KBC GROUP
QUARTERLY REPORT 1Q2022

KBC

KBC GROUP
Report for 1Q2022

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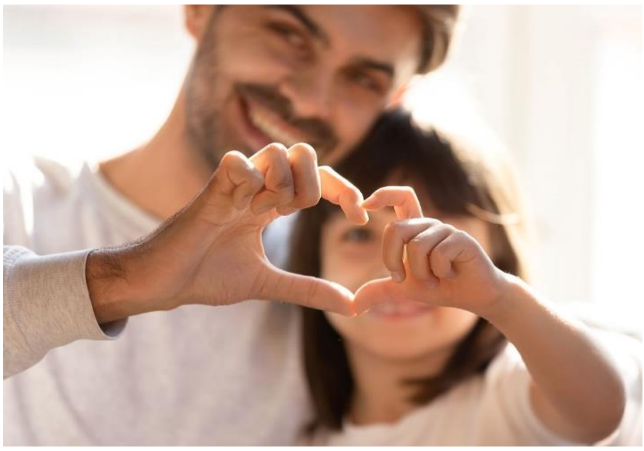
Consolidated financial statements

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.

Investor Relations contact details

IR4U@kbc.be
KBC Group NV, Investor Relations Office, Havenlaan 2, 1080 Brussels, Belgium

This report contains information that is subject to transparency regulations for listed companies.
Date of release: 12 May 2022

First-quarter result of 458 million euros

KBC Group – overview (consolidated, IFRS)	1Q2022	4Q2021	1Q2021
Net result (in millions of EUR)	458	663	557
Basic earnings per share (in EUR)	1.07	1.56	1.31
Breakdown of the net result by business unit (in millions of EUR)*			
Belgium	*227*	*486*	*380*
Czech Republic	*207*	*198*	*123*
International Markets	*74*	*56*	*88*
Group Centre	*-49*	*-77*	*-35*
Parent shareholders' equity per share (in EUR, end of period)	51.8	51.8	49.8

* 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.

'Just when the pandemic-related concerns had started to ease in some countries thanks to the gradual abolishment of precautionary measures, Russia invaded Ukraine in February. The tragedy unfolding in Ukraine has caused immense human suffering and we express our heartfelt solidarity with all the victims of the conflict, both those in the region itself and the large number of refugees in various guest countries in Europe.

The brutal invasion is sending shockwaves throughout the global economy. Our direct exposure to Ukraine, Belarus and Russia (a mainly commercial exposure of some 55 million euros) is quite limited, but we are keeping a very close eye on the indirect macroeconomic impact, such as the effect of high gas and oil prices on inflation and economic growth, and on spillover effects for us, our counterparties and our customers, both financially and operationally, including a heightened focus on information security threats. In that respect, we decided to set aside a dedicated impairment amount to cover geopolitical and emerging risks (see below).

While the ongoing war in Ukraine still clearly commands our full attention, we have continued to manage our day-to-day business and also take further steps towards realising various strategic goals. At the beginning of February, for instance, we were able to finalise the sale of substantially all of KBC Bank Ireland's non-performing mortgage loan portfolio. As regards sustainability, we again made further progress, including realising our goal of systematically rolling out responsible investing funds in all our core countries when we recently launched these solutions in Bulgaria. We would also invite you to read about our sustainability approach, our achievements and our commitments in our 2021 Sustainability Report, which we published in early April and is available at www.kbc.com. As far as new initiatives in the field of digitalisation are concerned, it is worthwhile mentioning that we took a first step in commercialising our in-house portfolio of Artificial Intelligence applications, with the launch via our fintech subsidiary DISCAI of an AI application designed to combat money laundering. DISCAI will pursue a gradual go-to-market approach and will work with partners for the distribution and integration of these applications.

As regards our financial results, the year got off to a strong start, with a net profit of 458 million euros being posted in the quarter under review. This is an excellent performance given that the bulk of bank taxes for the full year are recorded – as always – upfront in the first quarter of the year. All the main income items performed well. Our costs were kept under control and included a one-off extraordinary bonus for our staff to reward them for the very good 2021 results despite the difficult conditions caused by corona. We were also able to record a small net reversal of loan loss impairment in the quarter under review, as the amount we set aside to cover geopolitical and emerging risks was more than offset by the combination of a reversal of a large portion of the impairment recorded previously for the coronavirus crisis and by net reversals for other individual files. As a result, our combined reserves for the coronavirus crisis and for geopolitical and emerging risks now amount to 273 million euros. Our solvency position remained very solid with a common equity ratio of 15.3% on a fully loaded basis and our liquidity position was excellent, as illustrated by an NSFR of 149% and an LCR of 162%. As announced earlier, we will today pay out a gross final dividend of 7.6 euros per share, bringing the total gross dividend to 10.6 euros per share.

The last few years have also demonstrated that, even in continuously challenging circumstances, we can build on our solid foundations and policy decisions of the past and, perhaps even more importantly, build on the trust that our customers, employees, shareholders and other stakeholders place in us. That is something I would sincerely like to thank you for.'

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 first quarter of 2022

- **Net interest income** increased by 2% quarter-on-quarter and by 12% year-on-year. The net interest margin for the quarter under review amounted to 1.91%, up by 6 basis points on the previous quarter and by 13 basis points on the year-earlier quarter. Volumes continued to increase, with loans up by 2% quarter-on-quarter and by 7% year-on-year, and deposits excluding debt certificates growing by 3% quarter-on-quarter and by 5% 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 by 13% on the level recorded in the previous quarter and only slightly below the year-earlier quarter's result. The quarter-on-quarter increase was due essentially to lower technical charges (despite the impact of the storms in the quarter) and a better reinsurance result. Year-on-year, the higher earned premium income and reinsurance result was fully offset by higher technical charges (caused by the above-mentioned storm impact, and relatively low charges in the reference quarter related to the coronavirus situation). The combined ratio for the first three months of 2022 amounted to an excellent 83%. Sales of our **life insurance** products were more or less in line with the level recorded in the previous quarter, and up by 16% on their level in the year-earlier quarter.

- **Net fee and commission income** was up slightly (by 1%) on its level in the previous quarter, and by as much as 9% on its year-earlier level. The latter increase was due mainly to higher fees for our asset management activities and higher fee income related to our banking services.

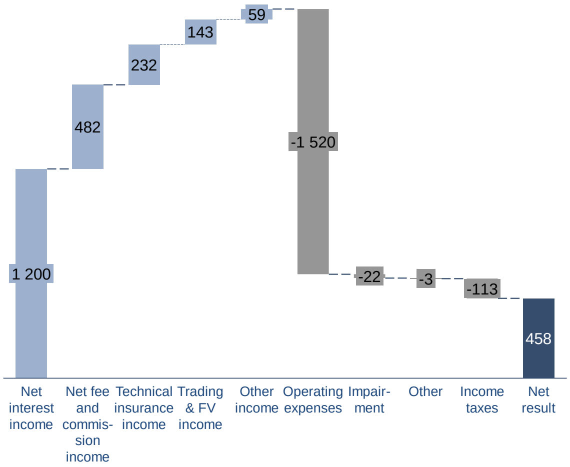
- The **trading & fair value result** amounted to 143 million euros, as opposed to -39 million euros in the previous quarter and 127 million euros in the year-earlier quarter. The large quarter-on-quarter increase was mainly the result of significantly higher dealing room income and the less negative market value adjustments of derivatives used for asset/liability management purposes.

- **Costs** in the first quarter traditionally include the bulk of bank taxes (514 million euros) for the full year. Excluding these taxes, costs were down 2% on their level in the previous quarter and up 12% on their year-earlier level. The quarter under review included the booking of an extraordinary staff bonus. The resulting cost/income ratio for the first three months of 2022 amounted to 53%. 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%.

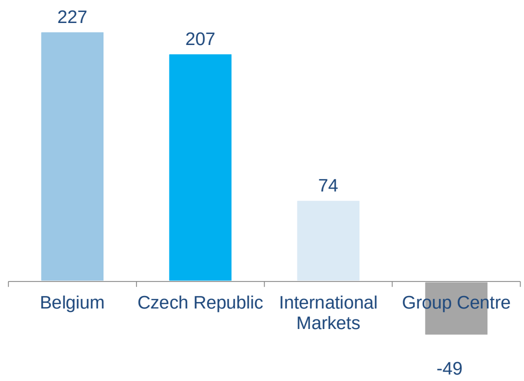
- The quarter under review included a 15-million-euro net release of **loan loss impairment**, compared to a net release of 62 million euros in the previous quarter, and a net release of 76 million euros in the year-earlier quarter. The net release in the quarter under review resulted mainly from the reversal of a large portion of the remaining impairment for the coronavirus crisis (-205 million euros) and of impairment for certain individual loans (-33 million euros), offset to a large extent by provisioning for geopolitical and emerging risks following the outbreak of the Ukraine crisis (+223 million euros). As a consequence, the credit cost ratio for the first three months of 2022 amounted to -0.03%, 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 162% and NSFR of 149%. Our **capital base** remained equally as robust, with a fully loaded common equity ratio of 15.3%.

Breakdown of 1Q2022 result
(in millions of EUR)



Contribution of the business units to 1Q2022 group result
(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q2022	4Q2021	3Q2021	2Q2021	1Q2021
Net interest income	1 200	1 177	1 112	1 094	1 068
Non-life insurance (before reinsurance)	197	181	150	213	238
Earned premiums	*487*	*486*	*484*	*463*	*453*
Technical charges	*-291*	*-305*	*-334*	*-250*	*-215*
Life insurance (before reinsurance)	11	10	12	10	12
Earned premiums	*290*	*375*	*256*	*272*	*292*
Technical charges	*-279*	*-365*	*-244*	*-262*	*-280*
Ceded reinsurance result	24	15	23	1	-13
Dividend income	7	9	11	18	7
Net result from financial instruments at fair value through P&L[1]	143	-39	28	29	127
Net realised result from debt instruments at fair value through other comprehensive income	-2	1	4	-1	2
Net fee and commission income	482	479	467	450	441
Net other income	54	56	77	38	53
Total income	2 116	1 887	1 884	1 853	1 933
Operating expenses	-1 520	-1 078	-1 025	-972	-1 320
Impairment	-22	16	45	123	77
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*15*	*62*	*66*	*130*	*76*
Share in results of associated companies & joint ventures	-3	-2	-2	1	-2
Result before tax	571	823	903	1 005	688
Income tax expense	-113	-160	-302	-211	-131
Result after tax	458	663	601	793	557
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**458**	**663**	**601**	**793**	**557**
Basic earnings per share (EUR)	1.07	1.56	1.41	1.87	1.31
Diluted earnings per share (EUR)	1.07	1.56	1.41	1.87	1.31

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-03-2022	31-12-2021	30-09-2021	30-06-2021	31-03-2021
Total assets	369 903	340 346	354 336	368 596	351 818
Loans & advances to customers, excl. reverse repos	164 639	159 728	156 712	164 344	160 960
Securities (equity and debt instruments)	66 789	67 794	66 269	71 098	71 981
Deposits from customers excl. debt certificates & repos	205 896	199 476	198 021	201 420	197 268
Technical provisions, before reinsurance	19 092	18 967	18 971	18 976	18 939
Liabilities under investment contracts, insurance	13 131	13 603	13 213	13 128	12 922
Parent shareholders' equity	21 608	21 577	22 096	21 600	20 768

Selected ratios KBC Group (consolidated)	1Q2022	FY2021
Return on equity[3]	9%	13%
Cost/income ratio, group [when excluding certain non-operating items and evenly spreading bank taxes throughout the year]	72% [53%]	58% [55%]
Combined ratio, non-life insurance	83%	89%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	15.3% [15.2%]	15.5% [16.8%]
Common equity ratio, FICOD fully loaded [transitional]	14.9% [14.8%]	14.8% [16.1%]
Credit cost ratio[4]	-0.03%	-0.18%
Impaired loans ratio	2.3%	2.9%
for loans more than 90 days past due	1.2%	1.5%
Net stable funding ratio (NSFR)	149%	148%
Liquidity coverage ratio (LCR)	162%	167%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 14% for the first quarter of 2022 when bank taxes are spread evenly throughout the year.
4 A negative figure indicates a net impairment release (positively affecting results).

Impact of the still partly pending sales transactions 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 (1Q2022)

Total income 2 116 million euros	• Total income was up 12% quarter-on-quarter. • Net interest income, technical insurance income, trading and fair value income and net fee and commission income were all up; dividend income and net other income were down slightly quarter-on-quarter.

Net interest income amounted to 1 200 million euros in the quarter under review, up 2% and 12% on its level in the previous and year-earlier quarters, respectively. In both cases, net interest income benefitted from factors such as rate hikes in the Czech Republic (and to a lesser extent also in Hungary), lending growth (see below), negative interest rates being charged on certain current accounts held by corporate entities and SMEs and a positive forex effect (appreciation of the Czech koruna against the euro). These factors more than offset the negative effect of a number of other factors, including lower loan margins in most markets, decreasing reinvestment yields in euro-denominated countries and the fewer number of days in the period under review (the latter for the quarter-on-quarter analysis only). The net interest margin for the quarter under review amounted to 1.91%, up 6 and 13 basis points on the previous and year-earlier quarter's figures, respectively.

Customer deposits excluding debt certificates were up 3% quarter-on-quarter and 5% year-on-year on an organic basis. The total volume of customer lending rose by 2% quarter-on-quarter and by 7% 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 222 million euros to total income, up 13% on its performance in the previous quarter and only slightly down (less than 2%) on the result for the year-earlier quarter. Compared to the previous quarter, earned premiums were more or less stable, technical charges fell by 5% (the greater impact of storm damage in the quarter under review was more than offset by significantly lower normal and major claims) and the reinsurance result increased (partly related to the aforementioned storms). Compared to the year-earlier quarter, the increase in earned premiums (+8%) and better reinsurance result were entirely offset by a significant rise in technical charges (+35%, caused in part by the impact of the storm damage referred to above and relatively low charges in the reference quarter related to the coronavirus situation). Overall, the combined ratio for the first three months of 2022 amounted to an excellent 83%, 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 10 million euros, in line with the 10 million euros registered in the previous quarter and the 11 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (544 million euros) were more or less the same as the level recorded in the previous quarter, with increased sales of unit-linked life insurance products offsetting lower sales of guaranteed-interest life products (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in Belgium in the last quarter of the year). Sales were up 16% on their level in the year-earlier quarter, driven entirely by higher sales of unit-linked products. Overall, the share of unit-linked products in our total life insurance sales amounted to 54% in the quarter under review, with guaranteed-interest products accounting for the remaining 46%.

In the quarter under review, **net fee and commission income** amounted to 482 million euros, up slightly (i.e. by 1%) on its level in the previous quarter, due to a combination of lower fees for our asset management business (lower management fees as a consequence of the lower level of assets under management – see below – and partly offset by higher entry fees related to strong sales in the quarter) and slightly lower fees related to banking services (mainly seasonally lower payment fees), more than compensated by lower paid distribution costs. Net fee and commission income was up by as much as 9% on its level in the year-earlier quarter, benefiting from higher fees for both our asset management services (attributable to higher management fees) and our banking services (higher fees for payment services and higher credit-related fees), and only being slightly offset by higher distribution fees paid. At the end of March 2022, our total assets under management amounted to 228 billion euros, down 3% quarter-on-quarter (strong net inflows, but more than offset by a decrease in asset prices) and up 3% year-on-year (thanks to strong net inflows and a small positive asset price effect).

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 143 million euros, compared to -39 million euros in the previous quarter and 127 million euros in the year-earlier quarter. The quarter-on-quarter increase was due mainly to higher dealing room income and less negative market value adjustments of derivatives used for asset/liability management purposes. Year-on-year, the slightly better result was attributable to a combination of higher dealing room and other income, partly offset by the lower market value adjustments of derivatives used for asset/liability management purposes and lower results related to the insurer's equity portfolio.

The **other remaining income items** included dividend income of 7 million euros, a net realised result from debt instruments at fair value through other comprehensive income of -2 million euros and net other income of 54 million euros. The latter was slightly above the normal run rate for this item, due in part to a positive one-off item related to a legal case in the Czech Republic.

Operating expenses

1 520 million euros

- Operating expenses excluding bank taxes were down by 2% quarter-on-quarter, but up 12% year-on-year, due in part to the booking of an extraordinary staff bonus.
- Group cost/income ratio for the first three months of 2022 amounted to 53% (when certain non-operating items are excluded and bank taxes spread evenly throughout the year).

Operating expenses in the first quarter of 2022 amounted to 1 520 million euros. As usual, they included the bulk of the bank taxes for the full year. These taxes amounted to 514 million euros in the quarter under review, compared to 47 million euros in the previous quarter and 424 million euros in the year-earlier quarter. The figure for the quarter under review includes an extraordinary contribution of 24 million euros to the deposit guarantee fund (related to the Sberbank Hungary wind down).

Operating expenses excluding bank taxes were down 2% on their level in the previous quarter. The quarter under review included lower one-off charges related to the Irish sale transactions, lower ICT, facilities and marketing expenses (partly seasonal effect), as well as lower professional fee expenses, offset in part by the booking of an extraordinary staff bonus (41 million euros), the impact of inflation/wage indexation, and a negative forex effect. Disregarding the one-off items, operating expenses excluding bank taxes were 6% lower than in the previous quarter.

Operating expenses excluding bank taxes were up 12% on their level in the year-earlier quarter. This resulted from a number of factors, including the above-mentioned extraordinary staff bonus, one-off charges related to the Irish sale transactions, higher ICT expenses, wage drift and inflation/indexation, and a negative forex effect. Disregarding the one-off items, operating expenses excluding bank taxes were 7% higher than in the year-earlier quarter.

The cost/income ratio for the group came to 72% for the first three months of 2022. When bank taxes are spread evenly throughout the year and certain non-operating items excluded, the ratio amounted to 53%, compared to 55% for full-year 2021. When excluding all bank taxes, the cost-income ratio falls to 48%.

Loan loss impairment

15-million-euro net release

- Net release of loan loss impairment in the quarter under review, driven by the partial reversal of the collective impairment previously recorded for the coronavirus crisis, and largely offset by the recording of an impairment for geopolitical and emerging risks.
- Credit cost ratio for the first three months of 2022 at -0.03%.

In the first quarter of 2022, we recorded a 15-million-euro net release of loan loss impairment, compared with a net release of 62 million euros and 76 million euros in the previous and year-earlier quarters, respectively. The net impairment release in the quarter under review included the positive impact of a 205-million-euro release of collective impairment previously recorded for the coronavirus crisis, the positive effect of a net release of 33 million euros for other individual loans, and the negative effect of recording 223 million euros for geopolitical and emerging risks (to cover credit risks related to the Russia-Ukraine conflict and the related macroeconomic issues and supply chain disruptions, etc.).

As a consequence, the combined impairment amount at the end of March 2022 for the coronavirus crisis and for geopolitical and emerging risks stood at 273 million euros (see calculation and background information in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report).

Broken down by country, there were net reversals of loan loss impairment in the Czech Republic (10 million euros) and Ireland (14 million euros), while there was a slight increase in loan loss impairment in Belgium (1 million euros), Slovakia (1 million euros), Hungary (4 million euros) and Bulgaria (3 million euros).

For the entire group, the credit cost ratio amounted to -0.03% in the first three months of 2022 (-0.07% excluding the amount set aside for the coronavirus crisis and for geopolitical and emerging risks), compared to -0.18% for full-year 2021 (0.09% excluding the amount set aside for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of March 2022, some 2.3% 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 1.2% of the loan book, compared to 1.5% at year-end 2021. The improvement in the impaired loans ratios is clearly 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 37 million euros, compared to 46 million euros in the previous quarter and a release of 1 million euros in year-earlier quarter. The figure for the quarter under review included some 24 million euros of one-off impairment on fixed assets in Ireland in view of the pending sale, as well impairments on real estate in the Belgium Business Unit. The figure for the fourth quarter of 2021 included a one-off, 17-million-euro impairment related to the pending sale transactions in Ireland, as well as a 17-million-euro impairment on tangible and intangible assets in other countries (besides Ireland) and a 7-million-euro impairment on goodwill in the Czech Republic.

## Net result by business unit	Belgium	Czech Republic	International Markets	Group Centre
	227 million euros	207 million euros	74 million euros	-49 million euros

Belgium: at first sight, the net result (227 million euros) was 53% lower quarter-on-quarter. However, excluding bank taxes (the bulk of which are recorded in the first quarter and hence distort the quarter-on-quarter comparison), the result was in line with the previous quarter. This was due primarily to the combined effect of higher total income (benefiting from higher technical non-life result, trading & fair value income and net fee and commission income, among other factors), slightly lower costs (despite the booking of an extraordinary staff bonus) and a small net loan loss impairment charge (compared to a net reversal in the previous quarter).

Czech Republic: the net result (207 million euros) was up by 5% on its level for the previous quarter, and by as much as 26% when the bank taxes and forex effects are excluded. This was attributable to a combination of higher total income (including higher net interest income following rate hikes) and a more or less stable level of costs (despite the booking of an extraordinary staff bonus), partly offset by a lower net reversal of loan loss impairment.

International Markets: the 74-million-euro net result breaks down as follows: 22 million euros in Slovakia, 35 million euros in Hungary and 17 million euros in Bulgaria. For the business unit as a whole, and disregarding bank taxes and Ireland (which belonged to the business unit in the previous quarter, but was moved to the Group Centre at the start of 2022 in view of the pending sale), the net result was up almost 40% quarter-on-quarter. This came about mainly because of increased total income, slightly lower costs (despite the booking of an extraordinary staff bonus) and lower loan loss impairment charges.

Group Centre: the net result (-49 million euros) was 28 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 -15 million euros and included -32 million euros in various one-off effects related to the ongoing sale transactions.

	Belgium		Czech Republic		International Markets[1]	
Selected ratios by business unit	1Q2022	FY2021	1Q2022	FY2021	1Q2022	FY2021
Cost/income ratio, group (excluding certain non-operating items and evenly spreading the banking tax throughout the year)	51%	51%	42%	53%	56%	63%
Combined ratio, non-life insurance	82%	90%	83%	87%	83%	86%
Credit cost ratio[2]	0.00%	-0.26%	-0.11%	-0.42%	0.16%	0.36%
Impaired loans ratio	2.1%	2.2%	1.9%	1.8%	2.4%	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 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
	23.1 billion euros	15.3%	162%	149%

At the end of March 2022, total equity came to 23.1 billion euros, comprising 21.6 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was more or less stable compared to 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 quarter (+0.5 billion euros), a decrease in the revaluation reserves (-0.5 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. Note that the closing dividend of 7.6 euros per share will be subtracted from equity in the second quarter of 2022.

On 31 March 2022, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 15.3%, compared to 15.5% at the end of 2021. The solvency ratio for KBC Insurance under the Solvency II framework was 217% at the end of March 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 162% and an NSFR ratio of 149%, compared to 167% and 148%, respectively, at the end of 2021.

Recent ESG developments

We recently published our 2021 Sustainability Report in which we clearly show that we continue to take our role in society, and more particularly our role in financing the transition to a greener and more sustainable economy, very seriously. The report also includes first-time reporting of our GHG emissions for our entire loan and lease portfolios, as well as our climate analysis by sector.

In line with our strategy and our commitments, we are continuing our efforts to actively support our customers in their transition and strongly support investments in green energy infrastructure. In February, for example, 'Warmtenetwerk Antwerpen Noord' chose KBC as its sole financier. The company's shareholders, Indaver and the Port of Antwerp, will set up an open source heat network which initially will provide residual heat to malt producer Boortmalt and 3 200 homes in certain districts of Antwerp. The project aims to make savings on natural gas that would be comparable to the annual consumption of 10 000 families. And in early March, we granted a 75-million-euro green loan to Virya Energy (the renewable energy holding company of the Colruyt Group), in line with the main requirements of the EU Taxonomy. The investment relates to the development of on-shore wind farms in France and in Poland near the Baltic coast. A small portion of the funds has been allocated to the development of a 25MWe Green Hydrogen Electrolyser in Zeebrugge (Belgium). Such new transactions clearly support our target of expanding our share of renewables to at least 65% of our total energy portfolio by 2030.

We have continued to witness an increased interest in sustainability in all our core markets and across all our customer segments. This also covers payment-related services. At ČSOB in the Slovak Republic, for instance, we started offering a new solution for non-profit organisations in the form of a mobile POS terminal with push-button capability. It now enables these organisations to embark on cashless fundraising via credit cards, smartphones or smart watches instead of having to use money boxes to collect cash from the public. Furthermore, ČSOB in Slovakia became the sole banking partner in a new deposit return system addressing an important social and environmental issue, namely recycling disposable beverage packaging.

In our asset management business, we have realised our goal of systematically rolling out Responsible Investing in all our core markets, when we recently launched these solutions in Bulgaria. Besides extending our offering, we are focusing on raising ESG awareness among our customers and on training our employees in Responsible Investing advice tailored to our local markets. Assets under management in Responsible Investing amounted to 32 billion euros at the end of March 2022.

We also continue to train our employees on relevant sustainability topics so that they can appropriately assist all our customers on their sustainability journey. The group-wide digital training programme that was rolled-out has so far been followed by approximately 50% of our employees worldwide.

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, volatility on financial markets, lower growth prospects and some concerns on 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. Finally, 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.

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 recording exceptionally strong, quarter-on-quarter real GDP growth of 1.7% in the fourth quarter of 2021, the US economy unexpectedly contracted (by -0.4% quarter-on-quarter) in the first quarter of 2022. In particular, disappointing figures for (gross) exports weighed on the US economy. Meanwhile, the euro area's quarter-on-quarter growth rate slowed slightly to 0.2%. First-quarter economic growth also slowed marginally to 0.3% in Belgium and to 0.7% in the Czech Republic. For the second quarter of 2022, we expect the war in Ukraine to impact the European economy more severely than its US counterpart. Therefore, in the second quarter, an economic stagnation in the euro area cannot be excluded.

The most important risk to our short-term growth outlook relates to the economic repercussions of the Russian invasion of Ukraine. Persistently higher prices of energy and commodities in general can lead to an even stronger price shock and weigh even more on private consumption and business activity than currently anticipated. This risk also includes near-term tightening of new and already existing bottlenecks and disruptions in production and supply chains. Moreover, pandemic-related risks to economic activity have, for now, not permanently disappeared and may reappear in the course of 2022, as is currently the case in the Chinese economy. Lastly, the global built-up of debt creates vulnerabilities, especially now that financing conditions are being supported less by accommodative monetary policy.

Our view on interest rates and foreign exchange rates

In March 2022, the Fed ended its net asset purchases and raised its policy rate by 25 basis points, and another 50 basis points early May, against the background of mounting inflationary pressure. We expect the Fed to continue to raise its policy rate in the coming quarters. In addition, the run-down of the Fed's balance sheet is about to start, possibly as soon as in the second quarter. Meanwhile, the ECB suspended its net purchases under its Pandemic Emergency Purchase Programme (PEPP) in March 2022. Net purchases under its general Asset Purchase Programme (APP) are likely to end in the third quarter, followed by a first increase of 25 basis points in the ECB's deposit rate in September and by further rate hikes at subsequent meetings.

Both US and German 10-year yields rose during the first quarter, driven primarily by market expectations of monetary policy normalisation. The euro depreciated markedly against the US dollar during the first quarter. The weakening of the euro is partly the result of widening interest rate differentials between the euro area and the US, as well as the fact that the European economy is more severely affected by the war in Ukraine. We expect the euro to bottom out and gradually recover against the US dollar.

The Czech koruna (CZK) appreciated during the first quarter and continued to appreciate at the beginning of the second quarter. However, there was a temporary depreciation at the start of March as a result of the Russian invasion of Ukraine. Temporary FX interventions on the part of the Czech National Bank (CNB) stabilised the CZK, and the subsequent recovery was underpinned by the CNB's policy rate tightening. The CNB raised its two-week repo rate in two steps from 3.75% to 5% during the first quarter, followed by another increase by 75 basis points to 5.75% in the beginning of May. We expect one more rate hike in June, which is likely to mark the peak of the current tightening cycle. In line with the positive interest rate differential, we expect the CZK to continue appreciating against the euro in the coming quarters.

On balance, the Hungarian forint (HUF) depreciated slightly against the euro during the first quarter. During this period, however, the HUF exchange rate has been quite volatile. The HUF depreciated sharply on the eve of the Russian invasion of Ukraine at the beginning of March. Its subsequent recovery was due mainly to increased interest rate differentials with the euro area, which we expect to persist for the remainder of 2022. The National Bank of Hungary raised its base rate from 2.40% at the start of the first quarter to 4.4% at the end of March. At the end of April, it raised its base rate further to 5.4% and more tightening is expected in the second quarter.

Guidance

Last quarter, we provided the market with a clear full year 2022 guidance based upon a set of macroeconomic and business assumptions. Subsequently, the invasion of Russia in Ukraine is causing major macroeconomic and financial shocks, and very volatile markets. This is clearly going to have an impact on our financial performance. Starting from a base scenario whereby the war in Ukraine will continue for at least several months but will not escalate, we see our cost growth this year somewhat higher than previously guided, driven by the strong increase in inflation and the one-off extraordinary staff bonus for our employees. On the other hand, however, we expect our total income (including net interest income) to be increasingly supported by a further improving interest rate climate and an already excellent first quarter result. Combined - under the base scenario - the 'jaws' (income growth versus costs growth) for this year should be at least at the same level we envisaged in our earlier full year 2022 guidance.

Due to the creation of a provision for geopolitical and emerging risks (223 million euros), the credit cost ratio for 2022 is also likely to be higher than 10 bps, but below 25 bps (25-30 bps = through-the-cycle credit cost ratio guidance).

We continue to monitor and analyse the situation and will provide further guidance for 2022 and long-term guidance for 2024 with the second quarter results publication.

Upcoming events	• 2Q2022 results: 11 August 2022 • 3Q2022 results: 9 November 2022 • Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 1Q2022	• Quarterly report: www.kbc.com / Investor Relations / Reports • Company presentation: www.kbc.com / Investor Relations / Presentations
Detailed information on coronavirus & Ukraine crisis	• Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' • Company presentation
Definitions of ratios	• 'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

1Q 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	1Q 2022	4Q 2021	1Q 2021
Net interest income	3.1	1 200	1 177	1 068
Interest income	*3.1*	*2 350*	*1 754*	*1 480*
Interest expense	*3.1*	*-1 150*	*- 578*	*- 413*
Non-life insurance (before reinsurance)	3.7	197	181	238
Earned premiums	*3.7*	*487*	*486*	*453*
Technical charges	*3.7*	*- 291*	*- 305*	*- 215*
Life insurance (before reinsurance)	3.7	11	10	12
Earned premiums	*3.7*	*290*	*375*	*292*
Technical charges	*3.7*	*- 279*	*- 365*	*- 280*
Ceded reinsurance result	3.7	24	15	- 13
Dividend income		7	9	7
Net result from financial instruments at fair value through profit or loss	3.3	143	- 39	127
of which result on equity instruments (overlay approach)		*23*	*27*	*35*
Net realised result from debt instruments at fair value through OCI		- 2	1	2
Net fee and commission income	3.5	482	479	441
Fee and commission income	*3.5*	*710*	*716*	*639*
Fee and commission expense	*3.5*	*- 228*	*- 238*	*- 198*
Net other income	3.6	54	56	53
TOTAL INCOME		2 116	1 887	1 933
Operating expenses	3.8	-1 520	-1 078	-1 320
Staff expenses	*3.8*	*- 639*	*- 615*	*- 577*
General administrative expenses	*3.8*	*- 783*	*- 359*	*- 662*
Depreciation and amortisation of fixed assets	*3.8*	*- 99*	*- 104*	*- 81*
Impairment	3.10	- 22	16	77
on financial assets at AC and at FVOCI	*3.10*	*15*	*62*	*76*
on goodwill	*3.10*	*0*	*- 7*	*0*
other	*3.10*	*- 37*	*- 39*	*1*
Share in results of associated companies and joint ventures		- 3	- 2	- 2
RESULT BEFORE TAX		571	823	688
Income tax expense	3.12	- 113	- 160	- 131
Net post-tax result from discontinued operations		0	0	0
RESULT AFTER TAX		458	663	557
attributable to minority interests		0	0	0
of which relating to discontinued operations		*0*	*0*	*0*
attributable to equity holders of the parent		**458**	**663**	**557**
of which relating to discontinued operations		*0*	*0*	*0*
Earnings per share (in EUR)				
Ordinary		1.07	1.56	1.31
Diluted		1.07	1.56	1.31

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 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 -131 million euros in 1Q 2022. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): -108 million euros of which -109 million euros realized and unrealized fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and +2 million euros income taxes;
- IAS 39 result: +23 million euros including net realized result amounting to +37 million euros and impairment loss of -13 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1Q 2022	4Q 2021	1Q 2021
RESULT AFTER TAX	**458**	**663**	**557**
Attributable to minority interests	0	0	0
Attributable to equity holders of the parent	458	663	557
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**- 464**	**- 3**	**- 16**
Net change in revaluation reserve (FVOCI debt instruments)	- 466	- 134	- 225
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 131	75	50
Net change in hedging reserve (cashflow hedges)	51	- 6	138
Net change in translation differences	113	98	40
Hedge of net investments in foreign operations	- 33	- 35	- 18
Net change in respect of associated companies and joint ventures	0	0	0
Other movements	1	- 1	- 1
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**45**	**73**	**205**
Net change in revaluation reserve (FVOCI equity instruments)	1	6	44
Net change in defined benefit plans	44	67	163
Net change in own credit risk	0	0	- 2
Net change in respect of associated companies and joint ventures	0	0	0
TOTAL COMPREHENSIVE INCOME	**40**	**733**	**746**
Attributable to minority interests	0	0	0
Attributable to equity holders of the parent	40	733	746

The largest movements in other comprehensive income (1Q 2022 and 1Q 2021):

- Net change in revaluation reserve (FVOCI debt instruments): the -466 million euros in 1Q 2022 and the -225 million euros in 1Q 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 -131 million euros in 1Q 2022 can be explained by negative fair value movements and by transfers to net result (gains on disposal partly offset by impairments). The +50 million euros in 1Q 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 +51 million euros in 1Q 2022 and the +138 million euros in 1Q 2021 can mainly be explained by the higher interest rates.
- The net change in translation differences: the +113 million euros in 1Q 2022 and +40 million euros in 1Q 2021 was mainly caused by the appreciation of the CZK versus the EUR, partially offset by the hedge of net investments in foreign operations (-33 million euros in 1Q 2022 and -18 million euros in 1Q 2021). 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): limited increase with +1 million euros in 1Q 2022. The +44 million euros in 1Q 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 +44 million euros in 1Q 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 +163 million euros in 1Q 2021 is explained by the combined effect of the higher discount rate applied on the obligations and the positive return of the plan assets.

Consolidated balance sheet

(in millions of EUR)	Note	31-03-2022	31-12-2021
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		65 650	40 653
Financial assets	4.0	287 751	281 658
Amortised cost	*4.0*	*247 009*	*240 128*
Fair value through OCI	*4.0*	*14 244*	*15 824*
Fair value through profit or loss	*4.0*	*26 118*	*25 422*
of which held for trading	*4.0*	*10 095*	*8 850*
Hedging derivatives	*4.0*	*379*	*283*
Reinsurers' share in technical provisions, insurance		260	191
Profit/loss on positions in portfolios hedged for interest rate risk		-1 887	- 436
Tax assets		1 336	1 296
Current tax assets		*178*	*179*
Deferred tax assets		*1 158*	*1 117*
Non-current assets held for sale and disposal groups	*5.11*	9 282	10 001
Investments in associated companies and joint ventures		37	37
Property, equipment and investment property		3 577	3 568
Goodwill and other intangible assets		1 751	1 749
Other assets		2 147	1 630
TOTAL ASSETS		369 903	340 346
LIABILITIES AND EQUITY			
Financial liabilities	4.0	321 071	291 667
Amortised cost	*4.0*	*296 932*	*268 387*
Fair value through profit or loss	*4.0*	*23 236*	*22 187*
of which held for trading	*4.0*	*8 807*	*7 271*
Hedging derivatives	*4.0*	*903*	*1 094*
Technical provisions, before reinsurance		19 092	18 967
Profit/loss on positions in portfolios hedged for interest rate risk		-1 189	- 863
Tax liabilities		374	435
Current tax liabilities		*152*	*87*
Deferred tax liabilities		*222*	*348*
Liabilities associated with disposal groups	*5.11*	4 011	4 262
Provisions for risks and charges		316	282
Other liabilities		3 120	2 520
TOTAL LIABILITIES		346 795	317 269
Total equity	5.10	23 108	23 077
Parent shareholders' equity	5.10	21 608	21 577
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		369 903	340 346

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

The increase of the balance sheet total in 1Q 2022 can for the largest part be explained by higher repos and demand deposits, leading to higher cash balances with central banks and higher loans and advances to customers.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
31-03-2022									
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	458	0	458	0	0	458
Other comprehensive income for the period	0	0	0	1	- 420	- 419	0	0	- 419
Subtotal	0	0	0	460	- 420	40	0	0	40
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 9	0	- 9	0	0	- 9
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 1	1	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	450	- 419	31	0	0	31
Balance at the end of the period	1 460	5 528	0	14 722	- 101	21 608	1 500	0	23 108
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

31-03-2021									
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	557	0	557	0	0	557
OCI for the period	0	0	0	- 1	189	189	0	0	189
Subtotal	0	0	0	556	189	746	0	0	746
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 9	0	- 9	0	0	- 9
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	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	0	0	1	550	187	738	0	0	738
Balance at the end of the period	1 459	5 514	0	13 696	98	20 768	1 500	0	22 268

1Q 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) will be deducted from retained earnings in 2Q 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)	31-03-2022	31-12-2021	31-03-2021
Total	- 101	318	98
Revaluation reserve (FVOCI debt instruments)	177	642	905
Revaluation reserve (FVPL equity instruments) - overlay	365	496	375
Revaluation reserve (FVOCI equity instruments)	76	74	56
Hedging reserve (cashflow hedges)	-1 057	-1 108	-1 156
Translation differences	3	- 110	- 343
Hedge of net investments in foreign operations	46	79	145
Remeasurement of defined benefit plans	290	246	118
Own credit risk through OCI	0	- 1	- 1

Consolidated cash flow statement

(in millions of EUR)	Note[1]	1Q 2022	1Q 2021
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	571	688
Adjustments for non-cash items in profit & loss		424	462
Changes in operating assets (excluding cash and cash equivalents)		-2 299	-2 965
Changes in operating liabilities (excluding cash and cash equivalents)		27 335	28 268
Income taxes paid		- 147	- 116
Net cash from or used in operating activities		25 885	26 337
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	- 985	- 475
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		0	0
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		0	0
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)		- 58	- 69
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		33	- 19
Other		- 31	6
Net cash from or used in investing activities		-1 041	- 558
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	- 235	634
Proceeds from or repayment of subordinated liabilities	4.1	- 775	- 16
Proceeds from the issuance of share capital	Consolidated statement of changes in equity	0	0
Dividends paid	Consolidated statement of changes in equity	0	0
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	- 9	- 9
Net cash from or used in financing activities		-1 019	610
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		23 825	26 389
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		493	96
Cash and cash equivalents at the end of the period		87 872	74 279
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	65 650	55 074
Term loans to banks at not more than three months (excl. reverse repos)	4.1	4 978	1 962
Reverse repos with credit institutions and investment firms at not more than three months	4.1	25 064	23 687
Deposits from banks repayable on demand	4.1	-7 820	-6 444
Cash and cash equivalents belonging to disposal groups		0	0
Total		87 872	74 279
of which not available		*0*	*0*

The net cash from operating activities in 1Q 2022 and 1Q 2021 (respectively +25 885 and +26 337 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher demand deposits, repos and deposits from credit institutions and investment firms. 1Q 2021 also includes 2.2 billion euros additional TLTRO III funding.

Net cash from (used in) investing activities in 1Q 2022 and 1Q 2021 (respectively -1 041 and -558 million euros) is mainly explained by additional investments in debt securities at amortised cost.

The net cash flow from financing activities in 1Q 2022 (-1 019 million euros) mainly includes a matured covered bond position (1 billion euros) and the call of a Tier-2 instrument (750 million euros) being partly compensated by an increase of the volume of Senior Holdco instruments (950 million euros, whereof 2.2 billion euros newly issued). The net cash flow from financing activities in 1Q 2021 (+610 million euros) mainly includes the issue of Senior Holdco instruments (750 million euros), partly offset by 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 31 March 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 will be 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.

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:

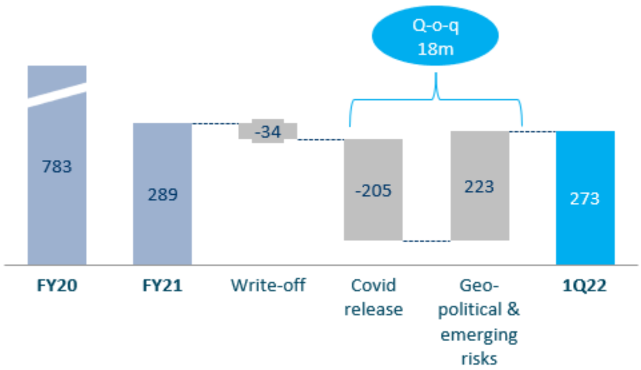
	Exchange rate at 31-03-2022		Average exchange rate in 1Q 2022	
	1 EUR = … … currency	Changes relative to 31-12-2021 Positive: appreciation relative to EUR Negative: depreciation relative to EUR	1 EUR = … … currency	Changes relative to the average 1Q 2021 Positive: appreciation relative to EUR Negative: depreciation relative to EUR
CZK	24.375	2%	24.662	6%
HUF	369.77	0%	365.46	-1%

Geopolitical, emerging and Covid risks (note 1.4)

General

We have updated the impact assessment for risks that could adversely affect our loan portfolio. At the end of 1Q 2022, the ECL for geopolitical, emerging and Covid risks amounted to 273 million euros (down from 289 million euros at year-end 2021, when the only risk related to Covid). The figures for 1Q 2022 include an impairment charge of 18 million euros for these risks, as well as a derecognition of 34 million euros, due mainly to write-off of ECL given the sale of the Irish NPL portfolio.

Q-o-q evolution of the outstanding ECL for geopolitical, emerging and Covid risks



Outstanding ECL by country

Geopolitical, emerging and Covid risks				
			of which:	
Eur m	YE21	1Q22	*Covid*	*Geopolitical & emerging risks*
KBC Group	**289**	**273**	*-205*	*223*
By country:				
Belgium	100	**122**	*-95*	*117*
Czech Republic	69	**70**	*-61*	*64*
Slovakia	20	**22**	*-17*	*21*
Hungary	37	**41**	*0*	*4*
Bulgaria	12	**12**	*-10*	*11*
Ireland	51	**6**	*-22*	*6*

The methodology underlying the impact assessment is described in more detail below. We have decided to group together the risks related to the Russia-Ukraine conflict and to macroeconomic issues, such as higher inflation and supply chain disruptions, as these are interrelated (referred to as 'Geopolitical & emerging risks').

Geopolitical & emerging risks

The invasion of Ukraine comes at a time when other emerging risks had already started weighing on the EU economy. International supply chains were already under pressure following the emerging recovery from the Covid pandemic. The war is aggravating these inflationary tendencies through rising commodity and energy prices.

In light of these recent developments, we assessed the impact of the main macroeconomic and geopolitical risks on our loan portfolio. In 1Q 2022, it resulted in an impairment charge of 223 million euros, comprising:

Direct exposure to Russia, Ukraine & Belarus	Direct exposure to Russia, Ukraine and Belarus amounts to 55 million euros **(**mainly concentrated in commercial exposures to Russian banks). All limits for Russian banks and their subsidiaries have been cancelled (exposure cannot increase any further). The facilities were transferred to Stage 3 and fully impaired in 1Q 2022. It should be noted that KBC has no Russian sovereign debt exposure or any subsidiaries in Russia, Belarus or Ukraine.
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 specifically vulnerable to a disruption in oil and/or gas supplies

	The analysis indicates that 2.0 billion euros' worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment[1].This credit risk assessment resulted in an impairment charge of 33 million euros in 1Q 2022**.**
Emerging risks	KBC identified the following subsegment at risk in its portfolio: • Corporate and SME clients active in economic sectors that suffer most from supply chain issues and increasing commodity and energy prices and are already running 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 for making higher repayments due to increasing interest rates The analysis indicates that 5.9 billion euros' worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment[2].This credit risk assessment resulted in an impairment charge of 135 million euros in 1Q 2022.

The sanctions following the Russia-Ukraine conflict have also led indirectly to an increase in bank taxes (Operating Expenses) of 24 million euros due to an extraordinary payment into the Deposit Guarantee Fund in Hungary (see Note 3.8 for more information).

Covid crisis

The invasion of Ukraine comes at a time when the coronavirus pandemic is gradually easing its grip on the world economy. Despite this positive development, the virus continues to cause uncertainty. On top of that, the strain caused by the economic repercussions of the Ukrainian war could hamper the recovery of companies that have suffered most from the pandemic. In that regard, KBC decided to leave Covid ECL unchanged for those clients most affected by the containment measures. For less affected clients, the ECL impairment charge was released, reflecting the absence of repayment issues revealed by current and forward-looking payment indicators, the reduced uncertainty about the future state of the virus and the milder impact of potential containment measures on this subset of clients.

In 1Q 2022, Covid ECL amounted to 50 million euros, down from 289 million euros at year-end 2021. The 239-million-euro reduction was accounted for by a decrease of 205 million euros in Covid ECL for less affected clients and write-off related to the derecognition of 34 million euros in Covid ECL mainly for the sale of KBC Bank Ireland's NPL portfolio to CarVal (hence no impact on P&L this quarter, only a balance sheet movement through a derecognition).

[1] For more information on the impact on staging, see Note 4.2.1.
[2] Idem as footnote 1.

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 (KBC Group) to Group Centre as of 1 January 2022 (without retroactive restatement).

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Group Centre*	Of which Ireland	Total
1Q 2022									
Net interest income	635	326	187	*93*	*58*	*36*	53	*66*	1 200
Non-life insurance (before reinsurance)	102	50	42	*14*	*8*	*20*	3	*0*	197
Earned premiums	*305*	*92*	*87*	*37*	*16*	*33*	3	*0*	*487*
Technical charges	*- 203*	*- 42*	*- 45*	*- 24*	*- 8*	*- 13*	0	*0*	*- 291*
Life insurance (before reinsurance)	- 14	14	11	*3*	*3*	*5*	0	*0*	11
Earned premiums	*216*	*43*	*31*	*11*	*8*	*12*	0	*0*	*290*
Technical charges	*- 230*	*- 29*	*- 19*	*- 8*	*- 4*	*- 7*	0	*0*	*- 279*
Ceded reinsurance result	37	- 4	- 4	*- 1*	*- 1*	*- 2*	- 5	*0*	24
Dividend income	7	0	0	*0*	*0*	*0*	0	*0*	7
Net result from financial instruments at fair value through profit or loss	50	67	32	*21*	*11*	*- 1*	- 6	*- 3*	143
Net realised result from debt instruments at fair value through OCI	1	- 5	0	*0*	*0*	*0*	1	*0*	- 2
Net fee and commission income	345	58	80	*51*	*17*	*12*	0	*2*	482
Net other income	42	11	4	*3*	*1*	*1*	- 3	*- 3*	54
TOTAL INCOME	1 204	516	353	*184*	*98*	*71*	43	*63*	2 116
Operating expenses	- 901	- 270	- 252	*- 136*	*- 68*	*- 49*	- 97	*- 71*	-1 520
Impairment	- 7	4	- 9	*- 3*	*- 1*	*- 4*	- 10	*- 10*	- 22
of which on FA at amortised cost and at fair value through OCI	*- 1*	*10*	*- 8*	*- 4*	*- 1*	*- 3*	14	*14*	*15*
Share in results of associated companies and joint ventures	- 2	- 1	0	*0*	*0*	*0*	0	*0*	- 3
RESULT BEFORE TAX	294	249	93	*45*	*29*	*19*	- 64	*- 18*	571
Income tax expense	- 67	- 42	- 19	*- 10*	*- 7*	*- 2*	16	*3*	- 113
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	227	207	73	*35*	*22*	*17*	- 49	*- 15*	458
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	227	207	73	*35*	*22*	*17*	- 49	*- 15*	458

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
1Q 2021									
Net interest income	626	215	231	*70*	*57*	*35*	*69*	- 4	1 068
Non-life insurance (before reinsurance)	140	43	46	*16*	*11*	*19*	*0*	9	238
Earned premiums	*289*	*78*	*82*	*37*	*14*	*31*	*0*	*3*	*453*
Technical charges	*- 149*	*- 35*	*- 37*	*- 22*	*- 3*	*- 12*	*0*	*6*	*- 215*
Life insurance (before reinsurance)	- 12	15	9	*2*	*3*	*4*	*0*	0	12
Earned premiums	*223*	*43*	*27*	*9*	*8*	*10*	*0*	*0*	*292*
Technical charges	*- 235*	*- 27*	*- 18*	*- 7*	*- 5*	*- 6*	*0*	*0*	*- 280*
Ceded reinsurance result	- 1	- 3	- 7	*- 1*	*- 4*	*- 2*	*0*	- 3	- 13
Dividend income	6	0	0	*0*	*0*	*0*	*0*	1	7
Net result from financial instruments at fair value through profit or loss	120	29	11	*12*	*0*	*0*	*- 1*	- 32	127
Net realised result from debt instruments at fair value through OCI	1	0	0	*0*	*0*	*0*	*0*	0	2
Net fee and commission income	327	50	66	*43*	*16*	*7*	*- 1*	- 3	441
Net other income	41	7	4	*1*	*2*	*2*	*0*	1	53
TOTAL INCOME	1 248	356	361	*143*	*86*	*65*	*67*	- 31	1 933
Operating expenses	- 821	- 225	- 254	*- 94*	*- 62*	*- 40*	*- 58*	- 21	- 1 320
Impairment	65	12	0	*3*	*- 3*	*0*	*0*	1	77
of which on FA at amortised cost and at fair value through OCI	*62*	*13*	*0*	*3*	*- 3*	*1*	*0*	*1*	*76*
Share in results of associated companies and joint ventures	- 1	- 1	0	*0*	*0*	*0*	*0*	0	- 2
RESULT BEFORE TAX	490	143	106	*52*	*20*	*25*	*9*	- 51	688
Income tax expense	- 110	- 20	- 18	*- 9*	*- 5*	*- 3*	*- 1*	17	- 131
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	380	123	88	*43*	*15*	*22*	*8*	- 35	557
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	380	123	88	*43*	*15*	*22*	*8*	- 35	557

Other notes

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

(in millions of EUR)	1Q 2022	4Q 2021	1Q 2021
Total	1 200	1 177	1 068
Interest income	2 350	1 754	1 480
Interest income on financial instruments calculated using the effective interest rate method			
Financial assets at AC	1 586	1 349	1 124
Financial assets at FVOCI	63	67	74
Hedging derivatives	300	128	84
Financial liabilities (negative interest)	146	130	96
Other	18	10	6
Interest income on other financial instruments			
Financial assets MFVPL other than held for trading	8	7	6
Financial assets held for trading	229	62	91
Of which economic hedges	*207*	*49*	*83*
Other financial assets at FVPL	0	0	0
Interest expense	-1 150	- 578	- 413
Interest expense on financial instruments calculated using the effective interest rate method			
Financial liabilities at AC	- 282	- 199	- 111
Financial assets (negative interest)	- 59	- 67	- 56
Hedging derivatives	- 333	- 165	- 165
Other	- 2	- 1	- 1
Interest expense on other financial instruments			
Financial liabilities held for trading	- 470	- 143	- 76
Of which economic hedges	*- 456*	*- 131*	*- 67*
Other financial liabilities at FVPL	- 4	- 2	- 3
Net interest expense relating to defined benefit plans	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 174 million euros) as well as to overall increase of interest rates in 1Q 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)	1Q 2022	4Q 2021	1Q 2021
Total	143	- 39	127
Breakdown by driver			
Market value adjustments (xVA)	26	19	25
MTM ALM derivatives	- 23	- 105	- 7
Financial instruments to which the overlay is applied	23	27	35
Dealing room and other	117	20	75

The result from financial instruments at fair value through profit or loss in 1Q 2022 is 182 million euro higher compared to 4Q 2021.

The quarter-on-quarter increase is attributable to:

- Higher dealing room and other income in Belgium, Czech Republic and Hungary
- Less negative MTM ALM derivatives in 1Q 2022 compared to 4Q 2021, the highly negative amount in 4Q 2021 was related to the substantial increase of Hungarian interest rates in ALM derivatives, not in hedge accounting. Thanks to the application of hedge accounting as of 1Q 2022 on these ALM derivatives, volatility has been significantly reduced.

- More positive market value adjustments (xVA) thanks to uptrending yield curves, increased KBC credit spreads and reduction of KBC funding exposure, only partly offset by mainly increased counterparty credit spreads due to geopolitical risk from the war in Ukraine and decrease of equity markets.

Partly offset by

- Lower net result on equity instruments (insurance), driven by higher impairments on equity instruments, not fully compensated by higher realized gains on shares

The result from financial instruments at fair value through profit or loss in 1Q 2022 is 17 million euros higher compared to 1Q 2021, for a large part explained by:

- Higher dealing room and other income in the Czech Republic and Hungary, partly offset by lower dealing room income in Belgium

Partly offset by

- More negative MTM ALM derivatives.
- Lower positive net result on equity instruments (insurance) in 1Q 2022 driven by higher impairments on equity instruments.

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

(in millions of EUR)	1Q 2022	4Q 2021	1Q 2021
Total	482	479	441
Fee and commission income	710	716	639
Fee and commission expense	- 228	- 238	- 198
Breakdown by type			
Asset Management Services	312	318	284
Fee and commission income	*331*	*338*	*300*
Fee and commission expense	*- 19*	*- 20*	*- 16*
Banking Services	247	250	229
Fee and commission income	*351*	*356*	*315*
Fee and commission expense	*- 104*	*- 106*	*- 85*
Distribution	- 77	- 89	- 72
Fee and commission income	*28*	*22*	*24*
Fee and commission expense	*- 104*	*- 111*	*- 97*

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

(in millions of EUR)	1Q 2022	4Q 2021	1Q 2021
Total	54	56	53
of which gains or losses on			
Sale of financial assets measured at amortised cost	- 1	- 16	0
Repurchase of financial liabilities measured at amortised cost	- 1	0	1
of which other, including:	55	71	51
Income from operational leasing activities	29	25	20
Income from VAB Group	15	11	15
Badwill on OTP SK	0	28	0
Legacy legal cases	7	6	0
Provisioning for tracker mortgage review	0	- 4	0

Note :

In 1Q 2022:

- Legacy legal case in Czech Republic (+7 million euros)

In 4Q 2021:

- Badwill on OTP SK (+28 million euros)
- Sale of government bonds in the Czech Republic (-10 million euros)
- Legacy legal case in Group Centre (+6 million euros)
- Provision for tracker mortgage review in KBC Bank Ireland (-4 million euros)

In 1Q 2021: no special items

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
1Q 2022				
Earned premiums, insurance (before reinsurance)	290	492	-	782
of which change in provision unearned premiums	*- 2*	*- 284*	-	*- 285*
Technical charges, insurance (before reinsurance)	- 279	- 291	-	- 570
Claims paid	*- 315*	*- 256*	-	*- 572*
Changes in technical provisions	*75*	*- 29*	-	*45*
Other technical result	*- 38*	*- 5*	-	*- 44*
Net fee and commission income	3	- 96	-	- 93
Ceded reinsurance result	- 1	25	-	24
General administrative expenses	- 53	- 68	- 1	- 121
Internal claims settlement expenses	*- 2*	*- 16*	-	*- 18*
Indirect acquisition costs	*- 8*	*- 17*	-	*- 25*
Administrative expenses	*- 43*	*- 35*	-	*- 78*
Investment management fees	*0*	*0*	*- 1*	*- 1*
Technical result	- 40	62	- 1	21
Investment Income *	88	26	13	127
Technical-financial result	48	88	12	148
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	48	88	12	148
Income tax expense	-	-	-	- 30
RESULT AFTER TAX	-	-	-	118
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***118***
1Q 2021				
Earned premiums, insurance (before reinsurance)	292	457	-	749
of which change in provision unearned premiums	*- 1*	*- 255*	-	*- 256*
Technical charges, insurance (before reinsurance)	- 280	- 215	-	- 495
Claims paid	*- 296*	*- 205*	-	*- 500*
Changes in technical provisions	*7*	*- 6*	-	*1*
Other technical result	*9*	*- 4*	-	*4*
Net fee and commission income	2	- 90	-	- 89
Ceded reinsurance result	- 1	- 12	-	- 13
General administrative expenses	- 52	- 62	- 1	- 114
Internal claims settlement expenses	*- 2*	*- 15*	-	*- 17*
Indirect acquisition costs	*- 7*	*- 16*	-	*- 24*
Administrative expenses	*- 43*	*- 30*	-	*- 73*
Investment management fees	*0*	*0*	*- 1*	*- 1*
Technical result	- 40	78	- 1	38
Investment Income *	96	23	21	140
Technical-financial result	56	101	21	178
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	56	101	21	178
Income tax expense	-	-	-	- 31
RESULT AFTER TAX	-	-	-	147
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***147***

* 1Q 2022 Investment income consists of (in millions of EUR): Net interest income (100), Net Dividend income (5), Net result from financial instruments at fair value through profit and loss (29), Impairment (2), Net result from financial instruments at fair value through OCI (-5) and Net other income (-4).
* 1Q 2021 Investment income consists of (in millions of EUR): Net interest income (98), Net Dividend income (5), Net result from financial instruments at fair value through profit and loss (35), Net result from financial instruments at fair value through OCI (2), Net other income (1) and Impairment (-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 1Q 2022, the technical result non-life was negatively impacted by storms mainly in Belgium (-90 million euros before tax, before reinsurance; -50 million euros before tax, after reinsurance) versus mild storm effect in 1Q 2021 (-6 million euros, before tax, before reinsurance).

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 1Q 2022 include 514 million euros related to bank (and insurance) levies (47 million euros in 4Q 2021; 424 million euros in 1Q 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.

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)	1Q 2022	4Q 2021	1Q 2021
Total	**- 22**	**16**	**77**
Impairment on financial assets at AC and at FVOCI	15	62	76
Of which impairment on financial assets at AC	15	60	75
By product			
Loans and advances	*37*	*65*	*70*
Debt securities	*0*	*0*	*1*
Off-balance-sheet commitments and financial guarantees	*- 22*	*- 5*	*4*
By type			
Stage 1 (12-month ECL)	*4*	*12*	*28*
Stage 2 (lifetime ECL)	*44*	*45*	*13*
Stage 3 (non-performing; lifetime ECL)	*- 35*	*5*	*32*
Purchased or originated credit impaired assets	*2*	*- 2*	*2*
Of which impairment on financial assets at FVOCI	0	1	1
Debt securities	0	1	1
Stage 1 (12-month ECL)	*0*	*1*	*2*
Stage 2 (lifetime ECL)	*0*	*1*	*- 1*
Stage 3 (non-performing; lifetime ECL)	*0*	*0*	*0*
Impairment on goodwill	0	- 7	0
Impairment on other	- 37	- 39	1
Intangible fixed assets (other than goodwill)	- 21	- 28	0
Property, plant and equipment (including investment property)	- 9	- 6	3
Associated companies and joint ventures	0	0	0
Other	- 7	- 5	- 2

The impairments on financial assets at AC and at FVOCI in 1Q 2022 include a net impairment charge of 18 million euros for the geopolitical, emerging and Covid risks, compared to a release of 79 million euros in 4Q 2021 and a release of 26 million euros in 1Q 2021 (the reference periods only related to Covid). For more information, see note 1.4 of this report.

The impairments on financial assets at AC and at FVOCI in 1Q 2022 include +33 million euros net releases mainly related to a number of corporate and retail files mainly in Czech Republic and Belgium. 4Q 2021 included -14m impairments in Hungary related to new forborne flag implementation for clients in the financial moratorium. 1Q 2021 included +50 million euros releases related to a number of corporate files mainly in Belgium and Czech Republic.

The impairment on goodwill in 4Q 2021 included -7 million euros on one of the smaller subsidiaries of the Czech Republic due to the annual goodwill impairment test.

Additionally 1Q 2022 includes -30 million euros related to impairments on property and equipment and intangible assets (of which -24 million euros in Ireland) compared to -34 million euros in 4Q 2021 (of which -17 million euros in Ireland). 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)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO [1]	Hedging derivatives	Total
FINANCIAL ASSETS, 31-03-2022								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	7 913	0	0	0	1	0	0	7 913
of which repayable on demand and term loans at not more than three months								*4 978*
Loans and advances to customers (excl. reverse repos)	164 052	0	588	0	0	0	0	164 639
Trade receivables	*2 230*	*0*	*0*	*0*	*0*	*0*	*0*	*2 230*
Consumer credit	*5 487*	*0*	*409*	*0*	*0*	*0*	*0*	*5 896*
Mortgage loans	*69 310*	*0*	*179*	*0*	*0*	*0*	*0*	*69 489*
Term loans	*74 990*	*0*	*0*	*0*	*0*	*0*	*0*	*74 990*
Finance lease	*5 807*	*0*	*0*	*0*	*0*	*0*	*0*	*5 807*
Current account advances	*5 652*	*0*	*0*	*0*	*0*	*0*	*0*	*5 652*
Other	*576*	*0*	*0*	*0*	*0*	*0*	*0*	*576*
Reverse repos[2]	25 797	0	0	0	1 393	0	0	27 190
with credit institutions and investment firms	*25 712*	*0*	*0*	*0*	*1 393*	*0*	*0*	*27 104*
with customers	*86*	*0*	*0*	*0*	*0*	*0*	*0*	*86*
Equity instruments	0	329	9	1 304	405	0	0	2 048
Investment contracts (insurance)[6]	0	0	14 107	0	0	0	0	14 107
Debt securities issued by	48 352	13 915	16	0	2 458	0	0	64 741
Public bodies	*42 098*	*9 355*	*0*	*0*	*2 309*	*0*	*0*	*53 762*
Credit institutions and investment firms	*3 893*	*2 017*	*0*	*0*	*38*	*0*	*0*	*5 948*
Corporates	*2 361*	*2 543*	*16*	*0*	*111*	*0*	*0*	*5 031*
Derivatives	0	0	0	0	5 838	0	379	6 217
Other[3]	895	0	0	0	0	0	0	895
Total	247 009	14 244	14 719	1 304	10 095	0	379	287 751
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[2]	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)[6]	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[3]	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)	AC	HFT	FVO	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-03-2022					
Deposits from credit institutions and investment firms (excl. repos)	41 640	0	0	0	41 640
of which repayable on demand					*7 820*
Deposits from customers and debt securities (excl. repos)	228 855	112	1 298	0	230 265
Demand deposits	*116 100*	*0*	*0*	*0*	*116 100*
Time deposits	*11 071*	*112*	*47*	*0*	*11 229*
Savings accounts	*75 127*	*0*	*0*	*0*	*75 127*
Special deposits	*2 948*	*0*	*0*	*0*	*2 948*
Other deposits	*491*	*0*	*0*	*0*	*491*
Subtotal deposits of clients, excl. repos	*205 737*	*112*	*47*	*0*	*205 896*
Certificates of deposit	*5 443*	*0*	*0*	*0*	*5 443*
Savings certificates	*209*	*0*	*0*	*0*	*209*
Non-convertible bonds	*15 286*	*0*	*1 128*	*0*	*16 413*
Non-convertible subordinated liabilities	*2 182*	*0*	*124*	*0*	*2 305*
Repos[4]	23 831	200	0	0	24 030
with credit institutions and investment firms	*17 301*	*182*	*0*	*0*	*17 484*
with customers	*6 529*	*17*	*0*	*0*	*6 547*
Liabilities under investment contracts[6]	0	0	13 131	0	13 131
Derivatives	0	6 598	0	903	7 500
Short positions	0	1 898	0	0	1 898
In equity instruments	*0*	*22*	*0*	*0*	*22*
In debt securities	*0*	*1 876*	*0*	*0*	*1 876*
Other[5]	2 606	0	0	0	2 606
Total	296 932	8 807	14 429	903	321 071
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[4]	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[6]	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[5]	2 288	0	0	0	2 288
Total	268 387	7 271	14 916	1 094	291 667

1 The carrying value comes close to the maximum credit exposure.
2 The amount of the reverse repos is virtually identical to the amount of the underlying assets (that have been lent out).
3 Financial assets not included under ‘Loans and advances to customers’ as they are not directly related to commercial lending.
4 The amount of the repos is virtually identical to the amount of the underlying assets (that have been lent out), with the assets being partly reflected on the balance sheet and partly obtained through reverse repo transactions.
5 Financial liabilities not included under deposits from customers as they are not directly related to commercial deposit acquisition.
6 The difference between ‘Investment contracts (insurance)’ and ‘liabilities under investment contracts’ can be explained by the presentation of not-unbundled investments contracts which are included in the ‘investment contracts, insurance’ within the financial assets while they are included on the liability side in ‘technical provision before reinsurance’.

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme (in 2021 an additional amount of 2.5 billion euros was drawn, bringing the total TLTRO III funding at 24.5 billion euros). KBC applies the effective interest rate principle to these deposits, changing it when we would no longer meet the terms (similar to a floating rate instrument) in accordance with IFRS 9 (Section B.5.4.5).

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
31-03-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	200 289	- 2 527	197 762
Stage 1 (12-month ECL)	170 224	- 100	170 124
Stage 2 (lifetime ECL)	25 989	- 482	25 507
Stage 3 (lifetime ECL)	3 484	- 1 830	1 653
Purchased or originated credit impaired assets (POCI)	592	- 114	478
Debt Securities	48 361	- 8	48 352
Stage 1 (12-month ECL)	48 293	- 5	48 288
Stage 2 (lifetime ECL)	65	- 2	63
Stage 3 (lifetime ECL)	2	- 1	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	13 920	- 6	13 915
Stage 1 (12-month ECL)	13 822	- 3	13 819
Stage 2 (lifetime ECL)	98	- 3	95
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 1Q 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),
- vulnerable to the emerging risks,
- deemed to bear more risk from Covid, or
- Czech retail clients expected to be impacted by the sharp interest rate increases.

An exposure of 7.1 billion euros has been transferred to stage 2 based on these collective assessments per 1Q 2022 of which 3.8 billion related to the newly identified risks (military conflict and emerging risks – see note 1.4 for more information). In 4Q 2021, an exposure of 3.8 billion euros was transferred to stage 2 for the impact of Covid and the Czech interest rate increases. Apart from these collective shifts, the table does not yet fully include the staging of the exposure vulnerable to the emerging risks. Considering this additional impact on staging, this would result in a carrying value before impairment of loans and advances of approximately respectively 166.2 and 30.0 billion euros in Stage 1 and 2 (or a net staging of 2.0% of the total portfolio from Stage 1 to Stage 2).

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)				31-03-2022				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)	15 114	247	662	16 023	15 702	254	615	16 572
Held for trading	2 612	6 542	941	10 095	1 970	5 915	965	8 850
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	11 083	2 588	573	14 244	12 284	2 964	577	15 824
Hedging derivatives	0	379	0	379	0	283	0	283
Total	28 809	9 756	2 176	40 741	29 956	9 416	2 157	41 529
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 903	5 645	1 258	8 807	1 582	4 480	1 209	7 271
Designated at fair value	13 130	49	1 250	14 429	13 603	61	1 251	14 916
Hedging derivatives	0	603	300	903	0	696	398	1 094
Total	15 034	6 297	2 808	24 139	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 1Q 2022, KBC transferred about 105 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 337 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 1Q 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 loans and advances increased by 27 million euros, primarily due to new transactions, only partially offset by changes in fair value and instruments that reached maturity. The fair value of unquoted equities increased by 20 million euros, mostly due to new transactions.
- Financial assets held for trading: the fair value of derivatives decreased by 33 million euros, primarily due to sales of existing positions, only partially offset by new transactions and transfers into level 3.
- Financial liabilities held for trading: the fair value of derivatives increased by 49 million euros, mainly due to a combination of new transactions and transfers into level 3, only partially offset by sales of existing positions.
- Financial liabilities hedging derivatives: the fair value of derivatives decreased by 98 million euros due to changes in fair value.

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 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 regulatory, including Irish competition, approvals.

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 -36 million euros in 1Q 2022. Combined, it further improves KBC's solid capital position on completion of the transaction (expected in 2H 2022), with a positive impact of +0.9%pt. on the CET1 ratio primarily by reducing risk-weighted assets by c.5 billion euros upon completion of the transaction and a further c.1 billion thereafter.

As a result of this announcement, the P&L-lines of KBC Bank Ireland have been transferred from Business Unit International Markets (KBC Group) 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
1Q 2022			
Total income	6	0	6
Operating expenses	0	- 11	- 11
Impairment	- 2	- 25	- 27
on financial assets at AC and at FVOCI	*- 2*	*- 1*	*- 3*
other	*0*	*- 24*	*- 24*
Income tax expense	0	0	0
RESULT AFTER TAX	3	- 36	- 32
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 Raffeisen 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 deal, involving a total consideration of 1 015 million euros paid in cash, reflects the quality of the Raiffeisen franchise and the synergies potential.

The transaction will have a capital impact of around -1pp on KBC Group's CET1 (at the moment of the announcement) upon closing.

Completion of the transaction is subject to regulatory approval and is expected by mid-2022.

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

Significant non-adjusting event between the balance sheet date (31 March 2022) and the publication of this report (12 May 2022):

The Board of Directors proposed to the Annual General Meeting of shareholders, which 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) will be deducted from retained earnings in 2Q 2022. At that time this will also negatively impact the net cash (flow) from financing activities.

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2022 AND FOR THE THREE-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 31 March 2022 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the three-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the three-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 369.903 million and a consolidated profit (attributable to equity holders of the parent) for the three-month period then ended of EUR 458 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.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
Maatschappelijke zetel/Siège social: Culliganlaan 5, B-1831 Diegem
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

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, 11 May 2022

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave Accredited auditor	Jeroen Bockaert Accredited auditor

KBC Group

Additional Information 1Q 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'.

Credit risk: loan portfolio overview	31-03-2022	Pro forma excl. Ireland 31-03-2022	31-12-2021	Pro forma excl. Ireland 31-12-2021
Total loan portfolio (in billions of EUR) [1]				
Amount outstanding and undrawn	244	234	237	226
Amount outstanding	194	185	188	178
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)				
Belgium	64.1%	67.4%	63.4%	67.1%
Czech Republic	19.0%	19.9%	18.8%	19.9%
International Markets	11.2%	11.8%	16.8%	11.9%
Group Centre [2]	5.7%	1.0%	1.0%	1.1%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)				
Private individuals	43.5%	40.7%	44.4%	41.2%
Finance and insurance	7.0%	7.3%	6.0%	6.3%
Governments	3.0%	3.2%	2.8%	2.9%
Corporates	46.5%	48.8%	46.8%	49.5%
Services	10.1%	10.5%	10.3%	10.9%
Distribution	7.6%	8.0%	7.5%	8.0%
Real estate	6.0%	6.3%	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	2.3%	2.5%	2.4%	2.6%
Food Producers	1.8%	1.8%	1.8%	1.9%
Electricity	1.6%	1.7%	1.6%	1.6%
Metals	1.5%	1.6%	1.4%	1.5%
Chemicals	1.4%	1.4%	1.3%	1.4%
Machinery & Heavy equipment	0.9%	0.9%	0.9%	0.9%
Hotels, bars & restaurants	0.7%	0.7%	0.7%	0.8%
Shipping	0.6%	0.7%	0.7%	0.7%
Oil, gas & other fuels	0.6%	0.7%	0.6%	0.7%
Electrotechnics	0.5%	0.5%	0.5%	0.5%
Traders	0.5%	0.5%	0.5%	0.5%
Textile & Apparel	0.5%	0.5%	0.5%	0.5%
Other [3]	3.0%	3.2%	3.1%	3.3%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)				
Home countries	87.9%	87.3%	88.7%	88.1%
Belgium	53.3%	56.0%	53.9%	57.1%
Czech Republic	18.2%	19.1%	17.6%	18.7%
Ireland	4.9%	0.1%	5.7%	0.1%
Slovakia	5.6%	5.9%	5.6%	6.0%
Hungary	3.5%	3.7%	3.6%	3.8%
Bulgaria	2.3%	2.4%	2.3%	2.4%
Rest of Western Europe	7.6%	8.0%	6.9%	7.3%
Rest of Central and Eastern Europe	0.2%	0.2%	0.2%	0.2%
of which: Russia and Ukraine	0.03%	0.03%		
North America	1.3%	1.4%	1.3%	1.3%
Asia	1.6%	1.7%	1.5%	1.6%
Other	1.4%	1.5%	1.4%	1.5%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)				
Retail	43.5%	40.7%	44.4%	41.2%
of which: mortgages	40.3%	37.4%	41.2%	37.8%
of which: consumer finance	3.2%	3.3%	3.2%	3.4%
SME	21.1%	22.1%	21.5%	22.8%
Corporate	35.4%	37.2%	34.0%	36.0%

	31-03-2022	Pro forma excl. Ireland 31-03-2022	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)	82.8%	82.3%	83.5%	83.5%
of which: PD 1 - 4	63.0%	65.7%	62.3%	65.4%
of which: PD 5 - 9 including unrated	19.8%	16.7%	21.2%	18.1%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [4]	14.9%	15.4%	13.6%	14.1%
of which: PD 1 - 4	5.8%	6.1%	5.1%	5.4%
of which: PD 5 - 9 including unrated	9.1%	9.3%	8.5%	8.7%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [4]	2.3%	2.3%	2.9%	2.4%
of which: PD 10 impaired loans	1.1%	1.1%	1.4%	1.1%
of which: more than 90 days past due (PD 11+12)	1.2%	1.2%	1.5%	1.2%
Impaired loan portfolio (in millions of EUR)				
Impaired loans (PD10 + 11 + 12)	4 479	4 228	5 454	4 198
of which: more than 90 days past due	2 257	2 129	2 884	2 157
Impaired loans ratio (%)				
Belgium	2.1%	2.1%	2.2%	2.2%
Czech Republic	1.9%	1.9%	1.8%	1.8%
International Markets	2.4%	2.4%	5.7%	2.5%
Group Centre [2]	6.1%	23.8%	21.5%	21.5%
Total	2.3%	2.3%	2.9%	2.4%
of which: more than 90 days past due	1.2%	1.2%	1.5%	1.2%
Loan loss impairment (in millions of EUR)				
Loan loss Impairment for Stage 1 portfolio	124	119	127	123
Loan loss Impairment for Stage 2 portfolio	513	501	559	528
Loan loss Impairment for Stage 3 portfolio	2 159	2 034	2 569	2 025
of which: more than 90 days past due	1 569	1 490	1 905	1 513
Cover ratio of impaired loans (%)				
Loan loss impairments for stage 3 portfolio / impaired loans	48.2%	48.1%	47.1%	48.2%
of which: more than 90 days past due	69.5%	70.0%	66.1%	70.2%
Cover ratio of impaired loans, mortgage loans excluded (%)				
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	50.8%	50.7%	50.9%	50.8%
of which: more than 90 days past due	72.9%	72.8%	72.8%	72.7%
Credit cost ratio (%)				
Belgium	0.00%	0.00%	-0.26%	-0.26%
Czech Republic	-0.11%	-0.11%	-0.42%	-0.42%
International Markets	0.16%	0.16%	0.36%	-0.19%
Slovakia	0.05%	0.05%	-0.16%	-0.16%
Hungary	0.22%	0.22%	-0.34%	-0.34%
Bulgaria	0.31%	0.31%	-0.06%	-0.06%
Ireland [2]			1.43%	
Group Centre	-0.49%	-0.10%	0.28%	0.28%
o.w. Ireland	-0.56%			
Total	-0.03%	0.00%	-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

In 1Q 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 55 million euros or 0.03% 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 2020 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Loan portfolio per Business Unit (banking activities)

Legend:

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

Loan portfolio per Business Unit 31-03-2022, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**124 595**			**36 809**			**21 742**			**11 088**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	43 264	35%		21 742	59%		10 274	47%		9 258	83%	
o/w mortgages	41 621	33%		19 412	53%		8 138	37%		9 174	83%	
o/w consumer finance	1 642	1%		2 330	6%		2 136	10%		84	1%	
SME	33 282	27%		5 300	14%		2 350	11%		48	0%	
corporate	48 049	39%		9 766	27%		9 117	42%		1 782	16%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	41 566	33%	56%	19 412	53%	55%	8 138	37%	61%	9 174	83%	55%
o/w FX mortgages	0	0%	-	0	0%	-	64	0%	58%	0	0%	-
o/w ind. LTV > 100%	400	0%	-	37	0%	-	129	1%	-	75	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	97 440	78%		22 301	61%		11 678	54%		2 108	19%	
medium risk (PD 5-7; 0.80%-6.40%)	21 291	17%		12 623	34%		7 862	36%		7 616	69%	
high risk (PD 8-9; 6.40%-100.00%)	3 143	3%		1 176	3%		980	5%		692	6%	
impaired loans (PD 10 - 12)	2 587	2%		691	2%		530	2%		671	6%	
unrated	133	0%		18	0%		692	3%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 587	1 112	43%	691	326	47%	530	231	44%	671	489	73%
o/w PD 10 impaired loans	1 428	337	24%	422	140	33%	222	47	21%	150	67	44%
o/w more than 90 days past due (PD 11+12)	1 160	776	67%	268	186	69%	308	185	60%	521	423	81%
all impairments (stage 1+2+3)	1 428			474			383			510		
o/w stage 1+2 impairments (incl. POCI)	316			149			152			21		
o/w stage 3 impairments (incl. POCI)	1 112			326			231			489		
2021 Credit cost ratio (CCR)[3]	-0.26%			-0.42%			0.36%			0.28%		
2022 Credit cost ratio (CCR)[3] - YTD	0.00%			-0.11%			0.16%			-0.49%		

[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 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). 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:		
31-03-2022, in millions of EUR	Slovakia			Hungary			Bulgaria			Ireland[1]		
Total portfolio outstanding	**10 553**			**6 688**			**4 501**			**9 324**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	5 948	56%		2 627	39%		1 700	38%		9 258	99%	
o/w mortgages	5 396	51%		1 839	27%		904	20%		9 174	98%	
o/w consumer finance	552	5%		789	12%		796	18%		84	1%	
SME	1 100	10%		137	2%		1 114	25%		48	1%	
corporate	3 506	33%		3 924	59%		1 688	37%		18	0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	5 396	51%	66%	1 839	27%	47%	904	20%	59%	9 174	98%	55%
o/w FX mortgages	0	0%	-	1	0%	78%	63	1%	57%	0	0%	-
o/w ind. LTV > 100%	59	1%	-	56	1%		13	0%	-	75	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	6 631	63%		3 640	54%		1 407	31%		892	10%	
medium risk (PD 5-7; 0.80%-6.40%)	2 447	23%		2 735	41%		2 680	60%		7 495	80%	
high risk (PD 8-9; 6.40%-100.00%)	608	6%		174	3%		197	4%		687	7%	
impaired loans (PD 10 - 12)	175	2%		139	2%		216	5%		251	3%	
unrated	691	7%		1	0%		0	0%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	175	102	58%	139	52	37%	216	78	36%	251	125	50%
o/w PD 10 impaired loans	52	15	29%	100	27	27%	70	5	8%	123	47	38%
o/w more than 90 days past due (PD 11+12)	123	87	71%	39	25	65%	146	72	49%	128	78	61%
all impairments (stage 1+2+3)	175			109			99			142		
o/w stage 1+2 impairments (incl. POCI)	73			57			22			17		
o/w stage 3 impairments (incl. POCI)	102			52			78			125		
2021 Credit cost ratio (CCR)[2]	-0.16%			-0.34%			-0.06%			1.43%		
2022 Credit cost ratio (CCR)[2] - YTD	0.05%			0.22%			0.31%			-0.56%		

[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 re. the first quarter of 2022, the interim profit is included in the fully loaded CET1 (taking into account 50% pay-out in line with our Dividend Policy), while the 1Q22 interim profit is not included 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 92% of the weighted credit risks, of which approx. 88% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 10.91% (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 and 0.55% 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 currently does not intend to issue additional tier-1 or tier-2 instruments to meet the P2R; KBC may consider this to avoid or mitigate a MDA breach.

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	31-03-2022		31-12-2021	
	Fully loaded	Actuals	Fully loaded	Actuals
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement to be satisfied with CET1	1.05%	1.05%	1.05%	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%
Entity-specific countercyclical buffer	0.55%	0.17%	0.45%	0.17%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. 104a(4)	10.10%	9.72%	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	10.91%	10.53%	10.81%	10.42%
CET1 used to satisfy shortfall in AT1 bucket (B)	0.10%	0.10%	0.07%	0.06%
CET1 used to satisfy shortfall in T2 bucket (C)[2]	0.13%	-0.04%	0.36%	0.34%
CET1 requirement for MDA (A+B+C)	11.15%	10.60%	11.23%	10.82%
CET1 capital	16 362	16 303	16 224	17 498
CET1 buffer (= buffer compared to MDA)	4 408	4 939	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) 31-03-2022		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	16 362	107 256	15.26%
Deduction Method	Fully loaded	15 544	102 248	15.20%
Financial Conglomerates Directive	Fully loaded	18 117	121 663	14.89%
Danish Compromise	Transitional	16 303	107 231	15.20%
Deduction Method	Transitional	15 472	102 192	15.14%
Financial Conglomerates Directive	Transitional	18 058	121 638	14.85%

KBC’s fully loaded CET1 ratio of 15.26% at the end of March 2022 represents a solid capital buffer:

- 4.35% capital buffer compared with the Overall Capital Requirement (OCR) of 10.91%
- 4.11% capital buffer compared with the Maximum Distributable Amount (MDA) of 11.15%.

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	31-03-2022 Fully loaded	31-03-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital (after profit appropriation)	19 864	19 985	19 445	20 733
Tier-1 capital	17 862	17 803	17 724	18 998
Common equity	16 362	16 303	16 224	17 498
Parent shareholders' equity (after deconsolidating KBC Insurance)	20 481	20 141	20 049	17 708
Intangible fixed assets, incl deferred tax impact (-)	- 525	- 525	- 539	- 539
Goodwill on consolidation, incl deferred tax impact (-)	- 754	- 754	- 746	- 746
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	1 057	1 057	1 108	1 108
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 24	- 24	- 16	- 16
Value adjustment due to the requirements for prudent valuation (-)	- 29	- 29	- 28	- 28
Dividend payout (-)	- 3 385	- 3 168	- 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 (-)	- 72	- 72	- 72	- 72
Deduction re NPL backstops (-)	- 70	- 70	- 68	- 68
IRB provision shortfall (-)	0	0	0	- 31
Deferred tax assets on losses carried forward (-)	- 246	- 246	- 227	- 227
Transitional adjustments to CET1	0	64	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	2 002	2 182	1 721	1 735
IRB provision excess (+)	505	505	224	493
Transitional adjustments to T2	0	0	0	- 493
Subordinated liabilities	1 497	1 678	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	107 256	107 231	104 646	104 362
Banking	97 850	97 825	95 120	94 836
Insurance	9 133	9 133	9 133	9 133
Holding activities	310	310	396	396
Elimination of intercompany transactions	- 38	- 38	- 4	- 4
Solvency ratios				
Common equity ratio	15.26%	15.20%	15.50%	16.77%
Tier-1 ratio	16.65%	16.60%	16.94%	18.20%
Total capital ratio	18.52%	18.64%	18.58%	19.87%

Note: for the composition of the banking RWA, see section ‘Solvency banking and insurance activities separately’ further in this memo.

Note: the difference between the fully loaded total own funds (19 864 million euros; interim profit after 50% pay-out re. 2022 is included) and the transitional own funds (19 985 million euros; interim profit after 50% pay-out re. 2022 is not included) as at 31-03-2022 is explained by the net result for 2022 (341 million euros under the Danish Compromise method), the 50% pay-out (-217 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (-64 million euros) and the grandfathered tier-2 subordinated debt instruments (-181 million euros).

Leverage ratio KBC Group

Leverage ratio KBC Group In millions of EUR	31-03-2022 Fully loaded	31-03-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Tier-1 capital	17 862	17 803	17 724	18 998
Total exposures	356 926	307 985	326 792	292 365
Total Assets	369 903	369 903	340 346	340 346
Deconsolidation KBC Insurance	-33 178	-33 178	-34 026	-34 026
Transitional adjustment	0	80	0	617
Adjustment for derivatives	-2 402	-2 402	-1 656	-1 656
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 680	-1 680	-1 665	-1 696
Adjustment for securities financing transaction exposures	733	733	1 016	1 016
Central Bank exposure	0	-49 021	0	-35 014
Off-balance sheet exposures	23 550	23 550	22 776	22 776
Leverage ratio	5.00%	5.78%	5.42%	6.50%

At the end of March 2022, the fully loaded leverage ratio decreased compared to December 2021, mainly due to higher total assets, driven by short-term money market and repo opportunities.

The higher transitional ratio (in comparison with the fully loaded ratio) reflects the exclusion of Central Bank exposures (CRR Art. 500b; applied as from the end of September 2021 onwards). As from 01-04-2022, these Central Bank exposures no longer are excluded from the 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)	31-03-2022 Fully loaded	31-03-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital, after profit appropriation	18 898	18 634	18 318	17 964
Tier-1 capital	16 770	16 506	16 415	16 210
Common equity	15 270	15 006	14 915	14 710
Parent shareholders' equity	17 492	17 145	17 047	14 912
Solvency adjustments	-2 222	-2 140	-2 132	- 202
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	2 128	2 128	1 903	1 754
Total weighted risk volume	97 850	97 825	95 120	94 836
Credit risk	83 151	83 126	80 971	80 687
Market risk	3 215	3 215	2 665	2 665
Operation risk	11 484	11 484	11 484	11 484
Common equity ratio	15.6%	15.3%	15.7%	15.5%

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-03-2022	31-12-2021
Own Funds	4 094	4 075
Tier 1	3 593	3 574
IFRS Parent shareholders' equity	3 600	3 991
Dividend payout	- 635	-525
Deduction intangible assets and goodwill (after tax)	- 191	- 194
Valuation differences (after tax)	782	267
Volatility adjustment	79	43
Other	- 42	- 8
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 883	2 029
Market risk	1 401	1 581
Non-life	614	626
Life	843	834
Health	270	314
Counterparty	129	114
Diversification	-1 088	-1 133
Other	- 286	- 308
Solvency II ratio	217%	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.

The SRB communicated to KBC the final MREL targets expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE):

- 22.13% of RWA as from 01-01-2024 with an intermediate target of 21.63% as from 01-01-2022 (the Combined Buffer Requirement(1) needs to be held on top and amounts to 4.35% as from 2022 and 4.55% in 2023)
- 7.34% of LRE as from 01-01-2022

At the end of March 2022, the MREL ratio stands at 27.6% as a % of RWA (versus 27.7% as at 31-12-2021) and at 9.6% as % of LRE (versus 9.9% as at 31-12-2021).

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). KBC Group has on its balance sheet a limited amount of liabilities, excluded from bail-in, which rank pari passu to MREL eligible liabilities. These excluded liabilities are related to critical shared services (e.g. IT). This jeopardizes the eligibility of the HoldCo senior debt to be acknowledged by the SRB as subordinated.

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. After implementation of the Clean HoldCo, KBC's entire MREL stack will be considered as subordinated.

The new binding subordinated MREL targets are:

- 15.95% of RWA as from 01-01-2024 with an intermediate target of 13.50% as from 01-01-2022 (the Combined Buffer Requirement(1) needs to be held on top and amounts to 4.35% as from 2022 and 4.55% in 2023)
- 7.34% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of March 2022, the subordinated MREL ratio stands at 18.6% as a % of RWA (versus 20.6% as at 31-12-2021) and at 6.5% as % of LRE (versus 7.3% as at 31-12-2021).

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.35% for 2022 and 0.55% in 2023), 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)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Breakdown P&L					
Net interest income	635	641	629	637	626
Non-life insurance (before reinsurance)	102	100	77	143	140
Earned premiums	305	308	306	293	289
Technical charges	- 203	- 208	- 229	- 150	- 149
Life insurance (before reinsurance)	- 14	- 16	- 13	- 13	- 12
Earned premiums	216	298	189	194	223
Technical charges	- 230	- 314	- 202	- 207	- 235
Ceded reinsurance result	37	13	27	- 3	- 1
Dividend income	7	8	10	15	6
Net result from financial instruments at fair value through profit or loss	50	34	33	38	120
Net realised result from debt instruments at fair value through OCI	1	0	0	1	1
Net fee and commission income	345	338	333	322	327
Net other income	42	38	83	33	41
TOTAL INCOME	1 204	1 154	1 179	1 173	1 248
Operating expenses	- 901	- 558	- 520	- 538	- 821
Impairment	- 7	43	139	56	65
on financial assets at AC and at FVOCI	- 1	51	139	56	62
other	- 7	- 8	- 1	0	3
Share in results of associated companies and joint ventures	- 2	- 1	- 2	1	- 1
RESULT BEFORE TAX	294	639	796	693	490
Income tax expense	- 67	- 153	- 193	- 165	- 110
RESULT AFTER TAX	227	486	603	528	380
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**227**	**486**	**603**	**528**	**380**
Banking	138	413	522	403	282
Insurance	89	73	81	125	98
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	111 303	108 251	106 952	105 594	103 960
of which Mortgage loans (end of period)	*42 478*	*41 561*	*40 800*	*40 069*	*39 452*
Customer deposits and debt certificates excl. repos (end of period)	142 241	142 282	151 203	159 581	150 296
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	12 831	12 989	12 942	12 984	13 018
Unit-Linked (end of period)	13 152	13 634	13 262	13 217	13 014
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	57 143	55 520	54 493	54 419	53 759
Required capital, insurance (end of period)	1 580	1 708	1 648	1 651	1 546
Allocated capital (end of period)	7 757	7 510	7 342	7 338	7 164
Return on allocated capital (ROAC)	12%	27%	33%	29%	21%
Cost/income ratio, group	75%	48%	44%	46%	66%
Combined ratio, non-life insurance	82%	98%	98%	83%	80%
Net interest margin, banking	1.57%	1.60%	1.61%	1.63%	1.63%

Business unit Czech Republic **(in millions of EUR)**	**1Q 2022**	**4Q 2021**	**3Q 2021**	**2Q 2021**	**1Q 2021**
Breakdown P&L					
Net interest income	326	292	244	220	215
Non-life insurance (before reinsurance)	50	35	34	30	43
Earned premiums	92	89	88	82	78
Technical charges	- 42	- 54	- 54	- 52	- 35
Life insurance (before reinsurance)	14	17	15	14	15
Earned premiums	43	47	41	51	43
Technical charges	- 29	- 30	- 27	- 37	- 27
Ceded reinsurance result	- 4	7	4	8	- 3
Dividend income	0	0	0	1	0
Net result from financial instruments at fair value through profit or loss	67	35	24	7	29
Net realised result from debt instruments at fair value through OCI	- 5	- 3	0	- 2	0
Net fee and commission income	58	54	56	54	50
Net other income	11	- 10	5	6	7
TOTAL INCOME	516	428	383	339	356
Operating expenses	- 270	- 204	- 183	- 191	- 225
Impairment	4	14	50	50	12
on financial assets at AC and at FVOCI	10	26	50	53	13
other	- 6	- 5	0	- 3	- 1
Share in results of associated companies and joint ventures	- 1	- 1	- 1	0	- 1
RESULT BEFORE TAX	249	237	249	198	143
Income tax expense	- 42	- 39	- 40	- 30	- 20
RESULT AFTER TAX	207	198	209	168	123
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**207**	**198**	**209**	**168**	**123**
Banking	186	176	195	152	105
Insurance	21	22	14	16	18
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	33 972	32 671	31 288	30 551	29 273
of which Mortgage loans (end of period)	*18 974*	*18 303*	*17 437*	*17 190*	*16 449*
Customer deposits and debt certificates excl. repos (end of period)	48 729	46 239	45 108	44 650	43 079
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	694	690	676	676	663
Unit-Linked (end of period)	518	526	572	594	576
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	17 110	16 213	16 139	15 594	15 109
Required capital, insurance (end of period)	159	147	149	149	149
Allocated capital (end of period)	2 008	1 841	1 835	1 778	1 728
Return on allocated capital (ROAC)	42%	44%	47%	38%	28%
Cost/income ratio, group	52%	48%	48%	56%	63%
Combined ratio, non-life insurance	83%	84%	92%	87%	83%
Net interest margin, banking	2.65%	2.29%	2.08%	1.97%	1.99%

Business unit International Markets (in millions of EUR)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Breakdown P&L					
Net interest income	187	249	243	239	231
Non-life insurance (before reinsurance)	42	40	34	40	46
Earned premiums	87	85	86	83	82
Technical charges	- 45	- 45	- 52	- 43	- 37
Life insurance (before reinsurance)	11	10	11	9	9
Earned premiums	31	30	26	27	27
Technical charges	- 19	- 20	- 15	- 18	- 18
Ceded reinsurance result	- 4	- 4	- 3	- 2	- 7
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	32	- 5	5	13	11
Net realised result from debt instruments at fair value through OCI	0	2	0	0	0
Net fee and commission income	80	87	78	74	66
Net other income	4	- 2	- 10	1	4
TOTAL INCOME	353	376	358	374	361
Operating expenses	- 252	- 263	- 299	- 231	- 254
Impairment	- 9	- 41	- 142	23	0
on financial assets at AC and at FVOCI	- 8	- 15	- 121	26	0
other	0	- 26	- 21	- 3	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	93	72	- 83	166	106
Income tax expense	- 19	- 16	- 75	- 26	- 18
RESULT AFTER TAX	74	56	- 158	140	88
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**74**	**56**	**- 158**	**140**	**88**
Banking	59	53	- 166	127	72
Insurance	15	4	9	13	17
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	19 362	18 805	18 472	28 199	27 726
of which Mortgage loans (end of period)	*8 036*	*7 800*	*7 658*	*17 515*	*17 180*
Customer deposits and debt certificates excl. repos (end of period)	24 079	24 652	23 664	27 950	27 438
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	304	305	306	251	250
Unit-Linked (end of period)	437	459	450	418	399
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	17 141	21 790	21 929	23 190	23 020
Required capital, insurance (end of period)	154	154	156	141	135
Allocated capital (end of period)	2 007	2 431	2 448	2 565	2 541
Return on allocated capital (ROAC)	13%	9%	-25%	22%	14%
Cost/income ratio, group	71%	70%	84%	62%	70%
Combined ratio, non-life insurance	83%	90%	93%	83%	78%
Net interest margin, banking	2.81%	2.69%	2.60%	2.58%	2.56%

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)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Breakdown P&L					
Net interest income	58	56	58	57	57
Non-life insurance (before reinsurance)	8	8	8	8	11
Earned premiums	16	17	16	15	14
Technical charges	- 8	- 8	- 8	- 7	- 3
Life insurance (before reinsurance)	3	3	4	3	3
Earned premiums	8	8	8	8	8
Technical charges	- 4	- 4	- 4	- 4	- 5
Ceded reinsurance result	- 1	- 1	- 1	- 1	- 4
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	11	4	1	3	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	17	18	18	19	16
Net other income	1	3	1	0	2
TOTAL INCOME	98	91	88	91	86
Operating expenses	- 68	- 67	- 64	- 66	- 62
Impairment	- 1	- 2	14	6	- 3
on financial assets at AC and at FVOCI	- 1	- 2	14	6	- 3
other	0	- 1	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	29	21	38	30	20
Income tax expense	- 7	- 3	- 9	- 8	- 5
RESULT AFTER TAX	22	18	29	22	15
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**22**	**18**	**29**	**22**	**15**
Banking	20	18	27	20	12
Insurance	2	1	2	2	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	9 790	9 417	9 213	9 100	9 090
of which Mortgage loans (end of period)	*5 332*	*5 117*	*5 000*	*4 904*	*4 814*
Customer deposits and debt certificates excl. repos (end of period)	7 617	7 696	7 639	7 908	8 178
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	114	115	114	114	115
Unit-Linked (end of period)	60	67	69	72	73
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 037	5 815	5 750	5 683	5 809
Required capital, insurance (end of period)	29	30	29	29	29
Allocated capital (end of period)	682	638	630	623	636
Return on allocated capital (ROAC)	13%	11%	18%	14%	10%
Cost/income ratio, group	69%	74%	73%	73%	72%
Combined ratio, non-life insurance	90%	103%	93%	85%	85%

Hungary (in millions of EUR)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Breakdown P&L					
Net interest income	93	90	76	74	70
Non-life insurance (before reinsurance)	14	14	8	14	16
Earned premiums	37	34	36	35	37
Technical charges	- 24	- 20	- 28	- 21	- 22
Life insurance (before reinsurance)	3	2	3	2	2
Earned premiums	11	11	9	10	9
Technical charges	- 8	- 9	- 7	- 8	- 7
Ceded reinsurance result	- 1	0	0	- 1	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	21	- 8	5	11	12
Net realised result from debt instruments at fair value through OCI	0	2	0	0	0
Net fee and commission income	51	55	51	49	43
Net other income	3	1	0	1	1
TOTAL INCOME	184	155	144	150	143
Operating expenses	- 136	- 82	- 77	- 81	- 94
Impairment	- 3	- 17	7	16	3
on financial assets at AC and at FVOCI	- 4	- 12	12	19	3
other	0	- 5	- 5	- 3	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	45	56	73	86	52
Income tax expense	- 10	- 10	- 11	- 11	- 9
RESULT AFTER TAX	35	46	62	75	43
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**35**	**46**	**62**	**75**	**43**
Banking	30	41	61	70	36
Insurance	5	5	2	5	8
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	5 436	5 413	5 457	5 304	5 047
of which Mortgage loans (end of period)	*1 812*	*1 812*	*1 817*	*1 795*	*1 657*
Customer deposits and debt certificates excl. repos (end of period)	9 897	9 759	9 045	9 139	8 766
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	44	45	45	48	46
Unit-Linked (end of period)	237	254	261	270	258
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 553	7 438	7 749	7 468	7 165
Required capital, insurance (end of period)	51	51	49	49	48
Allocated capital (end of period)	868	828	859	830	797
Return on allocated capital (ROAC)	16%	23%	30%	37%	22%
Cost/income ratio, group	74%	53%	54%	54%	66%
Combined ratio, non-life insurance	85%	87%	100%	87%	78%

Bulgaria (in millions of EUR)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Breakdown P&L					
Net interest income	36	36	36	35	35
Non-life insurance (before reinsurance)	20	18	18	19	19
Earned premiums	33	34	34	33	31
Technical charges	- 13	- 16	- 16	- 14	- 12
Life insurance (before reinsurance)	5	5	5	4	4
Earned premiums	12	11	9	9	10
Technical charges	- 7	- 7	- 5	- 5	- 6
Ceded reinsurance result	- 2	- 2	- 2	- 1	- 2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 1	0	0	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	12	13	11	8	7
Net other income	1	1	1	0	2
TOTAL INCOME	71	71	68	65	65
Operating expenses	- 49	- 35	- 33	- 32	- 40
Impairment	- 4	- 4	1	1	0
on financial assets at AC and at FVOCI	- 3	- 1	2	1	1
other	0	- 2	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	19	32	37	33	25
Income tax expense	- 2	- 3	- 4	- 3	- 3
RESULT AFTER TAX	17	29	33	30	22
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**17**	**29**	**33**	**30**	**22**
Banking	9	24	27	23	15
Insurance	8	5	6	7	7
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	4 136	3 973	3 799	3 671	3 547
of which Mortgage loans (end of period)	*892*	*870*	*842*	*819*	*790*
Customer deposits and debt certificates excl. repos (end of period)	6 565	6 257	6 017	5 919	5 560
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	146	145	147	90	89
Unit-Linked (end of period)	140	139	121	77	68
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 551	3 452	3 349	3 336	3 233
Required capital, insurance (end of period)	73	73	78	63	58
Allocated capital (end of period)	457	434	428	412	396
Return on allocated capital (ROAC)	15%	28%	32%	30%	22%
Cost/income ratio, group	68%	50%	48%	50%	62%
Combined ratio, non-life insurance	81%	87%	86%	77%	76%

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

Group Centre - Breakdown net result (in millions of EUR)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Operational costs of the Group activities	- 21	- 42	- 17	- 11	- 16
Capital and treasury management	4	0	- 3	- 6	- 4
Holding of participations	- 12	29	1	0	1
Results companies in rundown	- 15	4	- 3	- 5	0
Other	- 4	- 68	- 32	- 20	- 15
Total net result for the Group centre	- 49	- 77	- 53	- 42	- 35

Business unit Group Centre (in millions of EUR)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Breakdown P&L					
Net interest income	53	- 5	- 5	- 2	- 4
Non-life insurance (before reinsurance)	3	5	4	0	9
Earned premiums	3	4	4	4	3
Technical charges	0	1	0	- 4	6
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	- 5	- 2	- 5	- 2	- 3
Dividend income	0	1	1	2	1
Net result from financial instruments at fair value through profit or loss	- 6	- 102	- 34	- 29	- 32
Net realised result from debt instruments at fair value through OCI	1	1	4	0	0
Net fee and commission income	0	1	0	- 1	- 3
Net other income	- 3	30	0	- 2	1
TOTAL INCOME	43	- 71	- 35	- 33	- 31
Operating expenses	- 97	- 53	- 23	- 12	- 21
Impairment	- 10	0	- 2	- 6	1
on financial assets at AC and at FVOCI	14	0	- 2	- 6	1
other	- 24	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 64	- 125	- 60	- 52	- 51
Income tax expense	16	48	6	10	17
RESULT AFTER TAX	- 49	- 77	- 53	- 42	- 35
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 49**	**- 77**	**- 53**	**- 42**	**- 35**
Banking	- 38	- 69	- 42	- 43	- 48
Holding	- 4	- 22	- 4	2	- 2
Insurance	- 7	14	- 8	- 1	15
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3	0	0	0	0
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	15 216	12 920	12 186	11 123	11 025
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 729	1 990	1 939	1 904	1 773
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)	- 9	20	9	18	- 8
Allocated capital (end of period)	718	228	212	217	178

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)	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Breakdown P&L					
Net interest income	66	68	72	72	69
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	- 3	- 1	- 1	- 2	- 1
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	2	0	- 1	- 2	- 1
Net other income	- 3	- 7	- 13	- 1	0
TOTAL INCOME	63	59	58	69	67
Operating expenses	- 71	- 79	- 125	- 52	- 58
Impairment	- 10	- 18	- 165	0	0
on financial assets at AC and at FVOCI	14	0	- 149	0	0
other	- 24	- 18	- 16	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 18	- 37	- 231	17	9
Income tax expense	3	0	- 51	- 4	- 1
RESULT AFTER TAX	- 15	- 37	- 282	13	8
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 15**	**- 37**	**- 282**	**13**	**8**
Banking	- 11	- 30	- 281	14	9
Insurance	- 4	- 7	- 1	- 1	- 1
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3	3	3	10 124	10 042
of which Mortgage loans (end of period)	*0*	*0*	*0*	*9 996*	*9 919*
Customer deposits and debt certificates excl. repos (end of period)	974	940	963	4 983	4 935
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)	4 962	5 084	5 080	6 704	6 813
Required capital, insurance (end of period)	0	0	0	0	0
Allocated capital (end of period)	536	531	531	701	712
Return on allocated capital (ROAC)	-11%	-23%	-168%	7%	4%
Cost/income ratio, group	113%	132%	214%	75%	86%
Combined ratio, non-life insurance	0%	0%	0%	0%	0%

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	1Q 2022	2021	1Q 2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	458	2 614	557
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 50	- 12
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	417	417
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	417	417
Basic = (A-B) / (C) (in EUR)		1.07	6.15	1.31
Diluted = (A-B) / (D) (in EUR)		1.07	6.15	1.31

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	1Q 2022	2021	1Q 2021
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	265	1 081	229
/				
Earned insurance premiums (B)	Note 3.7.1	473	1 841	443
+				
Operating expenses (C)	Note 3.7.1	160	565	149
/				
Written insurance premiums (D)	Note 3.7.1	596	1 875	559
= (A/B)+(C/D)		82.8%	88.9%	78.3%

In 1Q 2022, the technical insurance charges were negatively impacted by storms mainly in Belgium (-90 million euros before tax, before reinsurance; -50 million euros before tax, after reinsurance) versus mild storm effect in 1Q 2021 (-6 million euros, before tax, before reinsurance).

In 2H 2021, the technical insurance charges were severely negatively impacted by several floods in Belgium (estimated impact -87 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	1Q 2022	2021	1Q 2021
Cost/income ratio				
Operating expenses of the group activities (A)	'Consolidated income statement'	1 520	4 396	1 320
/				
Total income of the group activities (B)	'Consolidated income statement'	2 116	7 558	1 933
=(A) / (B)		71.8%	58.2%	68.3%

Where relevant, we also exclude the exceptional and/or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. The adjustments include: MTM ALM derivatives (fully excluded), bank and insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 53% in 1Q 2022 (versus 55% in FY 2021 and 53% in 1Q 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	1Q 2022	2021	1Q 2021
Specific impairment on loans (A)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	2 159	2 569	2 549
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	4 479	5 454	5 936
= (A) / (B)		48.2%	47.1%	42.9%

In 1Q 2022, the increase of the coverage ratio is mainly driven by the sale of the bulk of non-performing mortgage portfolio in Ireland (for more information see note 6.6).

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2022	2021	1Q 2021
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 15	- 329	- 75
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	191 311	184 640	180 295
= (A) (annualised) / (B)		-0.03%	-0.18%	-0.17%

In 1Q 2022, the credit cost ratio excluding the reduction of 205 million euros in the outstanding ECL for Covid, but offset by the increase in the outstanding ECL of 223 million euros driven by the uncertainties surrounding geopolitical and emerging risks, amounts to -0.07%.

Impaired loans ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2022	2021	1Q 2021
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 479	5 454	5 936
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	194 233	188 400	179 699
= (A) / (B)		2.3%	2.9%	3.3%

In 1Q 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	1Q 2022	2021	1Q 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	110 199	108 642	87 270
/				
Total net cash outflows over the next 30 calendar days (B)		68 250	65 399	55 593
= (A) / (B)		162%	167%	157%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1Q 2022	2021	1Q 2021
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	164 639	159 728	160 960
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	2 100	719	1 065
+				
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'	5 161	4 830	5 488
+				
Other exposures to credit institutions (D)		4 778	4 392	4 257
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	9 290	9 040	8 361
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 535	2 581	3 580
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 061	- 2 077	- 2 148
+				
Non-loan-related receivables (H)		- 417	- 338	- 564
+				
Other (I)	Component of Note 4.1	8 208	9 525	- 1 299
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		194 233	188 400	179 699

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	1Q 2022	2021	1Q 2021
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	1 034	3 863	930
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	216 590	211 020	208 838
= (A) (annualised x360/number of calendar days) / (B)		1.91%	1.81%	1.78%

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	1Q 2022	2021	1Q 2021
Available amount of stable funding (A)	As of 2020: Regulation (EU) 2019/876 dd. 20-05-2019	224 862	218 124	217 142
/				
Required amount of stable funding (B)		150 766	147 731	146 452
= (A) / (B)		149%	148%	148%

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 %)	Reference	1Q 2022	2021	1Q 2021
Parent shareholders’ equity (A)	‘Consolidated balance sheet’	21 608	21 577	20 768
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417	417
= (A) / (B) (in EUR)		51.83	51.76	49.84

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

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

Calculation (in millions of EUR or %)	Reference	1Q 2022	2021	1Q 2021
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	227	1 997	380
/				
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)		7 733	7 270	7 080
= (A) annualised / (B)		11.7%	27.5%	21.5%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	207	697	123
/				
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)		1 954	1 784	1 734
= (A) annualised / (B)		42.4%	39.2%	28.3%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	73	127	88
/				
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)		2 258	2 509	2 551
= (A) annualised / (B)		13.1%	5.1%	13.9%

Return on equity

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

Calculation (in millions of EUR or %)	Reference	1Q 2022	2021	1Q 2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	458	2 614	557
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 50	- 12
/				
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'	20 677	19 463	18 996
= (A-B) (annualised) / (C)		8.6%	13.2%	11.5%

In 1Q 2022, the return on equity amounts to 14% 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	1Q 2022	2021	1Q 2021
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	290	1 196	292
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	1	1
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	253	768	177
Total sales Life (A)+ (B) + (C)		544	1 964	471

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) comprise third-party assets and KBC group 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 assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets. 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. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure, in view of the related work and any fee income linked to them.

Calculation (in billions of EUR or quantity)	Reference	1Q 2022	2021	1Q 2021
Belgium Business Unit (A)	Company presentation on www.kbc.com	206	216	203
+				
Czech Republic Business Unit (B)		14	14	12
+				
International Markets Business Unit (C)		7	7	6
A)+(B)+(C)		228	236	220