the Combined Buffer Requirement(1))
- 7.41% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of September 2022, the MREL ratio stands at 27.2% as a % of RWA (versus 27.6% as at 1H2022) and at 8.6% as % of LRE (versus 8.2% as at 1H 2022).

The decrease of the MREL ratio in % of RWA is due to the increase of the RWA in 3Q 2022 with 4 billion euros mainly driven by the acquisition of Raiffeisenbank Bulgaria. The negative impact of the RWA increase is partially offset by the increase of the available MREL with the issuance of new HoldCo Senior instruments in 3Q 2022. The latter explains the increase of the MREL as a % of LRE.

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.40% for 2022 and 0.75% as from 4Q 2023) + Systemic Risk Buffer (0.32%), comes on top of the MREL target as a percentage of RWA

Income statement, volumes and ratios 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.

Business unit Belgium (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	702	677	635	641	629
Non-life insurance (before reinsurance)	132	125	102	100	77
Earned premiums	322	312	305	308	306
Technical charges	- 190	- 188	- 203	- 208	- 229
Life insurance (before reinsurance)	- 7	- 12	- 14	- 16	- 13
Earned premiums	197	197	216	298	189
Technical charges	- 204	- 209	- 230	- 314	- 202
Ceded reinsurance result	2	10	37	13	27
Dividend income	19	19	7	8	10
Net result from financial instruments at fair value through profit or loss	- 5	37	50	34	33
Net realised result from debt instruments at fair value through OCI	- 4	1	1	0	0
Net fee and commission income	302	314	345	338	333
Net other income	44	93	42	38	83
TOTAL INCOME	1 186	1 263	1 204	1 154	1 179
Operating expenses	- 577	- 554	- 901	- 558	- 520
Impairment	- 21	25	- 7	43	139
on financial assets at AC and at FVOCI	- 21	25	- 1	51	139
other	0	0	- 7	- 8	- 1
Share in results of associated companies and joint ventures	- 3	- 2	- 2	- 1	- 2
RESULT BEFORE TAX	585	731	294	639	796
Income tax expense	- 142	- 167	- 67	- 153	- 193
RESULT AFTER TAX	444	564	227	486	603
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**444**	**564**	**227**	**486**	**603**
Banking	348	418	138	413	522
Insurance	96	146	89	73	81
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	117 613	114 910	111 303	108 251	106 952
of which Mortgage loans (end of period)	*43 840*	*43 327*	*42 478*	*41 561*	*40 800*
Customer deposits and debt certificates excl. repos (end of period)	148 120	153 686	142 241	142 282	151 203
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	12 616	12 722	12 831	12 989	12 942
Unit-Linked (end of period)	11 980	12 168	13 152	13 634	13 262
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	57 166	55 749	57 143	55 520	54 493
Required capital, insurance (end of period)	1 393	1 357	1 580	1 708	1 648
Allocated capital (end of period)	7 876	7 679	7 757	7 510	7 342
Return on allocated capital (ROAC)	22%	28%	12%	27%	33%
Cost/income ratio, group	49%	44%	75%	48%	44%
Combined ratio, non-life insurance	91%	88%	82%	98%	98%
Net interest margin, banking	1.62%	1.59%	1.57%	1.60%	1.61%

Business unit Czech Republic (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	325	340	326	292	244
Non-life insurance (before reinsurance)	60	46	50	35	34
Earned premiums	105	99	92	89	88
Technical charges	- 45	- 52	- 42	- 54	- 54
Life insurance (before reinsurance)	46	15	14	17	15
Earned premiums	44	40	43	47	41
Technical charges	2	- 26	- 29	- 30	- 27
Ceded reinsurance result	- 3	- 1	- 4	7	4
Dividend income	0	1	0	0	0
Net result from financial instruments at fair value through profit or loss	28	40	67	35	24
Net realised result from debt instruments at fair value through OCI	- 1	- 6	- 5	- 3	0
Net fee and commission income	57	55	58	54	56
Net other income	- 42	2	11	- 10	5
TOTAL INCOME	472	491	516	428	383
Operating expenses	- 214	- 206	- 270	- 204	- 183
Impairment	- 30	- 6	4	14	50
on financial assets at AC and at FVOCI	- 31	- 2	10	26	50
other	1	- 4	- 6	- 5	0
Share in results of associated companies and joint ventures	0	0	- 1	- 1	- 1
RESULT BEFORE TAX	228	280	249	237	249
Income tax expense	- 31	- 43	- 42	- 39	- 40
RESULT AFTER TAX	197	237	207	198	209
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**197**	**237**	**207**	**198**	**209**
Banking	173	220	186	176	195
Insurance	24	17	21	22	14
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	34 989	34 169	33 972	32 671	31 288
of which Mortgage loans (end of period)	*19 196*	*18 916*	*18 974*	*18 303*	*17 437*
Customer deposits and debt certificates excl. repos (end of period)	49 781	48 366	48 729	46 239	45 108
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	643	673	694	690	676
Unit-Linked (end of period)	412	458	518	526	572
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	16 594	17 226	17 110	16 213	16 139
Required capital, insurance (end of period)	171	178	159	147	149
Allocated capital (end of period)	2 052	2 132	2 008	1 841	1 835
Return on allocated capital (ROAC)	38%	46%	42%	44%	47%
Cost/income ratio, group	45%	42%	52%	48%	48%
Combined ratio, non-life insurance	78%	86%	83%	84%	92%
Net interest margin, banking	2.45%	2.70%	2.65%	2.29%	2.08%

The technical charges Life and Non-Life in 3Q 2022 include a release of technical provisions (for more information see note 3.7.1).

Business unit International Markets (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	237	194	187	249	243
Non-life insurance (before reinsurance)	40	45	42	40	34
Earned premiums	89	87	87	85	86
Technical charges	- 49	- 42	- 45	- 45	- 52
Life insurance (before reinsurance)	11	11	11	10	11
Earned premiums	27	28	31	30	26
Technical charges	- 17	- 18	- 19	- 20	- 15
Ceded reinsurance result	- 3	- 2	- 4	- 4	- 3
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	30	22	32	- 5	5
Net realised result from debt instruments at fair value through OCI	0	- 5	0	2	0
Net fee and commission income	106	84	80	87	78
Net other income	3	- 5	4	- 2	- 10
TOTAL INCOME	423	343	353	376	358
Operating expenses	- 197	- 246	- 252	- 263	- 299
Impairment	- 51	- 30	- 9	- 41	- 142
on financial assets at AC and at FVOCI	- 27	- 16	- 8	- 15	- 121
other	- 25	- 14	0	- 26	- 21
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	175	67	93	72	- 83
Income tax expense	- 28	- 16	- 19	- 16	- 75
RESULT AFTER TAX	147	52	74	56	- 158
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**147**	**52**	**74**	**56**	**- 158**
Banking	132	47	59	53	- 166
Insurance	15	5	15	4	9
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	24 494	19 902	19 362	18 805	18 472
of which Mortgage loans (end of period)	*9 276*	*8 362*	*8 036*	*7 800*	*7 658*
Customer deposits and debt certificates excl. repos (end of period)	28 457	23 808	24 079	24 652	23 664
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	292	300	304	305	306
Unit-Linked (end of period)	376	393	437	459	450
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	20 892	17 321	17 141	21 790	21 929
Required capital, insurance (end of period)	141	147	154	154	156
Allocated capital (end of period)	2 510	2 112	2 007	2 431	2 448
Return on allocated capital (ROAC)	25%	9%	13%	9%	-25%
Cost/income ratio, group	47%	72%	71%	70%	84%
Combined ratio, non-life insurance	88%	89%	83%	90%	93%
Net interest margin, banking	3.11%	2.84%	2.81%	2.69%	2.60%

As of 1Q 2022, KBC Ireland has been shifted from Business Unit International Markets to Group Centre. No restatements have been made.

Slovakia (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	55	56	58	56	58
Non-life insurance (before reinsurance)	9	8	8	8	8
Earned premiums	18	17	16	17	16
Technical charges	- 9	- 9	- 8	- 8	- 8
Life insurance (before reinsurance)	3	3	3	3	4
Earned premiums	8	7	8	8	8
Technical charges	- 4	- 4	- 4	- 4	- 4
Ceded reinsurance result	- 1	0	- 1	- 1	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	10	12	11	4	1
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	17	19	17	18	18
Net other income	2	0	1	3	1
TOTAL INCOME	97	98	98	91	88
Operating expenses	- 58	- 60	- 68	- 67	- 64
Impairment	- 7	- 4	- 1	- 2	14
on financial assets at AC and at FVOCI	- 6	- 4	- 1	- 2	14
other	- 1	0	0	- 1	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	32	35	29	21	38
Income tax expense	- 8	- 7	- 7	- 3	- 9
RESULT AFTER TAX	24	28	22	18	29
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**24**	**28**	**22**	**18**	**29**
Banking	21	25	20	18	27
Insurance	3	3	2	1	2
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	10 524	10 241	9 790	9 417	9 213
of which Mortgage loans (end of period)	*5 928*	*5 734*	*5 332*	*5 117*	*5 000*
Customer deposits and debt certificates excl. repos (end of period)	8 281	8 021	7 617	7 696	7 639
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	114	114	114	115	114
Unit-Linked (end of period)	53	56	60	67	69
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 161	6 097	6 037	5 815	5 750
Required capital, insurance (end of period)	26	28	29	30	29
Allocated capital (end of period)	725	719	682	638	630
Return on allocated capital (ROAC)	13%	16%	13%	11%	18%
Cost/income ratio, group	60%	61%	69%	74%	73%
Combined ratio, non-life insurance	85%	88%	90%	103%	93%

Hungary (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	108	99	93	90	76
Non-life insurance (before reinsurance)	10	16	14	14	8
Earned premiums	34	34	37	34	36
Technical charges	- 24	- 19	- 24	- 20	- 28
Life insurance (before reinsurance)	2	3	3	2	3
Earned premiums	9	10	11	11	9
Technical charges	- 7	- 8	- 8	- 9	- 7
Ceded reinsurance result	- 1	- 1	- 1	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	18	11	21	- 8	5
Net realised result from debt instruments at fair value through OCI	0	- 5	0	2	0
Net fee and commission income	57	54	51	55	51
Net other income	1	- 7	3	1	0
TOTAL INCOME	195	170	184	155	144
Operating expenses	- 78	- 154	- 136	- 82	- 77
Impairment	- 41	- 17	- 3	- 17	7
on financial assets at AC and at FVOCI	- 17	- 3	- 4	- 12	12
other	- 24	- 14	0	- 5	- 5
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	76	- 1	45	56	73
Income tax expense	- 14	- 5	- 10	- 10	- 11
RESULT AFTER TAX	62	- 6	35	46	62
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**62**	**- 6**	**35**	**46**	**62**
Banking	58	0	30	41	61
Insurance	5	- 6	5	5	2
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	5 516	5 274	5 436	5 413	5 457
of which Mortgage loans (end of period)	*1 597*	*1 693*	*1 812*	*1 812*	*1 817*
Customer deposits and debt certificates excl. repos (end of period)	8 780	9 235	9 897	9 759	9 045
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	36	41	44	45	45
Unit-Linked (end of period)	186	202	237	254	261
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 386	7 413	7 553	7 438	7 749
Required capital, insurance (end of period)	45	49	51	51	49
Allocated capital (end of period)	882	890	868	828	859
Return on allocated capital (ROAC)	28%	-2%	16%	23%	30%
Cost/income ratio, group	42%	90%	74%	53%	54%
Combined ratio, non-life insurance	93%	100%	85%	87%	100%

Bulgaria (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	74	38	36	36	36
Non-life insurance (before reinsurance)	20	21	20	18	18
Earned premiums	37	36	33	34	34
Technical charges	- 16	- 15	- 13	- 16	- 16
Life insurance (before reinsurance)	5	5	5	5	5
Earned premiums	10	11	12	11	9
Technical charges	- 5	- 6	- 7	- 7	- 5
Ceded reinsurance result	- 2	- 1	- 2	- 2	- 2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	1	- 1	- 1	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	32	12	12	13	11
Net other income	1	1	1	1	1
TOTAL INCOME	131	75	71	71	68
Operating expenses	- 61	- 32	- 49	- 35	- 33
Impairment	- 3	- 10	- 4	- 4	1
on financial assets at AC and at FVOCI	- 3	- 9	- 3	- 1	2
other	0	0	0	- 2	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	67	33	19	32	37
Income tax expense	- 7	- 4	- 2	- 3	- 4
RESULT AFTER TAX	61	30	17	29	33
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**61**	**30**	**17**	**29**	**33**
Banking	53	22	9	24	27
Insurance	8	8	8	5	6
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	8 454	4 387	4 136	3 973	3 799
of which Mortgage loans (end of period)	*1 751*	*935*	*892*	*870*	*842*
Customer deposits and debt certificates excl. repos (end of period)	11 396	6 551	6 565	6 257	6 017
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	142	145	146	145	147
Unit-Linked (end of period)	137	135	140	139	121
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 345	3 811	3 551	3 452	3 349
Required capital, insurance (end of period)	70	70	73	73	78
Allocated capital (end of period)	903	502	457	434	428
Return on allocated capital (ROAC)	41%	25%	15%	28%	32%
Cost/income ratio, group	46%	43%	68%	50%	48%
Combined ratio, non-life insurance	83%	77%	81%	87%	86%

We describe the impact of the acquisition of NN's Bulgarian pension and life insurance business and the acquisition of the 100% shares of Raiffeisenbank Bulgaria in note 6.6 in this report.

Group Centre - Breakdown net result (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Operational costs of the Group activities	- 22	- 14	- 21	- 42	- 17
Capital and treasury management	5	- 16	4	0	- 3
Holding of participations	- 15	- 10	- 12	29	1
Results companies in rundown	22	- 4	- 15	4	- 3
Other	- 2	3	- 4	- 68	- 32
Total net result for the Group centre	- 11	- 41	- 49	- 77	- 53

Business unit Group Centre (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	32	37	53	- 5	- 5
Non-life insurance (before reinsurance)	5	7	3	5	4
Earned premiums	5	4	3	4	4
Technical charges	0	2	0	1	0
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Ceded reinsurance result	- 3	- 4	- 5	- 2	- 5
Dividend income	2	2	0	1	1
Net result from financial instruments at fair value through profit or loss	3	- 10	- 6	- 102	- 34
Net realised result from debt instruments at fair value through OCI	0	- 4	1	1	4
Net fee and commission income	- 2	- 2	0	1	0
Net other income	- 3	1	- 3	30	0
TOTAL INCOME	34	26	43	- 71	- 35
Operating expenses	- 79	- 65	- 97	- 53	- 23
Impairment	1	- 17	- 10	0	- 2
on financial assets at AC and at FVOCI	0	- 16	14	0	- 2
other	1	- 1	- 24	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 43	- 56	- 64	- 125	- 60
Income tax expense	33	15	16	48	6
RESULT AFTER TAX	- 11	- 41	- 49	- 77	- 53
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 11**	**- 41**	**- 49**	**- 77**	**- 53**
Banking	- 13	- 31	- 38	- 69	- 42
Holding	3	- 9	- 4	- 22	- 4
Insurance	- 1	0	- 7	14	- 8
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3	3	3	0	0
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	15 738	15 766	15 216	12 920	12 186
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 460	6 675	6 729	1 990	1 939
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	13	17	- 9	20	9
Allocated capital (end of period)	746	774	718	228	212

As of 1Q 2022, KBC Ireland has been shifted from Business Unit International Markets to Group Centre. No restatements have been made.

Business unit Group Centre – Of which Ireland:

Ireland (in millions of EUR)	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021
Breakdown P&L					
Net interest income	56	61	66	68	72
Non-life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	- 1	- 3	- 1	- 1
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 2	- 1	2	0	- 1
Net other income	0	- 4	- 3	- 7	- 13
TOTAL INCOME	54	55	63	59	58
Operating expenses	- 52	- 44	- 71	- 79	- 125
Impairment	1	- 13	- 10	- 18	- 165
on financial assets at AC and at FVOCI	0	- 13	14	0	- 149
other	1	0	- 24	- 18	- 16
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	3	- 2	- 18	- 37	- 231
Income tax expense	17	0	3	0	- 51
RESULT AFTER TAX	21	- 2	- 15	- 37	- 282
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**21**	**- 2**	**- 15**	**- 37**	**- 282**
Banking	21	- 1	- 11	- 30	- 281
Insurance	- 1	- 1	- 4	- 7	- 1
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3	3	3	3	3
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	644	840	974	940	963
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	0	0	0	0	0
Unit-Linked (end of period)	0	0	0	0	0
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 585	4 855	4 962	5 084	5 080
Allocated capital (end of period)	520	551	536	531	531
Return on allocated capital (ROAC)	15%	-1%	-11%	-23%	-168%
Cost/income ratio, group	96%	80%	113%	132%	214%

We describe the impact of the pending sale transaction of the Irish credit 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	9M 2022	2021	9M 2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 046	2 614	1 951
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 37	- 50	- 37
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	417	417
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	417	417
Basic = (A-B) / (C) (in EUR)		4.82	6.15	4.59
Diluted = (A-B) / (D) (in EUR)		4.82	6.15	4.59

Combined ratio (non-life insurance)

Gives an insight into the technical profitability (i.e. after eliminating investment returns, among other items) of the non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio takes ceded reinsurance into account.

Calculation (in millions of EUR or %)	Reference	9M 2022	2021	9M 2021
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	829	1 081	789
/				
Earned insurance premiums (B)	Note 3.7.1	1 468	1 841	1 368
+				
Operating expenses (C)	Note 3.7.1	468	565	423
/				
Written insurance premiums (D)	Note 3.7.1	1 564	1 875	1 448
= (A/B)+(C/D)		86.4%	88.9%	86.9%

In 9M 2022, the technical insurance charges were negatively impacted by storms mainly in Belgium (-101 million euros before tax, before reinsurance; -51 million euros before tax, after reinsurance).

In 9M 2021, the technical insurance charges were severely negatively impacted by several floods in Belgium (estimated impact -79 million euros after reinsurance).

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 (group)

Gives an impression of the relative cost efficiency (costs relative to income) of the banking, insurance and holding activities.

Calculation (in millions of EUR or %)	Reference	9M 2022	2021	9M 2021
Cost/income ratio				
Operating expenses of the group activities (A)	Consolidated income statement	3 658	4 396	3 318
/				
Total income of the group activities (B)	Consolidated income statement	6 355	7 558	5 671
=(A) / (B)		57.6%	58.2%	58.5%

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 54% in 9M 2022 (versus 55% in FY 2021 and 54% in 9M 2021).

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	9M 2022	2021	9M 2021
Specific impairment on loans (A)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	2 082	2 569	2 638
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	4 202	5 454	5 737
= (A) / (B)		49.5%	47.1%	46.0%

In 9M 2022, the increase of the coverage ratio is driven mainly by the sale of the bulk of non-performing mortgage portfolio in Ireland and by the increase of the coverage of Bulgaria following the acquisition of Raiffeisenbank Bulgaria (for more information see section credit risk with the loan portfolio per business unit).

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	9M 2022	2021	9M 2021
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	71	- 329	- 269
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	197 561	184 640	182 985
= (A) (annualised) / (B)		0.05%	-0.18%	-0.20%

In 9M 2022, the credit cost ratio without the outstanding ECL for geopolitical and emerging risks, amounts to -0.03%.

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	9M 2022	2021	9M 2021
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 202	5 454	5 737
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	206 733	188 400	185 079
= (A) / (B)		2.0%	2.9%	3.1%

In 9M 2022, the decrease of the impaired loans ratio in mainly driven by the sale of the bulk of non-performing mortgage portfolio in Ireland (for more information see note 6.6).

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	9M 2022	2021	9M 2021
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	96 638	108 642	102 771
/				
Total net cash outflows over the next 30 calendar days (B)		62 688	65 399	61 846
= (A) / (B)		155%	167%	167%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	9M 2022	2021	9M 2021
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	177 100	159 728	156 712
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	2 222	719	703
+				
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'	5 614	4 830	5 076
+				
Other exposures to credit institutions (D)		4 912	4 392	4 525
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	10 075	9 040	8 677
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 632	2 581	2 694
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 027	- 2 077	- 2 071
+				
Non-loan-related receivables (H)		- 900	- 338	- 341
+				
Other (I)	Component of Note 4.1	7 105	9 525	9 102
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		206 733	188 400	185 079

As of 3Q 2021, the sale of the Irish loan portfolio resulted in a shift to 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	9M 2022	2021	9M 2021
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	3 210	3 863	2 858
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	221 779	211 020	210 362
= (A) (annualised x360/number of calendar days) / (B)		1.91%	1.81%	1.79%

The net interest margin takes into account the banking group net interest income, excluding dealing room and the net positive impact of ALM FX swaps & 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	9M 2022	2021	9M 2021
Available amount of stable funding (A)	Regulation (EU) 2019/876 dd. 20-05-2019	218 072	218 124	222 938
/				
Required amount of stable funding (B)		155 690	147 731	145 805
= (A) / (B)		140%	148%	153%

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	9M 2022	2021	9M 2021
Parent shareholders' equity (A)	'Consolidated balance sheet'	18 540	21 577	22 096
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417	417
= (A) / (B) (in EUR)		44.47	51.76	53.03

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	9M 2022	2021	9M 2021
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	1 234	1 997	1 511
/				
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)		7 905	7 270	7 210
= (A) annualised / (B)		20.8%	27.5%	27.9%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	640	697	500
/				
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)		2 067	1 784	1 770
= (A) annualised / (B)		41.3%	39.2%	37.6%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	272	127	70
/				
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)		2 336	2 509	2 529
= (A) annualised / (B)		15.5%	5.1%	3.7%

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	9M 2022	2021	9M 2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 046	2 614	1 951
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 37	- 50	- 37
/				
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI instruments and for FVPL equity instruments – overlay approach (C)	'Consolidated statement of changes in equity'	19 688	19 463	19 697
= (A-B) (annualised) / (C)		13.6%	13.2%	13.0%

In 9M 2022, the return on equity amounts to 14.3% when including evenly spreading of the bank taxes throughout the year.

Sales Life (insurance)

Total sales of life insurance compromise life insurance premiums and unit-linked life insurance premiums (as required under IFRS, we use margin deposit accounting for most of these unit-linked contracts, which means they are not recognised under 'Earned insurance premiums').

Calculation (in millions of EUR or %)	Reference	9M 2022	2021	9M 2021
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	824	1 196	820
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	0	1	- 1
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	538	768	603
Total sales Life (A)+ (B) + (C)		1 362	1 964	1 423

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 (also known as 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 account for a large part of any change in this income line.

Calculation (in billions of EUR or quantity)	Reference	9M 2022	2021	9M 2021
Belgium Business Unit (A)	Company presentation on www.kbc.com	184	216	209
+				
Czech Republic Business Unit (B)		14	14	13
+				
International Markets Business Unit (C)		7	7	7
A)+(B)+(C)		205	236	229