KBC GROUP
QUARTERLY REPORT 2Q2022

KBC GROUP
Report for 2Q2022

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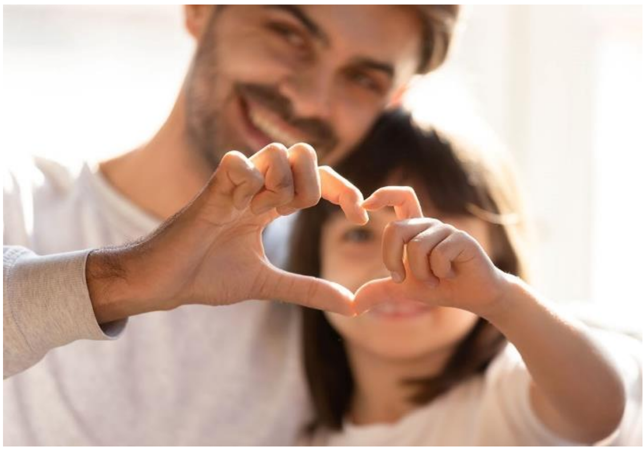
Consolidated financial statements

Additional information

Management certification

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



Forward-looking statements

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

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This report contains information that is subject to transparency regulations for listed companies.
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Second-quarter result of 811 million euros

KBC Group – overview (consolidated, IFRS)	2Q2022	1Q2022	2Q2021	1H2022	1H2021
Net result (in millions of EUR)	811	458	793	1 269	1 350
Basic earnings per share (in EUR)	1.92	1.07	1.87	2.99	3.18
Breakdown of the net result by business unit (in millions of EUR)*					
Belgium	*564*	*227*	*528*	*790*	*908*
Czech Republic	*237*	*207*	*168*	*443*	*291*
International Markets	*52*	*74*	*140*	*125*	*228*
Group Centre	*-41*	*-49*	*-42*	*-90*	*-76*
Parent shareholders' equity per share (in EUR, end of period)	45.0	51.8	51.8	45.0	51.8

* 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.

'Five and a half months have now passed since Russia invaded Ukraine and unfortunately the war still shows no sign of ending. The tragedy unfolding in Ukraine is causing immense human suffering and sending shockwaves throughout the global economy. We express our heartfelt solidarity with all victims of this conflict and we hope that a respectful, peaceful and lasting solution can be achieved as soon as possible. While our direct exposure to Ukraine, Belarus and Russia is very limited, we are of course indirectly affected by the macroeconomic impact of this conflict and other geopolitical and emerging risks, including the effect of high gas and oil prices on inflation and economic growth, and the spillover effects for us, our counterparties and our customers. Given this situation, we have further increased our dedicated reserve for geopolitical and emerging risks, bringing it to 268 million euros at the end of the quarter under review.

Considering these adverse context developments, the past few months have also seen us make further progress in implementing our strategy. As regards the strengthening of our position in our core markets, for instance, we finalised the acquisition of the Bulgarian activities of Raiffeisen Bank International. Raiffeisenbank Bulgaria and our existing Bulgarian subsidiary UBB will merge their operations, allowing us to significantly expand the share of our Bulgarian core market to an estimated 19% in terms of assets. I would like to take this opportunity to warmly welcome all of the new Bulgarian customers and new colleagues who are joining our group. We also took important steps in our digitalisation journey. For example, a year and a half after the successful launch of Kate, the personal digital assistant, we are once again taking the lead in innovation by rolling out the Kate Coin, our proprietary digital coin based on blockchain technology. Private KBC customers in Belgium will soon be able to earn Kate Coins and use them through their Kate Coin wallet in KBC Mobile. Everything takes place in a closed-loop environment, outside of which the Kate Coin has no value. This initiative will initially be implemented within the KBC banking and insurance environment, but over time a whole world of possibilities will open up for application in the wider ecosystem. The first concrete steps are now being taken within KBC in Belgium, and we will eventually roll out the Kate Coin throughout the entire group.

As regards our financial results, we posted an excellent net profit of 811 million euros in the quarter under review. Quarter-on-quarter total income was more or less stable, with the increases in net interest income, technical insurance income, dividend income and net other income being offset by lower trading & fair value income and net fee and commission income. Costs decreased significantly due to the fact that the bulk of the bank taxes for the full year had been recorded in the previous quarter (apart from a new additional tax in Hungary that was booked in the quarter under review). We recorded a small net increase in loan loss impairment, as limited net charges for individual loans (virtually all of which related to the sale transaction in Ireland) and an increase in the reserve for geopolitical and emerging risks were almost entirely offset by the full reversal of the remaining reserve for the coronavirus crisis. Our solvency position remained very solid with a common equity ratio of 15.9% on a fully loaded basis, and our liquidity position was excellent, as illustrated by an NSFR of 142% and an LCR of 158%. In line with our general dividend policy, we will pay out an interim dividend of 1 euro per share in November 2022 as an advance on the total dividend for financial year 2022.

Lastly, our ultimate goal remains to be the reference bank-insurer in all our home markets, thanks to our customer-centric business model and, even more importantly, based on the trust that our customers, employees, shareholders and other stakeholders place in us. That continued trust is truly appreciated and something I wish to thank you for.'

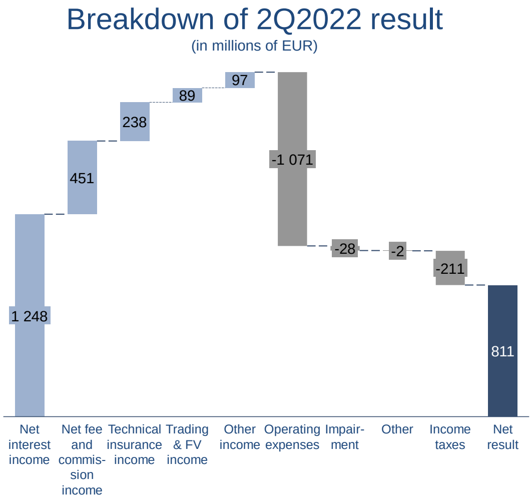
Johan Thijs
Chief Executive Officer

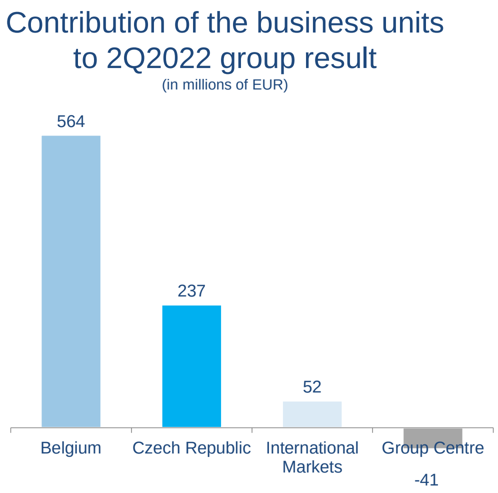
The cornerstones of our strategy

- 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 second quarter of 2022

- **Net interest income** increased by 4% quarter-on-quarter and by 14% year-on-year. The net interest margin for the quarter under review amounted to 1.91%, stable quarter-on-quarter and up 12 basis points on the year-earlier quarter. Volumes continued to increase, with loans up 3% quarter-on-quarter and 9% year-on-year, and deposits excluding debt certificates growing by 6% quarter-on-quarter and 9% 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 1% on the level recorded in the previous quarter and 5% on the year-earlier quarter. The slight quarter-on-quarter increase was due essentially to higher premium income and lower technical charges, though offset largely by a decrease in the ceded reinsurance result. Year-on-year, the lion's share of the increase was related to higher premium income, which more than offset the higher level of technical charges. The combined ratio for the first six months of 2022 amounted to an excellent 85%. Sales of our **life insurance** products were down 22% and 14% on the level recorded in the previous and year-earlier quarter, respectively.
- **Net fee and commission income** was down 6% on its level in the previous quarter and in line with its year-earlier level. The quarter-on-quarter decrease was due mainly to lower fees from our asset management activities.
- **Trading & fair value result** was down 38% on the high level recorded in the previous quarter and up threefold on the very low level recorded in the year-earlier quarter. The quarter-on-quarter decline was due mainly to a decrease in dealing room income and a lower result related to the insurer's equity portfolio.
- **All other income items combined** were 64% and 76% higher than the figure recorded in the previous and year-earlier quarters, respectively, thanks in part to a positive one-off item in net other income. Moreover, the second quarter traditionally includes the bulk of dividend income for the full year.
- **Costs** excluding bank taxes (the bulk of which are recorded in the first quarter and hence distort the quarter-on-quarter comparison) were down by 3% on their level in the previous quarter and up 4% on their year-earlier level. The resulting cost/income ratio for the first six 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 47%. Bank taxes in the quarter under review were negatively impacted by a new, 78-million-euro additional bank and insurance levy in Hungary.
- The quarter under review included a 9-million-euro net **loan loss impairment charge**, compared to a net release of 15 million euros in the previous quarter, and a net release of 130 million euros in the year-earlier quarter. The net charge in the quarter under review included an additional amount for the reserve for geopolitical and emerging risks and limited net charges for individual loans (almost entirely related to the sale transaction in Ireland), which were largely offset by the full release of the remaining reserve for the coronavirus crisis. As a consequence, the credit cost ratio for the first six months of 2022 amounted to -0.01%, 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 158% and NSFR of 142%. Our **capital base** remained robust, with a fully loaded common equity ratio of 15.9%.





Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	2Q2022	1Q2022	4Q2021	3Q2021	2Q2021	1H2022	1H2021
Net interest income	1 248	1 200	1 177	1 112	1 094	2 448	2 162
Non-life insurance (before reinsurance)	222	197	181	150	213	419	451
Earned premiums	*503*	*487*	*486*	*484*	*463*	*990*	*916*
Technical charges	*-280*	*-291*	*-305*	*-334*	*-250*	*-571*	*-464*
Life insurance (before reinsurance)	14	11	10	12	10	24	22
Earned premiums	*266*	*290*	*375*	*256*	*272*	*556*	*564*
Technical charges	*-252*	*-279*	*-365*	*-244*	*-262*	*-531*	*-542*
Ceded reinsurance result	2	24	15	23	1	26	-12
Dividend income	21	7	9	11	18	28	25
Net result from financial instruments at fair value through P&L[1]	89	143	-39	28	29	233	156
Net realised result from debt instruments at fair value through other comprehensive income	-14	-2	1	4	-1	-16	1
Net fee and commission income	451	482	479	467	450	934	890
Net other income	90	54	56	77	38	144	91
Total income	2 123	2 116	1 887	1 884	1 853	4 239	3 786
Operating expenses	-1 071	-1 520	-1 078	-1 025	-972	-2 591	-2 293
Impairment	-28	-22	16	45	123	-50	200
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-9*	*15*	*62*	*66*	*130*	*6*	*206*
Share in results of associated companies & joint ventures	-2	-3	-2	-2	1	-5	-1
Result before tax	1 023	571	823	903	1 005	1 594	1 693
Income tax expense	-211	-113	-160	-302	-211	-325	-342
Result after tax	811	458	663	601	793	1 269	1 350
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**811**	**458**	**663**	**601**	**793**	**1 269**	**1 350**
Basic earnings per share (EUR)	1.92	1.07	1.56	1.41	1.87	2.99	3.18
Diluted earnings per share (EUR)	1.92	1.07	1.56	1.41	1.87	2.99	3.18

Key consolidated balance sheet figures, IFRS KBC Group (in millions of EUR)	30-06-2022	31-03-2022	31-12-2021	30-09-2021	30-06-2021
Total assets	369 807	369 903	340 346	354 336	368 596
Loans & advances to customers, excl. reverse repos	168 984	164 639	159 728	156 712	164 344
Securities (equity and debt instruments)	66 703	66 789	67 794	66 269	71 098
Deposits from customers excl. debt certificates & repos	217 293	205 896	199 476	198 021	201 420
Technical provisions, before reinsurance	18 817	19 092	18 967	18 971	18 976
Liabilities under investment contracts, insurance	12 153	13 131	13 603	13 213	13 128
Parent shareholders' equity	18 739	21 608	21 577	22 096	21 600

Selected ratios KBC Group (consolidated)	1H2022	FY2021
Return on equity[3]	13%	13%
Cost/income ratio, group [when excluding certain non-operating items and evenly spreading bank taxes throughout the year]	61% [53%]	58% [55%]
Combined ratio, non-life insurance	85%	89%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	15.9% [15.1%]	15.5% [16.8%]
Common equity ratio, FICOD fully loaded [transitional]	15.5% [14.8%]	14.8% [16.1%]
Credit cost ratio[4]	-0.01%	-0.18%
Impaired loans ratio	2.2%	2.9%
for loans more than 90 days past due	1.2%	1.5%
Net stable funding ratio (NSFR)	142%	148%
Liquidity coverage ratio (LCR)	158%	167%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 15% for the first half 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 pending sales transaction for KBC Bank Ireland's loan and deposit portfolios on the balance sheet: starting in the third quarter of 2021, all assets and liabilities included in disposal groups were moved to 'Non-current assets held for sale and disposal groups' on the assets side of the balance sheet and to 'Liabilities associated with disposal groups' on the liabilities side of the balance sheet (derecognition upon closure of the deals). Impact on the income statement: the results of the disposal groups continue to be included in the relevant P&L lines until derecognition (closure of the deals). Impact on credit cost ratio and impaired loans ratio: Irish loan portfolio included until closure of the deals. KBC Bank Ireland belonged to the International Markets Business Unit up to and including the fourth quarter of 2021 and was moved to the Group Centre at the start of the first quarter of 2022.

Analysis of the quarter (2Q2022)

Total income 2 123 million euros	• Total income was more or less stable compared to the previous quarter. • Net interest income, technical insurance income, dividend income and net other income were all up; trading & fair value income and net fee and commission income were down quarter-on-quarter.

Net interest income amounted to 1 248 million euros in the quarter under review, up 4% and 14% on its level in the previous and year-earlier quarters, respectively. Net interest income benefited from factors such as the improving yield environment in euro-denominated countries (quarter-on-quarter, and for the first time in a long while), rate hikes in the Czech Republic and to a lesser extent in Hungary, lending and deposit volume growth (see below), negative interest being charged on more current accounts held by corporations and SMEs, higher income from inflation-linked bonds and the higher number of days in the period under review (quarter-on-quarter only). These factors more than offset the negative effect of a number of other factors, including lower loan margins in virtually all countries and the higher funding cost of participations. The net interest margin for the quarter under review amounted to 1.91%, more or less stable quarter-on-quarter and up 12 basis points on level in the year-earlier quarter.

Customer deposits excluding debt certificates were up 6% quarter-on-quarter and 9% year-on-year on an organic basis (or +1% and +6%, respectively, when excluding volatility in the foreign branches of KBC Bank). The total volume of customer lending rose by 3% quarter-on-quarter and by 9% year-on-year on an organic basis. In the organic growth figures, the forex-related impact and the effects of changes in the scope of consolidation were eliminated.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 224 million euros to total income, up 1% and 5% on its performance in the previous and year-earlier quarters, respectively. Compared to the previous quarter, earned premiums were up and technical charges down (as the decrease in storm-related claims more than offset the increase in normal and large claims), but these factors were for the largest part offset by a lower ceded reinsurance result (related to the lower storm-related claims referred to above). Compared to the year-earlier quarter, the increase in the technical non-life result was attributable to the increase in premium income more than offsetting the higher technical charges (the reference period was still impacted by the relatively low level of activity due to the coronavirus crisis, among other factors). Overall, the combined ratio for the first six months of 2022 amounted to an excellent 85%, 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 14 million euros, up on the 10 million euros registered in both the previous quarter and the year-earlier quarter. Sales of life insurance products in the quarter under review (426 million euros) were down 22% on the level recorded in the previous quarter, with a decrease in sales of both unit-linked and guaranteed interest life insurance products. Sales were down 14% on their level in the year-earlier quarter, driven entirely by lower sales of unit-linked products. Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 53% in the quarter under review, with unit-linked products accounting for the remaining 47%.

Net fee and commission income amounted to 451 million euros, down 6% on its level in the previous quarter, due to a combination of lower fees for our asset management business (decrease in both management and entry fees, despite net inflows in the quarter under review), slightly lower fees related to banking services (due in part to a drop in securities-related fees and despite higher payment fees) and higher distribution fees paid. Net fee and commission income was more or less at the same level as in the year-earlier quarter, due to a combination of stable fees for asset management services (higher management fees but lower entry fees), higher fees for banking services (mainly for payment services), and offset by an increase in distribution fees paid. At the end of June 2022, our total assets under management amounted to 211 billion euros, down 8% quarter-on-quarter and 7% year-on-year (with net inflows being more than offset by the decrease in asset prices in both cases).

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 89 million euros, compared to a high 143 million euros in the previous quarter and a very low 29 million euros in the year-earlier quarter. The quarter-on-quarter decrease was caused essentially by lower dealing room & other income (the previous quarter had been very strong) and a lower result related to the insurer's equity portfolio (lower realised gains and higher impairment charges), partly offset by positive changes in market value adjustments of derivatives used for asset/liability management purposes. Year-on-year, the increased trading & fair value result was mainly attributable to a combination of higher dealing room income and positive changes in market value adjustments of derivatives used for asset/liability management purposes, partly offset by lower results related to the insurer's equity portfolio.

The **other remaining income items** included dividend income of 21 million euros (up 14 million euros quarter-on-quarter as the bulk of dividends is traditionally received in the second quarter), a net realised result from debt instruments at fair value through other comprehensive income of -14 million euros and net other income of 90 million euros. The latter figure was well above the 50-million-euro normal run rate for this item, due in part to a gain on the sale of a real estate subsidiary (68 million euros), which more than offset losses on the sale of bonds.

Operating expenses

1 071 million euros

- Operating expenses excluding bank taxes were down 3% quarter-on-quarter, but up 4% year-on-year.
- Group cost/income ratio for the first six 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 second quarter of 2022 amounted to 1 071 million euros. They included some 94 million euros in bank taxes, as opposed to 514 million euros in the previous quarter, as the bulk of bank taxes for the entire year is traditionally booked in the first quarter of each year. Compared to the year-earlier quarter, these taxes were also significantly higher though, because the quarter under review included a 78-million-euro charge related to a newly imposed additional bank and insurance tax in Hungary.

Operating expenses excluding bank taxes were down 3% on their level in the previous quarter and up 4% on their year-earlier level. Note that both reference quarters had included significant negative one-off elements such as the 41-million-euro extraordinary staff bonus and accelerated depreciations in Ireland in the previous quarter, and the exceptional 18-million-euro Covid-related bonus for staff in the year-earlier quarter. Disregarding all major one-off items, operating expenses excluding bank taxes were 2% higher than in the previous quarter and 5% higher than in the year-earlier quarter. In both cases, this was caused by a number of factors, including inflationary pressures and wage indexation, and higher ICT costs, professional fees and marketing expenses.

The cost/income ratio for the group came to 61% for the first six 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 47%.

Loan loss impairment

9-million-euro net charge

- Small net loan loss impairment charge in the quarter under review, including an additional amount for the reserve for geopolitical and emerging risks and the full reversal of the remaining reserves for the coronavirus crisis.
- Credit cost ratio for the first six months of 2022 at -0.01%.

In the quarter under review, we recorded a 9-million-euro net loan loss impairment charge, compared with a net release of 15 million euros and 130 million euros in the previous and year-earlier quarters, respectively. The net impairment charge in the quarter under review included the positive impact of the release of the remaining 50-million euro collective impairment previously recorded for the coronavirus crisis and the negative impact of a net charge of 14 million euros for individual loans (almost entirely related to the sale transaction in Ireland) and an additional 45-million-euro charge for geopolitical and emerging risks (net of approximately 20 million euros recoveries on Russian exposures). As a consequence, the outstanding reserve for geopolitical and emerging risks amounted to 268 million euros at the end of June 2022. We have provided a detailed calculation and background information in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report.

Broken down by country, the net reversal of loan loss impairment in Belgium (25 million euros, partly related to recoveries on Russian exposures) was more than offset by net impairment charges in the other countries (2 million euros in the Czech Republic, 4 million euros in Slovakia, 3 million euros in Hungary, 9 million euros in Bulgaria and 16 million euros for the group Centre, largely related to Ireland).

For the entire group, the credit cost ratio amounted to -0.01% in the first six months of 2022 (-0.02% excluding the amounts recorded for geopolitical and emerging risks and the coronavirus crisis), 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 June 2022, some 2.2% of our total loan book was classified as impaired ('Stage 3'), compared to 2.9% at year-end 2021. Impaired loans that are more than 90 days past due amounted to 1.2% of the loan book, compared to 1.5% at year-end 2021. The improvement in the impaired loans ratios was largely related to the sale of the bulk of the non-performing Irish mortgage loan book in February 2022.

Impairment on assets *other than loans* amounted to 19 million euros, compared to 37 million euros in the previous quarter and 6 million euros in year-earlier quarter. The figure for the quarter under review related mainly to the extension of the interest cap regulation in Hungary. The previous quarter's figure had included a one-off impairment on fixed assets of some 24 million euros in Ireland in view of the pending sale there, as well as impairment on real estate in the Belgium Business Unit.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
564 million euros	237 million euros	52 million euros	-41 million euros

Belgium: at first sight, the net result (564 million euros) was 148% higher quarter-on-quarter. Excluding bank taxes (the bulk of which are recorded in the first quarter and hence distort the quarter-on-quarter comparison), the result was up 14% on the previous quarter. This was due primarily to the combined effect of higher total income (higher net interest income, dividend income and net other income more than offset lower trading & fair value income and net fee and commission income), somewhat higher costs (due in part to wage drift and indexation, as well as higher marketing expenses) and net impairment releases (as opposed to net charges in the previous quarter).

Czech Republic: the net result (237 million euros) was up 14% on its level for the previous quarter, but down 8% when bank taxes are excluded. This was attributable to a combination of lower total income (higher net interest more than offset by lower trading & fair value income, among other factors), somewhat lower costs and a net impairment charge (compared to a net release in the previous quarter).

International Markets: the 52-million-euro net result breaks down as follows: 28 million euros in Slovakia, -6 million euros in Hungary (see below) and 30 million euros in Bulgaria. While the bulk of bank taxes is traditionally recorded in the first quarter, the current quarter's result was also adversely impacted by an additional tax charge in Hungary (totalling 78 million euros). For the business unit as a whole and disregarding all bank taxes, the net result was down 12% quarter-on-quarter. This was attributable to a combination of slightly lower total income (increased net interest income more than offset by lower trading & fair value income and net other income, among other factors), a decrease in costs and higher net impairment charges.

Group Centre: the net result (-41 million euros) was 8 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 -2 million euros and included -17 million euros in various one-off effects related to the ongoing sale transaction, compared to -15 and -32 million euros in the previous quarter, respectively.

	Belgium		Czech Republic		International Markets[1]	
Selected ratios by business unit	**1H2022**	**FY2021**	**1H2022**	**FY2021**	**1H2022**	**FY2021**
Cost/income ratio, group (excluding certain non-operating items and evenly spreading the banking tax throughout the year)	53%	51%	43%	53%	52%	63%
Combined ratio, non-life insurance	85%	90%	85%	87%	86%	86%
Credit cost ratio[2]	-0.04%	-0.26%	-0.04%	-0.42%	0.22%	0.36%
Impaired loans ratio	1.9%	2.2%	1.8%	1.8%	2.2%	5.7%

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

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

Equity, solvency and liquidity

Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
20.2 billion euros	15.9%	158%	142%

At the end of June 2022, total equity came to 20.2 billion euros, comprising 18.7 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was down 2.8 billion euros on its level at the end of 2021. This was accounted for by the combined effect of a number of items, including the profit for the first six months (+1.3 billion euros), payment of the final dividend in May (7.60 euros per share or -3.2 billion euros in total), a decrease in the revaluation reserves (-0.9 billion euros) and a number of minor items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

On 30 June 2022, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 15.9%, compared to 15.5% at the end of 2021. It should be noted that the impact of approximately -1 percentage point on the common equity ratio resulting from the acquisition of Raiffeisenbank Bulgaria will be included as of the third quarter of 2022. The solvency ratio for KBC Insurance under the Solvency II framework was 242% at the end of June 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 158% and an NSFR ratio of 142%, compared to 167% and 148%, respectively, at the end of 2021.

Analysis of the year-to-date period (6M2022)

Net profit 1 269 million euros	• Net profit down 6% on the figure for the year-earlier period. • Total income up 12% thanks to almost all income components. • Operating expenses (excluding bank taxes) up 8% year-on-year. Bank taxes up 34% year-on-year. • Small net release of loan loss impairment (6 million euros), compared to a net release of 206 million euros in the year-earlier period.

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

- **Net interest income** up 13% to 2 448 million euros. This was attributable in part to lending and deposit volume growth (see below), rate hikes in the Czech Republic and to a lesser extent in Hungary, negative interest being charged on more current accounts held by corporations and SMEs, higher income from inflation-linked bonds and a positive forex effect. These factors were only partly offset by pressure on loan portfolio margins in virtually all countries, the negative impact of decreasing reinvestment yields in euro-denominated countries and the higher funding cost of participations. On an organic basis (excluding changes in the scope of consolidation and forex effects), both the volume of customer lending and deposits excluding debt certificates rose by 9% year-on-year (or 6% for the latter category, when excluding the foreign branches of KBC Bank). The net interest margin in the first six months of 2022 came to 1.91%, up 12 basis points year-on-year.
- **Technical insurance result** up 2% to 469 million euros. The non-life insurance technical result was up 2% on the figure for the year-earlier period, as increased premium income (+8%) and a higher ceded reinsurance result were largely offset by higher technical charges (+23%, due in part to the impact of the storms in the first quarter). The non-life combined ratio for the first six months of 2022 amounted to an excellent 85%, compared to 89% for full-year 2021. Life insurance sales were up slightly, increasing by 1% to 970 million euros thanks to higher sales of unit-linked products.
- **Net fee and commission income** up 5% to 934 million euros. This was attributable primarily to an increase in fees for asset management services and for certain banking services (mainly payment transactions), despite higher distribution fees paid. At the end of June 2022, total assets under management were down 7% to 211 billion euros due to a combination of net inflows (+2%) and a negative price effect (-9%).
- **Trading & fair value income** up 50% to 233 million euros. This was due mainly to higher dealing room results and positive changes in the market value of derivatives used for asset/liability management purposes, partly offset by a lower result related to the insurer's share portfolio.
- **All other income items combined** up 33% to 156 million euros. This came about mainly because of higher net other income (which included a number of positive one-off items).
- **Operating expenses** up 13% to 2 591 million euros. This was due in part to wage drift and inflation/indexation, higher ICT expenses, higher marketing and professional fee expenses, a negative forex effect, an extraordinary profit bonus for staff (compared to a smaller Covid-related bonus in the reference period) and significantly higher bank taxes, partly offset by lower FTEs, among other things. As regards the bank taxes, note that the first six months of 2022 included an extraordinary payment of 24 million euros to the deposit guarantee fund related to Sberbank Hungary and 78 million euros related to a new bank and insurance tax in Hungary. Excluding all major one-off items and forex effects, operating expenses (excluding bank taxes) were up 5% year-on-year. The year-to-date cost/income ratio came to 61%, or an adjusted 53% when certain non-operating items are excluded and bank taxes evenly spread throughout the year (compared to 55% for full-year 2021). When bank taxes are fully excluded, the cost-income ratio for the period under review amounted to 47%.
- **Loan loss impairment:** a net release of 6 million euros, compared to a net release of 206 million in the reference period. The first six months of 2022 included the full release of the remainder of the previously recorded provision for the coronavirus crisis, a small net release for individual loans and the booking of a new provision for geopolitical and emerging risks. As a result, the credit cost ratio for the whole group amounted to -0.01%, compared to -0.18% for full-year 2021 (a negative figure implies a positive impact on the result). Impairment on assets other than loans amounted to 56 million euros, up from 5 million euros in the reference period, due to a one-off impairment on fixed assets in Ireland in view of the pending sale, impairment charges on real estate in the Belgium Business Unit and the effect of the extension of the interest cap regulation in Hungary.
- The 1 269-million-euro **net result** for the first six months of 2022 breaks down as follows: 790 million euros for the Belgium Business Unit (down 117 million euros on its year-earlier level), 443 million euros for the Czech Republic Business Unit (up 153 million euros), 125 million euros for the International Markets Business Unit (down 83 million euros on a comparable basis, i.e. excluding Ireland) and -90 million euros for the Group Centre (down 35 million euros on a comparable basis, i.e. including Ireland).

Recent ESG developments

In the second quarter, we were able yet again to achieve one of our previously set sustainability ambitions ahead of schedule, with renewables now accounting for 66% of our energy-sector loan portfolio (our target was 65% by 2030). Among our achievements in the first half of 2022 was the closure of three Belgian project finance deals in the wind energy sector. In accordance with our climate commitments, we will set new climate-related targets for a number of key sectors and activities by the end of the third quarter of 2022.

We actively involve our customers in our climate journey. During the first six months of this year, for instance, KBC relationship managers for corporate customers and large SMEs in Belgium were actively engaged in sustainability matters with over 1 300 customers. More and more of these customers also requested and received an estimate of their own carbon footprint from us, as a starting point for drawing up an action plan to define a more sustainable future for their businesses.

We are also taking appropriate steps in this regard in our other core markets. In Bulgaria, for instance, we pioneered an educational programme together with the Economics Faculty of Sofia University, aimed at providing systematic knowledge to KBC employees in Bulgaria on a broad range of ESG topics and also involving a wide range of stakeholders, such as business customers, journalists and students. In June, we successfully completed the first edition of this programme, with the second edition planned to start in September this year.

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 (with the increased likelihood of a recession or stagflation scenario) 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 negative, quarter-on-quarter real GDP growth (-0.4%) in the first quarter of 2022, the US economy shrunk again in the second quarter, this time by -0.2% quarter-on-quarter due largely to a run-down of inventories and subdued investment activity. However, the latest producer and consumer confidence indicators suggest a further weakening of economic growth in the coming quarters, driven by high inflation and tightening financial conditions. Meanwhile, after strong growth in the first quarter (+0.6% quarter-on-quarter), euro area growth in the second quarter even slightly accelerated to +0.7% quarter-on-quarter. This was largely accounted for by the service sector, such as tourism, in Southern European countries. In the second quarter, economic growth slowed in both Belgium and the Czech Republic, but still remained positive at +0.2% quarter-on-quarter. As for the second half of 2022, we expect the war in Ukraine to impact the European economy more severely than its US counterpart. Therefore, economic stagnation in the euro area in the quarters ahead cannot be ruled out.

The main risk to our short-term outlook for European growth relates to the possibility that a severe disruption of Russian gas supplies will cause critical energy shortages. This would lead to an additional upward price shock for energy, further weighing on consumption and business activity, with the additional risk of selective gas rationing and potential sectoral shutdowns. Other risks continue to include general, post-pandemic supply chain disruptions, new waves of Covid infections and vulnerability caused by high levels of debt in what are tightening financing conditions worldwide.

Our view on interest rates and foreign exchange rates

To fight increasing inflationary pressure, the Fed continued to raise its policy rate in the second quarter by 50 basis points in early May and by 75 basis points in mid-June and end-July each. We expect the Fed to continue raising its policy rate in the coming quarters. Moreover, the run-down of the Fed's balance sheet ('Quantitative Tightening') has started in June and will be fully phased in by September. Meanwhile, the ECB also ended net purchases under its general Asset Purchase Programme at the end of June and raised its policy rates at the end of July by 50 basis points to address above-target inflation rates in the euro area. We expect this move to be the start of a cycle of rate normalisation.

Both US and German 10-year yields rose, on balance, by about 50 basis points during the second quarter in a largely synchronised move. By mid-June, yields had risen by as much as approximately 100 basis points, before falling again to their current levels, which are now pricing in the increasing risk of recession. These movements in the second quarter were driven primarily by changing market expectations about how Fed and ECB monetary policy would react to exceptionally high inflation rates. In the second quarter, the euro continued to depreciate against the US dollar, heading towards parity before tentatively stabilising. The weakening euro was the result of widening interest rate differentials and the fact that the European economy is more severely affected by the ongoing energy crisis. Since these factors are likely to persist in the coming quarters, we expect the euro to further depreciate to below parity with the US dollar.

The Czech koruna (CZK) depreciated slightly against the euro in the second quarter. It depreciated sharply for a time in mid-May, but received support through targeted FX interventions by the Czech National Bank (CNB). In its fight against strong inflationary pressures, the CNB raised its policy rate in two steps, increasing it from 5% at the beginning of the second quarter to the current rate of 7%. We expect one more rate hike of 50 basis points, which will probably be the peak of the current tightening cycle. Further targeted FX interventions by the CNB, when necessary, are expected to stabilise the koruna against the euro in the coming quarters.

The Hungarian forint (HUF) depreciated significantly against the euro. The weakness of the HUF is related to significant domestic inflationary pressures, as well as elevated degrees of (global) risk aversion. To address inflation and prevent the HUF from weakening even further (thus adding to the inflationary pressure), the National Bank of Hungary raised its base rate from 4.4% at the beginning of the second quarter to its current level of 10.75%. This tightening cycle is expected to continue in the quarters to come.

Guidance

Based on our latest set of macroeconomic and business assumptions (impacted by the invasion of Russia in Ukraine, causing major macroeconomic and financial shocks and very volatile markets) we have updated our short-term guidance:

- We are increasing our full year 2022 guidance for 'total income' from 8.0 billion euros to approximately 8.4 billion euros (both figures exclude the 0.2 billion euros positive one-off effect upon closing the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book, due to a delay of transaction approval) of which approximately 5.05 billion euros net interest income (compared to 4.55 billion euros initially guided).
- We are increasing our full year 2022 guidance for 'operating expenses excluding bank taxes' from 4.0 billion euros to 4.15 billion euros (including one-offs) due to higher than initially expected inflation, the delay of transaction approval in Ireland and the one-off staff bonus of 41 million euros booked in the first quarter of 2022.
- This implies that the jaws in 2022 (between y-o-y topline growth and operational expenses growth) increased from roughly 2.5% initially to roughly 4.0%
- We confirm our guidance for the 'credit cost ratio' for 2022 of between 10 and 25 bps.

We have also updated our 3-year and long-term financial guidance (IFRS17 impact not taken into account yet):

- CAGR 2021-2024 for 'total income': approximately +7% *(up from 4.5%)*
- CAGR 2021-2024 for 'operating expenses excluding bank taxes': approximately +3% *(up from 1.5%)*
- Combined ratio non-life insurance: ≤ 92% as of now *(unchanged)*
- Surplus capital (fully loaded CET1 ratio, Danish Compromise): >15% as of now *(unchanged)*
- Credit cost ratio through-the-cycle: 25-30 bps *(unchanged)*

A full overview, including regulatory solvency targets, is provided in the 'General Investor Presentation 2Q2022', on www.kbc.com

Upcoming events	• 3Q2022 results: 9 November 2022 • 4Q2022 results: 9 February 2023 • Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 2Q2022	• 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

2Q 2022 and 1H 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	1H 2022	1H 2021	2Q 2022	1Q 2022	2Q 2021
Net interest income	3.1	2 448	2 162	1 248	1 200	1 094
Interest income	*3.1*	*4 961*	*3 009*	*2 610*	*2 350*	*1 529*
Interest expense	*3.1*	*-2 513*	*- 847*	*-1 363*	*-1 150*	*- 434*
Non-life insurance (before reinsurance)	3.7	419	451	222	197	213
Earned premiums	*3.7*	*990*	*916*	*503*	*487*	*463*
Technical charges	*3.7*	*- 571*	*- 464*	*- 280*	*- 291*	*- 250*
Life insurance (before reinsurance)	3.7	24	22	14	11	10
Earned premiums	*3.7*	*556*	*564*	*266*	*290*	*272*
Technical charges	*3.7*	*- 531*	*- 542*	*- 252*	*- 279*	*- 262*
Ceded reinsurance result	3.7	26	- 12	2	24	1
Dividend income		28	25	21	7	18
Net result from financial instruments at fair value through profit or loss	3.3	233	156	89	143	29
of which result on equity instruments (overlay approach)		*27*	*59*	*4*	*23*	*24*
Net realised result from debt instruments at fair value through OCI		*- 16*	*1*	- 14	- 2	- 1
Net fee and commission income	3.5	*934*	*890*	451	482	450
Fee and commission income	*3.5*	*1 394*	*1 289*	*684*	*710*	*650*
Fee and commission expense	*3.5*	*- 461*	*- 399*	*- 233*	*- 228*	*- 200*
Net other income	3.6	144	91	90	54	38
TOTAL INCOME		4 239	3 786	2 123	2 116	1 853
Operating expenses	3.8	*-2 591*	*-2 293*	-1 071	-1 520	- 972
Staff expenses	*3.8*	*-1 255*	*-1 184*	*- 616*	*- 639*	*- 607*
General administrative expenses	*3.8*	-1 154	- 944	*- 371*	*- 783*	*- 283*
Depreciation and amortisation of fixed assets	*3.8*	*- 182*	*- 164*	*- 84*	*- 99*	*- 83*
Impairment	3.10	*- 50*	*200*	- 28	- 22	123
on financial assets at AC and at FVOCI	*3.10*	*6*	*206*	*- 9*	*15*	*130*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 56*	*- 5*	*- 19*	*- 37*	*- 6*
Share in results of associated companies and joint ventures		- 5	- 1	- 2	- 3	1
RESULT BEFORE TAX		1 594	1 693	1 023	571	1 005
Income tax expense		- 325	- 342	- 211	- 113	- 211
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		1 269	1 350	811	458	793
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**1 269**	**1 350**	**811**	**458**	**793**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		2.99	3.18	1.92	1.07	1.87
Diluted		2.99	3.18	1.92	1.07	1.87

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 -273 million euros in 1H 2022. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): -246 million euros of which -251 million euros realised and unrealised fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and +4 million euros income taxes;
- IAS 39 result: +27 million euros including net realised result amounting to +64 million euros and impairment loss of -37 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1H 2022	1H 2021	2Q 2022	1Q 2022	2Q 2021
RESULT AFTER TAX	**1 269**	**1 350**	**811**	**458**	**793**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	1 269	1 350	811	458	793
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**- 1 160**	**124**	**- 696**	**- 464**	**141**
Net change in revaluation reserve (FVOCI debt instruments)	- 992	- 304	- 526	- 466	- 79
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 273	109	- 142	- 131	59
Net change in hedging reserve (cashflow hedges)	184	162	133	51	24
Net change in translation differences	- 102	200	- 215	113	160
Hedge of net investments in foreign operations	22	- 42	55	- 33	- 24
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	1	- 1	0	1	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**246**	**302**	**200**	**45**	**97**
Net change in revaluation reserve (FVOCI equity instruments)	0	50	- 1	1	5
Net change in defined benefit plans	244	255	200	44	91
Net change in own credit risk	2	- 2	2	0	0
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**355**	**1 777**	**315**	**40**	**1 031**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	355	1 777	315	40	1 031

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

- Net change in revaluation reserve (FVOCI debt instruments): the -992 million euros in 1H 2022 and the -304 million euros in 1H 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 -273 million euros in 1H 2022 can be explained by negative fair value movements and by transfers to net result (gains on disposal partly offset by impairments). The +109 million euros in 1H 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 +184 million euros in 1H 2022 and the +162 million euros in 1H 2021 can mainly be explained by the higher interest rates.
- The net change in translation differences: the -102 million euros in 1H 2022 was mainly caused by the depreciation of the HUF versus the EUR, partially offset by the hedge of net investments in foreign operations (+22 million euros). The net change in translation differences (+200 million euros) in 1H 2021 was mainly caused by the appreciation of the CZK and the HUF versus the EUR, partially offset by the hedge of net investments in foreign operations (-42 million euros). The hedging policy of FX participations aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in revaluation reserve (FVOCI equity instruments): no change in 1H 2022. The +50 million euros in 1H 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 +244 million euros in 1H 2022 is mainly explained by the effect of the higher discount rate applied on the obligations, partly offset by the negative return of the plan assets and the impact of the higher inflation rate. The +255 million euros in 1H 2021 is explained by the combined effect of the higher discount rate applied on the obligations and the positive return of the equity instruments in the plan assets.

Consolidated balance sheet

(in millions of EUR)	Note	30-06-2022	31-12-2021
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		53 360	40 653
Financial assets	4.0	301 953	281 658
Amortised cost	*4.0*	*262 325*	*240 128*
Fair value through OCI	*4.0*	*13 294*	*15 824*
Fair value through profit or loss	*4.0*	*25 787*	*25 422*
of which held for trading	*4.0*	*11 001*	*8 850*
Hedging derivatives	*4.0*	*547*	*283*
Reinsurers' share in technical provisions, insurance		242	191
Profit/loss on positions in portfolios hedged for interest rate risk		-3 618	- 436
Tax assets		1 274	1 296
Current tax assets		*234*	*179*
Deferred tax assets		*1 040*	*1 117*
Non-current assets held for sale and disposal groups	*5.11*	9 023	10 001
Investments in associated companies and joint ventures		34	37
Property, equipment and investment property		3 505	3 568
Goodwill and other intangible assets		1 773	1 749
Other assets		2 260	1 630
TOTAL ASSETS		369 807	340 346
LIABILITIES AND EQUITY			
Financial liabilities	4.0	326 078	291 667
Amortised cost	*4.0*	*302 448*	*268 387*
Fair value through profit or loss	*4.0*	*22 889*	*22 187*
of which held for trading	*4.0*	*9 533*	*7 271*
Hedging derivatives	*4.0*	*741*	*1 094*
Technical provisions, before reinsurance		18 817	18 967
Profit/loss on positions in portfolios hedged for interest rate risk		-1 544	- 863
Tax liabilities		222	435
Current tax liabilities		*75*	*87*
Deferred tax liabilities		*148*	*348*
Liabilities associated with disposal groups	*5.11*	3 278	4 262
Provisions for risks and charges		286	282
Other liabilities		2 430	2 520
TOTAL LIABILITIES		349 568	317 269
Total equity	5.10	20 239	23 077
Parent shareholders' equity	5.10	18 739	21 577
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		369 807	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 1H 2022 can for the largest part be explained by higher repos and demand deposits, leading to higher cash balances with central banks, higher reverse repos and higher loans and advances to customers. This is partly offset by lower profit/loss on positions in portfolios hedged for interest rate risk (both on assets and liabilities) explained by the substantial increase of interest rates in 1H 2022.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
30-06-2022									
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	1 269	0	1 269	0	0	1 269
Other comprehensive income for the period	0	0	0	1	- 915	- 914	0	0	- 914
Subtotal	0	0	0	1 270	- 915	355	0	0	355
Dividends	0	0	0	- 3 168	0	- 3 168	0	0	- 3 168
Coupon on AT1	0	0	0	- 25	0	- 25	0	0	- 25
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 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	- 1 924	- 914	- 2 838	0	0	- 2 838
Balance at the end of the period	1 460	5 528	0	12 348	- 596	18 739	1 500	0	20 239
2021									
Balance at the end of the previous period	1 459	5 514	- 1	13 146	- 88	20 030	1 500	0	21 530
Net result for the period	0	0	0	2 614	0	2 614	0	0	2 614
Other comprehensive income for the period	0	0	0	- 2	403	401	0	0	401
Subtotal	0	0	0	2 612	403	3 015	0	0	3 015
Dividends	0	0	0	- 1 433	0	- 1 433	0	0	- 1 433
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	13	0	0	0	14	0	0	14
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 3	3	0	0	0	0
Purchase/sale of treasury shares	0	0	1	0	0	1	0	0	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	1	13	1	1 126	406	1 547	0	0	1 547
Balance at the end of the period	1 460	5 528	0	14 272	318	21 577	1 500	0	23 077
30-06-2021									
Balance at the end of the previous period	1 459	5 514	- 1	13 146	- 88	20 030	1 500	0	21 530
Net result for the period	0	0	0	1 350	0	1 350	0	0	1 350
Other comprehensive income for the period	0	0	0	- 1	427	427	0	0	427
Subtotal	0	0	0	1 349	427	1 777	0	0	1 777
Dividends	0	0	0	- 183	0	- 183	0	0	- 183
Coupon on AT1	0	0	0	- 25	0	- 25	0	0	- 25
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	5	- 5	0	0	0	0
Purchase/sale of treasury shares	0	0	1	0	0	1	0	0	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	1	1 146	422	1 570	0	0	1 570
Balance at the end of the period	1 459	5 514	0	14 293	334	21 600	1 500	0	23 100

1H 2022

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

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

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

2021

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

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

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	30-06-2022	31-12-2021	30-06-2021
Total	- 596	318	334
Revaluation reserve (FVOCI debt instruments)	- 349	642	826
Revaluation reserve (FVPL equity instruments) - overlay	223	496	434
Revaluation reserve (FVOCI equity instruments)	74	74	59
Hedging reserve (cashflow hedges)	- 924	-1 108	-1 132
Translation differences	- 212	- 110	- 183
Hedge of net investments in foreign operations	101	79	121
Remeasurement of defined benefit plans	490	246	210
Own credit risk through OCI	1	- 1	- 1

Consolidated cash flow statement

(in millions of EUR)	Note	1H 2022	1H 2021
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	1 594	1 693
Adjustments for non-cash items in profit & loss		1 292	47
Changes in operating assets (excluding cash and cash equivalents)		-6 670	-1 296
Changes in operating liabilities (excluding cash and cash equivalents)		33 476	44 216
Income taxes paid		- 288	- 235
Net cash from or used in operating activities		29 403	44 424
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	-2 617	281
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		- 4	0
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		80	0
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)		- 18	- 138
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		- 7	- 13
Other		28	5
Net cash from or used in investing activities		-2 538	135
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	641	- 576
Proceeds from or repayment of subordinated liabilities	4.1	- 767	- 12
Proceeds from the issuance of share capital	Consolidated statement of changes in equity	0	0
Issue of additional tier-1 instruments	Consolidated statement of changes in equity	0	0
Dividends paid	Consolidated statement of changes in equity	-3 168	- 183
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	- 25	- 25
Net cash from or used in financing activities		-3 319	- 795

CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		23 546	43 764
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		- 120	790
Cash and cash equivalents at the end of the period		86 980	92 348
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	53 360	68 034
Term loans to banks at not more than three months (excl. reverse repos)	4.1	5 007	2 407
Reverse repos with credit institutions and investment firms at not more than three months	4.1	35 228	28 118
Deposits from banks repayable on demand	4.1	-6 615	-6 211
Cash and cash equivalents belonging to disposal groups		0	0
Total		86 980	92 348
of which not available		*0*	*0*

The net cash from operating activities in 1H 2022 (+29 403 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher demand deposits and repos, slightly offset by an increasing mortgage and term loan portfolio.

The net cash from operating activities in 1H 2021 (+44 424 million euros) mainly includes a significant growth of deposits, amongst others thanks to higher certificates of deposit, demand deposits, repos and deposits from credit institutions and investment firms. 1H 2021 also includes 2.5 billion euros additional TLTRO III funding (bringing the total TLTRO III funding at 24.5 billion euros).

Net cash from (used in) investing activities in 1H 2022 (-2 538 million euros) is mainly explained by additional investments in debt securities at amortised cost.

The net cash from investing activities in 1H 2021 (+135 million euros) is a.o. explained by maturing investments in debt securities at amortised cost.

The net cash flow from financing activities in 1H 2022 (-3 319 million euros) mainly includes the dividend payment (-3 168 million euros), matured covered bond position (-1 billion euros) and the call of a Tier-2 instrument (-750 million euros) being partly compensated by an increase of the volume of Senior Holdco instruments (+1.8 billion euros).

The net cash flow from financing activities in 1H 2021 (-795 million euros) mainly includes matured covered bonds (-1.1 billion euros) and Senior Holdco instruments (-750 million euros), and the dividend payment (-183 million euros) being partly compensated by the issue of Senior Holdco instruments (+1.7 billion euros, including a floating rate note of 450 million euros).

Notes on statement of compliance and changes in accounting policies

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

The condensed interim financial statements of the KBC Group for the period ended 30 June 2022 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The following IFRS standards were issued but not yet effective in 2022. KBC will apply these standards when they become mandatory.

- IFRS 17:

  In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

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

- Other:

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

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

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

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

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

For Life insurance currently under IFRS 4 paid premiums are recognised as earned premiums. The IFRS 4 Life mathematical reserves are replaced by IFRS 17 discounted best estimate of future cash flows + risk adjustment (= safety margin) + contractual service margin (CSM, similar to unearned profit). IFRS 17 prohibits gains at day one; the CSM on the balance sheet is released over the duration of the contract in revenue based on provided services in the period. The profit over the lifetime of an individual contract will be equal, but the recognition over time will be different. Technical charges under IFRS 4 are presented in IFRS 17 in a more transparent way namely insurance service results including insurance revenue and insurance service expenses and this is separated from insurance finance income or expenses.

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

IFRS 17 has no impact on :

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

- **Uniform measurement principles**

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

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

  IFRS 17 insurance liabilities are valued at current rate. This implies that the impact of the time value of money is revalued each closing period at the current interest rate. An accounting policy choice needs to be made regarding recognising the impact of the changes of current rate either in the Income statement or in OCI. KBC chooses to disaggregate Insurance Finance Income or Expense between the Income statement and Other Comprehensive Income (OCI). This means recognizing in the Income Statement the interest expense on the insurance liability over the reporting period, whereby this interest expense is calculated using the locked-in rate (= rate curve applicable at the inception of the IFRS 17 contract) and recognizing in OCI the impact of changes in market interest rate over the reporting period.

  The IFRS 17 insurance liabilities and reinsurance assets are presented separately on the balance sheet on a received basis and not on a written basis. To present appropriately the insurance liabilities on a received basis, a correction is performed by netting of insurance payables and receivables against the Liability for Remaining Coverage (LRC).

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

- **Level of aggregation**

  The IFRS 17 calculations are done on an aggregated level and takes into account:

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

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

- **IFRS 17 and Solvency II**

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

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

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

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

Main exchange rates used:

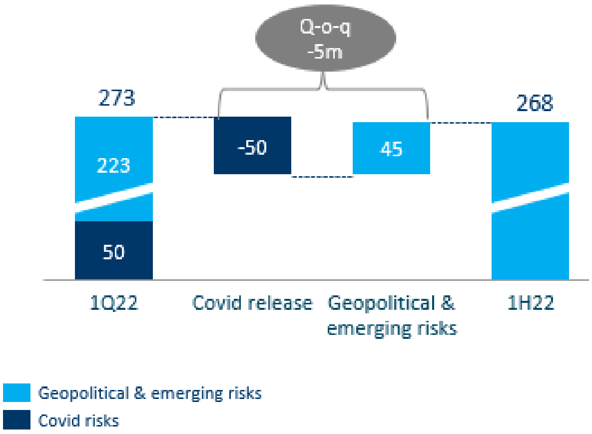
	Exchange rate at 30-06-2022		Average exchange rate in 1H 2022	
		Changes relative to 31-12-2021		Changes relative to the average 1H 2021
	1 EUR = …	Positive: appreciation relative to EUR	1 EUR = …	Positive: appreciation relative to EUR
	… currency	Negative: depreciation relative to EUR	… currency	Negative: depreciation relative to EUR
CZK	24.739	0%	24.644	5%
HUF	397.04	-7%	375.78	-5%

Geopolitical, emerging and Covid risks (note 1.4)

General

We have updated the impact assessment for the risks that could adversely affect our loan portfolio. At the end of 1H 2022, the ECL for the geopolitical and emerging risks amounted to 268 million euros (down from 273 million euros per first quarter of 2022). The figures for 2Q 2022 include a full release of the Covid ECL of 50 million euros which is partly offset by an impairment charge of 45 million euros for the geopolitical and emerging risks.

Q-o-q change in the outstanding ECL for geopolitical, emerging and Covid risks



Outstanding ECL by country

Geopolitical, emerging and Covid risks				
			P&L changes:	
Eur m	1Q22	1H22	*Covid*	*Geopolitical & emerging risks*
KBC Group	**273**	**268**	*-50*	*45*
By country:				
Belgium	122	**105**	*-5*	*-12*
Czech Republic	70	**71**	*-6*	*7*
Slovakia	22	**25**	*-1*	*4*
Hungary	41	**41**	*-37*	*37*
Bulgaria	12	**15**	*-1*	*4*
Ireland	6	**11**	*0*	*5*

The Covid ECL was fully released in 2Q 2022. This reflects that the current and forward-looking payment indicators for the remaining subset of clients that was expected to be most affected by the containment measures do not indicate repayment issues. The remaining Covid risks in our portfolio are captured by the regular provisioning process through the usual credit risk channels (PD, past due status and forbearance) as these indicators are no longer masked by the moratoria on loan repayments. Specifically for Hungary, the more substantial release this quarter relative to the other countries can be explained by the longer continuation of the moratoria measures by the Hungarian government. The credit risk of the remaining group of Hungarian loans under moratoria is monitored on an individual basis and the collective ECL held for this purpose can be released.

The ECL for geopolitical and emerging risks increased by 45 million euros. The main drivers are the updated impact assessment for 33 million euros and the negative revision of probabilities applied to the macroeconomic scenarios for 32 million partly offset by a reduction in direct transfer risk for 20 million euros. The methodology of the impact assessment for geopolicical and emerging risks and the macroeconomc assumptions considered are further described below.

Geopolitical & emerging risks impact assessment

The Russia-Ukraine war continues to destabilise the global economy and to push commodity prices upwards. These high commodity prices have exacerbated the inflationary shock caused by supply chain issues, heavy fiscal stimulus and the rapid reopening following the Covid pandemic. The increasing inflationary pressures along with tightening labour markets are increasing the pressure on central banks to normalise monetary policy. The combination of higher, more persistent inflation along with tighter monetary policy is expected to provide a hit to economic growth.

In light of these recent developments, we assessed the impact of the main macroeconomic and geopolitical risks on our loan portfolio. In 2Q 2022, this resulted in an impairment charge of 45 million euros which is mainly driven by Hungary, where the emerging risks impact assessment was extended with files previously included in the Covid impact assessment, and the updated macroeconomic scenario probabilities.

The ECL for the geopolitical and emerging risk amounts to 268 million euros, comprising:

Direct exposure to Russia, Ukraine & Belarus	ECL for transfer risk exposure to Russia, Ukraine and Belarus amounts to 35 million euros (mainly concentrated in commercial exposures to Russian banks) down from 55 million euros in 1Q 2022 due to recoveries from these counterparties.

Indirect impact of the military conflict on the credit 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. In line with 1Q 2022, 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]. The ECL for the indirect impact amounts to 33 million euros in 1H 2022 (also in line with 1Q 2022).
Emerging risks	KBC identified following subsegments at risk in its portfolio: • Corporate and SME clients active in economic sectors that suffer most from the supply chain issues and increasing commodity and energy prices and already having a higher credit risk (e.g. Automotive, Chemicals and Metals); • Retail clients with limited reserve repayment capacity available to absorb the higher cost of living and/or higher repayments due to increasing interest rates. The analysis indicates that 6.3 billion euros' worth of stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment[1] (up from 5.9 billion euros in 1Q 2022). The ECL for the emerging risks amounts to 168 million euros in 1H 2022 (up from 135 million euros in 1Q 2022 mainly due to Hungary).
Macroeconomic scenarios	The probabilities applied to the base-case, optimistic and pessimistic macroeconomic scenarios were adjusted from respectively 80%, 10% and 10% to 60%, 5% and 35%. This leads to an additional ECL for the geopolitical and emerging risks of 32 million euros.

Other elements

In Hungary, the exceptional geopolitical and macroeconomic circumstances also indirectly lead to:

- A modification loss of 14 million euros on the loan portfolio due largely to the extension of the interest cap in Other impairments;
- An increase in banking and insurance taxes (Operational Expenditure) of 78 million euros through the introduction of an additional sectoral tax for the banking and insurance sector and the extension of the existing transactional banking taxes, see note 3.8 for more information. Note that 1Q22 also included an increase in banking taxes of 24 million euros following an extraordinary payment to the Hungarian Deposit Guarantee Fund indirectly caused by the sanctions following the Russia-Ukraine conflict.

[1] For more information on the impact on staging, see Note 4.2.1

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 of 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
1H 2022									
Net interest income	1 311	666	380	*192*	*114*	*74*	90	*127*	2 448
Non-life insurance (before reinsurance)	226	97	87	*29*	*17*	*41*	9	*0*	419
Earned premiums	*617*	*191*	*174*	*72*	*34*	*69*	8	*0*	*990*
Technical charges	*- 391*	*- 95*	*- 87*	*- 42*	*- 17*	*- 28*	2	*0*	*- 571*
Life insurance (before reinsurance)	- 26	29	22	*6*	*7*	*10*	0	*0*	24
Earned premiums	*413*	*84*	*59*	*21*	*15*	*23*	0	*0*	*556*
Technical charges	*- 440*	*- 55*	*- 37*	*- 15*	*- 8*	*- 13*	0	*0*	*- 531*
Ceded reinsurance result	47	- 6	- 6	*- 1*	*- 1*	*- 3*	- 10	*0*	26
Dividend income	25	1	0	*0*	*0*	*0*	2	*0*	28
Net result from financial instruments at fair value through profit or loss	87	107	54	*33*	*23*	*- 2*	- 15	*- 4*	233
Net realised result from debt instruments at fair value through OCI	2	- 11	- 5	*- 5*	*0*	*0*	- 3	*0*	- 16
Net fee and commission income	658	112	165	*105*	*36*	*24*	- 2	*1*	934
Net other income	135	13	- 1	*- 4*	*1*	*2*	- 3	*- 7*	144
TOTAL INCOME	2 466	1 008	697	*354*	*197*	*146*	69	*118*	4 239
Operating expenses	-1 456	- 475	- 498	*- 290*	*- 128*	*- 81*	- 162	*- 115*	-2 591
Impairment	18	- 2	- 39	*- 21*	*- 5*	*- 13*	- 27	*- 23*	- 50
of which on FA at amortised cost and at fair value through OCI	*25*	*8*	*- 24*	*- 7*	*- 5*	*- 13*	*- 2*	*1*	*6*
Share in results of associated companies and joint ventures	- 4	- 1	0	*0*	*0*	*0*	0	*0*	- 5
RESULT BEFORE TAX	1 025	529	160	*44*	*64*	*52*	- 120	*- 21*	1 594
Income tax expense	- 235	- 86	- 35	*- 15*	*- 15*	*- 6*	31	*4*	- 325
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	790	443	125	*29*	*50*	*47*	- 90	*- 17*	1 269
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	790	443	125	*29*	*50*	*47*	- 90	*- 17*	1 269

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
1H 2021									
Net interest income	1 263	435	470	*144*	*115*	*69*	*142*	- 6	2 162
Non-life insurance (before reinsurance)	283	73	86	*29*	*20*	*37*	*0*	9	451
Earned premiums	*582*	*160*	*166*	*72*	*29*	*64*	*0*	*7*	*916*
Technical charges	*- 299*	*- 87*	*- 80*	*- 43*	*- 10*	*- 27*	*0*	*2*	*- 464*
Life insurance (before reinsurance)	- 25	29	19	*4*	*7*	*8*	*0*	0	22
Earned premiums	*416*	*94*	*54*	*19*	*16*	*19*	*0*	*0*	*564*
Technical charges	*- 442*	*- 65*	*- 35*	*- 15*	*- 9*	*- 11*	*0*	*0*	*- 542*
Ceded reinsurance result	- 4	5	- 9	*- 2*	*- 5*	*- 2*	*0*	- 5	- 12
Dividend income	21	1	0	*0*	*0*	*0*	*0*	3	25
Net result from financial instruments at fair value through profit or loss	158	36	24	*24*	*3*	*0*	*- 3*	- 62	156
Net realised result from debt instruments at fair value through OCI	2	- 1	0	*0*	*0*	*0*	*0*	0	1
Net fee and commission income	649	105	140	*92*	*35*	*15*	*- 2*	- 3	890
Net other income	74	13	5	*1*	*2*	*2*	*- 1*	- 1	91
TOTAL INCOME	2 421	695	735	*294*	*177*	*129*	*135*	- 65	3 786
Operating expenses	- 1 359	- 415	- 485	*- 175*	*- 128*	*- 72*	*- 109*	- 33	- 2 293
Impairment	121	62	23	*19*	*3*	*1*	*0*	- 5	200
of which on FA at amortised cost and at fair value through OCI	*118*	*66*	*27*	*22*	*3*	*2*	*0*	*- 5*	*206*
Share in results of associated companies and joint ventures	0	- 1	0	*0*	*0*	*0*	*0*	0	- 1
RESULT BEFORE TAX	1 183	340	273	*137*	*51*	*58*	*26*	- 103	1 693
Income tax expense	- 275	- 50	- 44	*- 20*	*- 13*	*- 6*	*- 5*	27	- 342
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	908	291	228	*118*	*38*	*52*	*21*	- 76	1 350
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	908	291	228	*118*	*38*	*52*	*21*	- 76	1 350

Other notes

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

(in millions of EUR)	1H 2022	1H 2021	2Q 2022	1Q 2022	2Q 2021
Total	2 448	2 162	1 248	1 200	1 094
Interest income	4 961	3 009	2 610	2 350	1 529
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	3 303	2 273	1 717	1 586	1 148
Financial assets at FVOCI	128	147	65	63	73
Hedging derivatives	713	137	412	300	53
Financial liabilities (negative interest)	298	194	152	146	98
Other	46	14	28	18	9
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	16	11	8	8	5
Financial assets held for trading	457	233	228	229	142
Of which economic hedges	*405*	*216*	*198*	*207*	*133*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-2 513	- 847	-1 363	-1 150	- 434
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 617	- 229	- 335	- 282	- 118
Financial assets (negative interest)	- 77	- 117	- 18	- 59	- 61
Hedging derivatives	- 776	- 286	- 443	- 333	- 121
Other	- 2	- 2	- 1	- 2	- 1
Interest expense on other financial instruments					
Financial liabilities held for trading	-1 029	- 206	- 559	- 470	- 130
Of which economic hedges	*-1 003*	*- 187*	*- 547*	*- 456*	*- 120*
Other financial liabilities at FVPL	- 11	- 6	- 7	- 4	- 3
Net interest expense relating to defined benefit plans	- 1	- 1	0	0	0

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

The increase in interest income and expense from hedging derivatives and financial assets and liabilities held for trading (of which economic hedges) relates to a presentation change of negative interest on derivatives (at KBC Bank, in conformity with Schema A reporting under BGAAP; this results in an increase in interest income as well as interest expense with 339 million euros in 1H 2022, of which respectively 174 and 165 million euros in 1Q and 2Q 2022) as well as to overall increase of interest rates in 1H 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)	1H 2022	1H 2021	2Q 2022	1Q 2022	2Q 2021
Total	233	156	89	143	29
Breakdown by driver					
Market value adjustments (xVA)	51	37	25	26	12
MTM ALM derivatives	4	- 59	27	- 23	- 52
Financial instruments to which the overlay is applied	27	59	4	23	24
Dealing room and other	151	119	34	117	44

The result from financial instruments at fair value through profit or loss in 2Q 2022 is 54 million euro lower compared to 1Q 2022.

The quarter-on-quarter decrease is attributable to:

- Much lower dealing room and other income in Belgium, Czech Republic and Hungary (compared to the very high result in 1Q 2022)
- Lower net result on equity instruments (insurance), driven by decreasing stock markets resulting in lower realised gains on shares and higher impairments on equity instruments

Partly compensated by

- Positive MTM ALM derivatives in 2Q 2022 compared to negative MTM ALM derivatives in 1Q 2022, mainly driven by increasing EUR-rates and less negative basis spreads CZK/EUR

The result from financial instruments at fair value through profit or loss in 1H 2022 is 77 million euros higher compared to 1H 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 and other income in Belgium
- Slightly positive MTM ALM derivatives in 1H 2022 compared to highly negative MTM ALM derivatives in 1H 2021
- More positive impact from market value adjustments (xVA) in 1H 2022 compared to 1H 2021

Partly offset by

- Lower positive net result on equity instruments (insurance) in 1H 2022, for a large part driven by higher impairments on equity instruments due to weak equity markets.

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

The realised result from debt instruments at fair value through OCI in 2Q 2022 was impacted by -14 million euros realised loss on the sale of low yielding bonds.

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

(in millions of EUR)	1H 2022	1H 2021	2Q 2022	1Q 2022	2Q 2021
Total	934	890	451	482	450
Fee and commission income	1 394	1 289	684	710	650
Fee and commission expense	- 461	- 399	- 233	- 228	- 200
Breakdown by type					
Asset Management Services	602	572	290	312	288
Fee and commission income	*638*	*608*	*308*	*331*	*308*
Fee and commission expense	*- 36*	*- 36*	*- 18*	*- 19*	*- 19*
Banking Services	492	463	244	247	234
Fee and commission income	*710*	*638*	*359*	*351*	*324*
Fee and commission expense	*- 218*	*- 175*	*- 114*	*- 104*	*- 90*
Distribution	- 160	- 145	- 83	- 77	- 72
Fee and commission income	*46*	*43*	*18*	*28*	*19*
Fee and commission expense	*- 206*	*- 188*	*- 101*	*- 104*	*- 91*

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

(in millions of EUR)	1H 2022	1H 2021	2Q 2022	1Q 2022	2Q 2021
Total	144	91	90	54	38
of which gains or losses on					
Sale of financial assets measured at amortised cost	- 32	- 1	- 32	- 1	- 1
Repurchase of financial liabilities measured at amortised cost	- 1	0	0	- 1	- 2
of which other, including:	177	92	122	55	41
Income from operational leasing activities	56	46	27	29	26
Income from VAB Group	28	28	13	15	13
Legacy legal cases	7	0	0	7	0
Gain on sale real estate subsidiary at KBC Insurance	68	0	68	0	0

In 1H 2022:

- Gain on sale of a real estate subsidiary at KBC Insurance (KBC Vastgoed Nederland) (+68 million euros)
- Realised loss on exceptional sale of low yielding bonds at amortised cost mainly in Belgium and Hungary (-32 million euros)
- Legacy legal case in Czech Republic (+7 million euros)

In 1H 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
1H 2022				
Earned premiums, insurance (before reinsurance)	556	1 000	-	1 556
of which change in provision unearned premiums	*- 2*	*- 246*	-	*- 248*
Technical charges, insurance (before reinsurance)	- 531	- 572	-	- 1 103
Claims paid	*- 675*	*- 510*	-	*- 1 185*
Changes in technical provisions	*237*	*- 54*	-	*183*
Other technical result	*- 94*	*- 8*	-	*- 101*
Net fee and commission income	0	- 195	-	- 195
Ceded reinsurance result	- 1	27	-	26
General administrative expenses	- 85	- 142	- 1	- 228
Internal claims settlement expenses	*- 5*	*- 31*	-	*- 36*
Indirect acquisition costs	*- 16*	*- 33*	-	*- 49*
Administrative expenses	*- 65*	*- 77*	-	*- 142*
Investment management fees	*0*	*0*	*- 1*	*- 1*
Technical result	- 61	119	- 1	56
Investment Income *	213	54	21	288
Technical-financial result	151	173	19	344
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	151	173	19	344
Income tax expense	-	-	-	- 58
RESULT AFTER TAX	-	-	-	286
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***285***
1H 2021				
Earned premiums, insurance (before reinsurance)	564	925	-	1 490
of which change in provision unearned premiums	*- 1*	*- 211*	-	*- 212*
Technical charges, insurance (before reinsurance)	- 542	- 465	-	- 1 007
Claims paid	*- 565*	*- 400*	-	*- 966*
Changes in technical provisions	*1*	*- 59*	-	*- 58*
Other technical result	*23*	*- 6*	-	*17*
Net fee and commission income	0	- 179	-	- 180
Ceded reinsurance result	- 1	- 12	-	- 12
General administrative expenses	- 82	- 125	- 1	- 208
Internal claims settlement expenses	*- 4*	*- 30*	-	*- 34*
Indirect acquisition costs	*- 15*	*- 34*	-	*- 48*
Administrative expenses	*- 63*	*- 62*	-	*- 125*
Investment management fees	*0*	*0*	*- 1*	*- 1*
Technical result	- 60	145	- 1	83
Investment Income *	198	50	39	286
Technical-financial result	138	194	38	370
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	138	194	38	370
Income tax expense	-	-	-	- 69
RESULT AFTER TAX	-	-	-	300
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***300***

** 1H 2022 Investment income consists of (in millions of EUR): Net interest income (212), Net Dividend income (20), 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 (-10) and Net other income (35).*
** 1H 2021 consists of (in millions of EUR): Net interest income (200), Net Dividend income (17), Net result from financial instruments at fair value through profit and loss (68), Net result from financial instruments at fair value through OCI (1) .*

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

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

In 1H 2022, the technical result non-life was negatively impacted by storms mainly in 1Q 2022 in Belgium (-97 million euros before tax, before reinsurance; -49 million euros before tax, after reinsurance) versus mild storm effect in 1H 2021 (-24 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 2Q 2022 include 94 million euros related to bank (and insurance) levies (514 million euros in 1Q 2022; 30 million euros in 2Q 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 was included in the result of 1Q 2022.

On 4 June 2022 the Hungarian government has adopted a decree, levying extra profit surtaxes, affecting several sectors, of which also the banking and insurance sector. The extraordinary sectoral tax amounts to 78 million euros and is included in the result of 2Q 2022.

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

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

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

(in millions of EUR)	1H 2022	1H 2021	2Q 2022	1Q 2022	2Q 2021
Total	**- 50**	**200**	**- 28**	**- 22**	**123**
Impairment on financial assets at AC and at FVOCI	6	206	- 9	15	130
Of which impairment on financial assets at AC	5	205	- 10	15	130
By product					
Loans and advances	*10*	*185*	*- 27*	*37*	*115*
Debt securities	*1*	*2*	*0*	*0*	*1*
Off-balance-sheet commitments and financial	*- 6*	*18*	*16*	*- 22*	*14*
By type					
Stage 1 (12-month ECL)	*- 9*	*44*	*- 14*	*4*	*16*
Stage 2 (lifetime ECL)	*44*	*166*	*1*	*44*	*153*
Stage 3 (non-performing; lifetime ECL)	*- 33*	*0*	*2*	*- 35*	*- 32*
Purchased or originated credit impaired assets	*3*	*- 5*	*2*	*2*	*- 7*
Of which impairment on financial assets at FVOCI	1	1	1	0	0
Debt securities	1	1	1	0	0
Stage 1 (12-month ECL)	*0*	*2*	*0*	*0*	*0*
Stage 2 (lifetime ECL)	*1*	*- 2*	*1*	*0*	*- 1*
Stage 3 (non-performing; lifetime ECL)	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 56	- 5	- 19	- 37	- 6
Intangible fixed assets (other than goodwill)	- 23	0	- 2	- 21	0
Property, plant and equipment (including investment property)	- 9	- 1	0	- 9	- 4
Associated companies and joint ventures	0	0	0	0	0
Other	- 24	- 4	- 18	- 7	- 2

The impairments on financial assets at AC and at FVOCI in 1H 2022 include a net impairment charge of 13 million euros for the geopolitical, emerging and Covid risks (of which 18 million euros charge in 1Q 2022 and 5 million euros release in 2Q 2022), compared to a release of 155 million euros in 1H 2021 (of which +26m in 1Q 2021 and +129 million euros in 2Q 2021) (the reference periods only related to Covid risks). For more information, see note 1.4 of this report.

The impairments on financial assets at AC and at FVOCI in 1H 2022 include +19 million euros net releases mainly related to a number of corporate and retail files mainly in Czech Republic and Belgium (-14 million euros charges in 2Q 2022 and +33 million euros releases in 1Q 2022) compared to +51 million euros net releases in 1H 2021.

The impairment on other (Other) in 1H 2022 include -14 million euros modification losses, largely related to the interest cap regulation in Hungary (interest cap was extended until year-end 2022) compared to -2 million euros in 1H 2021 also related to modification losses in Hungary on moratoria.

1H 2022 includes -32 million euros related to impairments on property and equipment and intangible assets (of which -24 million euros in Ireland in 1Q 2022). 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	Hedging derivatives	Total
FINANCIAL ASSETS, 30-06-2022								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	7 494	0	0	0	1	0	0	7 495
of which repayable on demand and term loans at not more than three months								*5 007*
Loans and advances to customers (excl. reverse repos)	168 401	0	583	0	0	0	0	168 984
Trade receivables	*2 606*	*0*	*0*	*0*	*0*	*0*	*0*	*2 606*
Consumer credit	*5 501*	*0*	*404*	*0*	*0*	*0*	*0*	*5 905*
Mortgage loans	*70 426*	*0*	*178*	*0*	*0*	*0*	*0*	*70 605*
Term loans	*77 421*	*0*	*0*	*0*	*0*	*0*	*0*	*77 421*
Finance lease	*5 894*	*0*	*0*	*0*	*0*	*0*	*0*	*5 894*
Current account advances	*5 891*	*0*	*0*	*0*	*0*	*0*	*0*	*5 891*
Other	*662*	*0*	*0*	*0*	*0*	*0*	*0*	*662*
Reverse repos	35 765	0	0	0	1 144	0	0	36 909
with credit institutions and investment firms	*35 647*	*0*	*0*	*0*	*1 144*	*0*	*0*	*36 791*
with customers	*118*	*0*	*0*	*0*	*0*	*0*	*0*	*118*
Equity instruments	0	321	9	1 160	341	0	0	1 831
Investment contracts (insurance)	0	0	13 018	0	0	0	0	13 018
Debt securities issued by	49 639	12 973	15	0	2 244	0	0	64 872
Public bodies	*43 022*	*8 680*	*0*	*0*	*2 135*	*0*	*0*	*53 836*
Credit institutions and investment firms	*3 976*	*1 957*	*0*	*0*	*35*	*0*	*0*	*5 968*
Corporates	*2 642*	*2 336*	*15*	*0*	*75*	*0*	*0*	*5 068*
Derivatives	0	0	0	0	7 271	0	547	7 817
Other	1 026	0	0	0	0	0	0	1 026
Total	262 325	13 294	13 626	1 160	11 001	0	547	301 953
FINANCIAL ASSETS, 31-12-2021								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	7 920	0	0	0	1	0	0	7 920
of which repayable on demand and term loans at not more than three months								*3 146*
Loans and advances to customers (excl. reverse repos)	159 167	0	560	0	0	0	0	159 728
Trade receivables	*2 090*	*0*	*0*	*0*	*0*	*0*	*0*	*2 090*
Consumer credit	*5 470*	*0*	*381*	*0*	*0*	*0*	*0*	*5 851*
Mortgage loans	*67 486*	*0*	*179*	*0*	*0*	*0*	*0*	*67 665*
Term loans	*72 998*	*0*	*0*	*0*	*0*	*0*	*0*	*72 998*
Finance lease	*5 815*	*0*	*0*	*0*	*0*	*0*	*0*	*5 815*
Current account advances	*4 819*	*0*	*0*	*0*	*0*	*0*	*0*	*4 819*
Other	*490*	*0*	*0*	*0*	*0*	*0*	*0*	*490*
Reverse repos	24 978	0	0	0	0	0	0	24 978
with credit institutions and investment firms	*24 861*	*0*	*0*	*0*	*0*	*0*	*0*	*24 861*
with customers	*117*	*0*	*0*	*0*	*0*	*0*	*0*	*117*
Equity instruments	0	321	8	1 366	448	0	0	2 144
Investment contracts (insurance)	0	0	14 620	0	0	0	0	14 620
Debt securities issued by	47 172	15 503	17	0	2 958	0	0	65 650
Public bodies	*41 475*	*10 514*	*0*	*0*	*2 517*	*0*	*0*	*54 507*
Credit institutions and investment firms	*3 310*	*2 245*	*0*	*0*	*357*	*0*	*0*	*5 912*
Corporates	*2 387*	*2 744*	*17*	*0*	*84*	*0*	*0*	*5 232*
Derivatives	0	0	0	0	5 443	0	283	5 727
Other	892	0	0	0	0	0	0	892
Total	240 128	15 824	15 205	1 366	8 850	0	283	281 658

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total
FINANCIAL LIABILITIES, 30-06-2022					
Deposits from credit institutions and investment firms (excl. repos)	37 067	0	0	0	37 067
of which repayable on demand					*6 615*
Deposits from customers and debt securities (excl. repos)	240 333	89	1 203	0	241 625
Demand deposits	*125 756*	*0*	*0*	*0*	*125 756*
Time deposits	*12 306*	*89*	*57*	*0*	*12 452*
Savings accounts	*75 662*	*0*	*0*	*0*	*75 662*
Special deposits	*3 099*	*0*	*0*	*0*	*3 099*
Other deposits	*323*	*0*	*0*	*0*	*323*
Subtotal deposits of clients, excl. repos	*217 146*	*89*	*57*	*0*	*217 293*
Certificates of deposit	*5 058*	*0*	*0*	*0*	*5 059*
Savings certificates	*176*	*0*	*0*	*0*	*176*
Non-convertible bonds	*15 771*	*0*	*1 015*	*0*	*16 786*
Non-convertible subordinated liabilities	*2 182*	*0*	*130*	*0*	*2 312*
Repos	22 197	111	0	0	22 307
with credit institutions and investment firms	*14 006*	*93*	*0*	*0*	*14 099*
with customers	*8 190*	*17*	*0*	*0*	*8 208*
Liabilities under investment contracts	0	0	12 153	0	12 153
Derivatives	0	7 617	0	741	8 358
Short positions	0	1 716	0	0	1 716
In equity instruments	*0*	*19*	*0*	*0*	*19*
In debt securities	*0*	*1 697*	*0*	*0*	*1 697*
Other	2 851	0	0	0	2 852
Total	302 448	9 533	13 356	741	326 078
FINANCIAL LIABILITIES, 31-12-2021					
Deposits from credit institutions and investment firms (excl. repos)	38 047	0	0	0	38 047
of which repayable on demand					*4 695*
Deposits from customers and debt securities (excl. repos)	224 759	21	1 312	0	226 093
Demand deposits	*112 097*	*0*	*0*	*0*	*112 097*
Time deposits	*9 106*	*21*	*60*	*0*	*9 187*
Savings accounts	*74 801*	*0*	*0*	*0*	*74 801*
Special deposits	*2 962*	*0*	*0*	*0*	*2 962*
Other deposits	*428*	*0*	*0*	*0*	*428*
Subtotal deposits of clients, excl. repos	*199 395*	*21*	*60*	*0*	*199 476*
Certificates of deposit	*6 273*	*0*	*0*	*0*	*6 273*
Savings certificates	*253*	*0*	*0*	*0*	*253*
Non-convertible bonds	*15 892*	*0*	*1 118*	*0*	*17 011*
Non-convertible subordinated liabilities	*2 946*	*0*	*134*	*0*	*3 080*
Repos	3 293	2	0	0	3 295
with credit institutions and investment firms	*2 888*	*2*	*0*	*0*	*2 890*
with customers	*405*	*0*	*0*	*0*	*405*
Liabilities under investment contracts	0	0	13 603	0	13 603
Derivatives	0	5 619	0	1 094	6 713
Short positions	0	1 628	0	0	1 628
In equity instruments	*0*	*18*	*0*	*0*	*18*
In debt securities	*0*	*1 611*	*0*	*0*	*1 611*
Other	2 288	0	0	0	2 288
Total	268 387	7 271	14 916	1 094	291 667

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme (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
30-06-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	214 113	- 2 453	211 660
Stage 1 (12-month ECL)	180 841	- 110	180 731
Stage 2 (lifetime ECL)	29 256	- 475	28 781
Stage 3 (lifetime ECL)	3 534	- 1 786	1 748
Purchased or originated credit impaired assets (POCI)	482	- 82	401
Debt Securities	49 647	- 8	49 639
Stage 1 (12-month ECL)	49 566	- 6	49 561
Stage 2 (lifetime ECL)	79	- 1	78
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	12 978	- 5	12 973
Stage 1 (12-month ECL)	12 905	- 3	12 902
Stage 2 (lifetime ECL)	72	- 2	71
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)

The increase in the stage 2 carrying value before impairments from 23.1 billion euros at year-end 2021 to 29.3 billion euros at half-year 2022 is mainly driven by an exposure of 9.0 billion euros transferred to stage 2 based on the collective assessments in 1H 2022, partly compensated by the discontinuation of the collective stage 2 shift of exposures vulnerable to Covid risks (3.1 billion euros of exposure transferred to stage 2 per year-end 2021).

In 1H 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) (2 billion euros),
- vulnerable to the emerging risks (6.3 billion euros), or
- Czech retail clients expected to be impacted by the sharp interest rate increases (0.7 billion euros).

The remaining Covid risks in our loan portfolio are captured through the regular indicators to assess significant increases in credit risk (probability of default, forbearance and days past due status) which are no longer masked by the moratoria measures.

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

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 4.4 up to and including 4.7 of the annual accounts 2021.

(in millions of EUR)				30-06-2022				31-12-2021
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	13 907	221	658	14 786	15 702	254	615	16 572
Held for trading	2 314	7 952	736	11 001	1 970	5 915	965	8 850
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	10 296	2 339	659	13 294	12 284	2 964	577	15 824
Hedging derivatives	0	547	0	547	0	283	0	283
Total	26 517	11 058	2 052	39 628	29 956	9 416	2 157	41 529
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 699	6 809	1 026	9 533	1 582	4 480	1 209	7 271
Designated at fair value	12 153	58	1 145	13 356	13 603	61	1 251	14 916
Hedging derivatives	0	531	210	741	0	696	398	1 094
Total	13 852	7 398	2 381	23 630	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 1H 2022, KBC transferred about 198 million euros’ worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 299 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 1H 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 22 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 21 million euros, mostly due to new transactions.
- Financial assets held for trading: the fair value of derivatives decreased by 231 million euros, primarily due to changes in fair value and sales of existing positions.
- Financial assets measured at fair value through other comprehensive income: the fair value of debt securities has increased by 86 million euros, mostly due to transfers into level 3 (mainly downgrade of one bond from level 2 given lack of recent trading quotes), partially compensated by changes in fair value.
- Financial liabilities held for trading: the fair value of derivatives increased by 183 million euros, mainly due to a combination of changes in fair value and sales of existing positions, only partially offset by new acquisitions and transfers into level 3 (mainly related to long-term derivatives).
- Financial liabilities designated at fair value: the fair value of debt securities issued decreased by 106 million euros, primarily due to deals that reached maturity and sales of existing positions, only partially offset by new transactions.
- Financial liabilities in hedge accounting: the fair value of derivatives decreased by 187 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 in 2021 to the items ‘Non-current assets held for sale and disposal groups’ and ‘Liabilities associated with disposal groups’ because we consider all IFRS 5 conditions are met.

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

NN's Bulgarian pension and life insurance business

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

KBC Bank Ireland:

Transaction with CarVal Investors

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

Transaction with Bank of Ireland Group

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

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

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

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 of -241 million euros in 2021 (see table with details further in this note) and -53 million euros in 1H 2022.
It will further improve KBC's solid capital position on completion of the transaction, with a positive impact of +0.9%pt. on the CET1 ratio primarily by reducing risk-weighted assets, expected in 1H 2023.

As a result of this announcement, the P&L-lines of KBC Bank Ireland have been transferred from Business Unit International Markets (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
1H 2022			
Total income	6	- 2	4
Operating expenses	0	- 13	- 13
Impairment	- 2	- 38	- 40
on financial assets at AC and at FVOCI	*- 2*	*- 14*	*- 16*
other	*0*	*- 24*	*- 24*
Income tax expense	0	0	0
RESULT AFTER TAX	3	- 53	- 49
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 (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 1 009 million euros paid in cash, reflects the quality of the Bulgarian operations of Raiffeisen Bank International and the synergies potential.

The transaction was completed on 7 July 2022 and the name of Raiffeisenbank (Bulgaria) EAD was changed into KBC Bank Bulgaria EAD. KBC Bank Bulgaria EAD will be consolidated as of 3Q 2022. The transaction will have a capital impact of around -1pp on KBC Group's CET1 in 3Q 2022.

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

Significant non-adjusting event between the balance sheet date (30 June 2022) and the publication of this report (11 August 2022):

- On 7 July 2022, KBC Bank and Austria-based Raiffeisen Bank International ('RBI') completed the transaction for KBC Bank to acquire 100% of the shares of Raiffeisenbank (Bulgaria) EAD (RBI's Bulgarian banking operations).
  For more information, see note 6.6 in this report.
- As decided by KBC Group's Board of Directors of 10 August 2022, and in line with our general dividend policy, an interim dividend of 1.00 euro per share (417 million euros in total) as an advance on the total dividend for financial year 2022 will be paid on 16 November 2022.

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

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 June 2022 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the six-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-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 369.807 million and a consolidated profit (attributable to equity holders of the parent) for the six-month period then ended of EUR 1.269 million.

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

Scope of Review

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

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Conclusion

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

Diegem, 10 August 2022

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave
Accredited auditor

Jeroen Bockaert
Accredited auditor

KBC Group

Additional Information
2Q 2022 and 1H 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 in the table below. The loan portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section of the annual accounts 2021. For more information, please refer to 'Details of ratios and terms on KBC Group level'.

A snapshot of the banking portfolio is shown in the table below. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit.

Credit risk: loan portfolio overview	30-06-2022	Pro forma excl. Ireland 30-06-2022	31-12-2021	Pro forma excl. Ireland 31-12-2021
Total loan portfolio (in billions of EUR) [1]				
Amount outstanding and undrawn	247	238	237	226
Amount outstanding	197	188	188	178
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)				
Belgium	64.3%	67.4%	63.4%	67.1%
Czech Republic	18.8%	19.8%	18.8%	19.9%
International Markets	11.4%	11.9%	16.8%	11.9%
Group Centre [2]	5.5%	0.9%	1.0%	1.1%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)				
Private individuals	43.5%	40.8%	44.4%	41.2%
Finance and insurance	6.0%	6.3%	6.0%	6.3%
Governments	3.2%	3.4%	2.8%	2.9%
Corporates	47.3%	49.5%	46.8%	49.5%
Services	10.0%	10.5%	10.3%	10.9%
Distribution	7.8%	8.1%	7.5%	8.0%
Real estate	6.1%	6.4%	6.1%	6.4%
Building & construction	4.4%	4.6%	4.2%	4.4%
Agriculture, farming, fishing	2.7%	2.9%	2.7%	2.9%
Automotive	2.4%	2.5%	2.4%	2.6%
Food Producers	1.7%	1.8%	1.8%	1.9%
Metals	1.6%	1.7%	1.4%	1.5%
Electricity	1.6%	1.7%	1.6%	1.6%
Chemicals	1.5%	1.5%	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%
Oil, gas & other fuels	0.7%	0.7%	0.6%	0.7%
Shipping	0.7%	0.7%	0.7%	0.7%
Electrotechnics	0.6%	0.6%	0.5%	0.5%
Traders	0.5%	0.5%	0.5%	0.5%
Other [3]	3.4%	3.6%	3.6%	3.8%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)				
Home countries	88.7%	88.1%	88.7%	88.1%
Belgium	54.1%	56.8%	53.9%	57.1%
Czech Republic	18.3%	19.2%	17.6%	18.7%
Ireland	4.7%	0.1%	5.7%	0.1%
Slovakia	5.8%	6.1%	5.6%	6.0%
Hungary	3.4%	3.5%	3.6%	3.8%
Bulgaria	2.4%	2.5%	2.3%	2.4%
Rest of Western Europe	7.1%	7.4%	6.9%	7.3%
Rest of Central and Eastern Europe	0.2%	0.2%	0.2%	0.2%
of which: Russia and Ukraine	0.02%	0.02%		
North America	1.3%	1.4%	1.3%	1.3%
Asia	1.4%	1.5%	1.5%	1.6%
Other	1.3%	1.4%	1.4%	1.5%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)				
Retail	43.5%	40.8%	44.4%	41.2%
of which: mortgages	40.3%	37.5%	41.2%	37.8%
of which: consumer finance	3.2%	3.3%	3.2%	3.4%
SME	21.2%	22.2%	21.5%	22.8%
Corporate	35.3%	37.0%	34.0%	36.0%

	30-06-2022	Pro forma excl. Ireland 30-06-2022	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)	81.4%	80.9%	83.5%	83.5%
of which: PD 1 - 4	62.3%	64.9%	62.3%	65.4%
of which: PD 5 - 9 including unrated	19.1%	16.0%	21.2%	18.1%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [4]	16.4%	16.9%	13.6%	14.1%
of which: PD 1 - 4	5.9%	6.2%	5.1%	5.4%
of which: PD 5 - 9 including unrated	10.5%	10.8%	8.5%	8.7%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [4]	2.2%	2.1%	2.9%	2.4%
of which: PD 10 impaired loans	1.0%	1.0%	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)	4 278	4 029	5 454	4 198
of which: more than 90 days past due	2 323	2 196	2 884	2 157
Impaired loans ratio (%)				
Belgium	1.9%	1.9%	2.2%	2.2%
Czech Republic	1.8%	1.8%	1.8%	1.8%
International Markets	2.2%	2.2%	5.7%	2.5%
Group Centre [2]	6.3%	25.2%	21.5%	21.5%
Total	2.2%	2.1%	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	136	130	127	123
Loan loss Impairment for Stage 2 portfolio	512	499	559	528
Loan loss Impairment for Stage 3 portfolio	2 076	1 941	2 569	2 025
of which: more than 90 days past due	1 587	1 506	1 905	1 513
Cover ratio of impaired loans (%)				
Loan loss impairments for stage 3 portfolio / impaired loans	48.5%	48.2%	47.1%	48.2%
of which: more than 90 days past due	68.3%	68.6%	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	71.0%	70.9%	72.8%	72.7%
Credit cost ratio (%)				
Belgium	-0.04%	-0.04%	-0.26%	-0.26%
Czech Republic	-0.04%	-0.04%	-0.42%	-0.42%
International Markets	0.22%	0.22%	0.36%	-0.19%
Slovakia	0.09%	0.09%	-0.16%	-0.16%
Hungary	0.20%	0.20%	-0.34%	-0.34%
Bulgaria	0.56%	0.56%	-0.06%	-0.06%
Ireland [2]			1.43%	
Group Centre	0.03%	0.31%	0.28%	0.28%
o.w. Ireland	-0.02%			
Total	-0.01%	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 1H 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 35 million euros or 0.02% of the outstanding loan portfolio.

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2021 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Loan portfolio per Business Unit (banking activities)

Legend:

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

Loan portfolio per Business Unit 30-06-2022, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**126 390**			**37 057**			**22 371**			**10 778**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	44 142	35%		21 682	59%		10 645	48%		9 013	84%	
o/w mortgages	42 493	34%		19 356	52%		8 474	38%		8 929	83%	
o/w consumer finance	1 649	1%		2 326	6%		2 171	10%		84	1%	
SME	33 889	27%		5 341	14%		2 362	11%		45	0%	
corporate	48 359	38%		10 034	27%		9 364	42%		1 720	16%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	42 439	34%	57%	19 356	52%	55%	8 474	38%	61%	8 929	83%	53%
o/w FX mortgages	0	0%	-	0	0%	-	62	0%	57%	0	0%	-
o/w ind. LTV > 100%	417	0%	-	34	0%	-	133	1%	-	67	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	97 729	77%		22 184	60%		12 199	55%		1 933	18%	
medium risk (PD 5-7; 0.80%-6.40%)	22 552	18%		12 972	35%		8 105	36%		7 546	70%	
high risk (PD 8-9; 6.40%-100.00%)	3 397	3%		1 216	3%		954	4%		623	6%	
impaired loans (PD 10 - 12)	2 440	2%		660	2%		501	2%		677	6%	
unrated	272	0%		24	0%		611	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	2 440	1 041	43%	660	309	47%	501	225	45%	677	502	74%
o/w PD 10 impaired loans	1 194	240	20%	394	125	32%	213	47	22%	154	77	50%
o/w more than 90 days past due (PD 11+12)	1 245	801	64%	266	184	69%	288	177	61%	523	425	81%
all impairments (stage 1+2+3)	1 345			470			383			527		
o/w stage 1+2 impairments (incl. POCI)	304			162			158			24		
o/w stage 3 impairments (incl. POCI)	1 041			309			225			502		
2021 Credit cost ratio (CCR)[3]	-0.26%			-0.42%			0.36%			0.28%		
2022 Credit cost ratio (CCR)[3] - YTD	-0.04%			-0.04%			0.22%			0.03%		

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

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

[3] CCR at country level in local currency

Loan portfolio Business Unit International Markets and Group Centre

Legend:

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

  Cover ratio impaired loans: stage 3 impairments / impaired loans

Loan portfolio Business Unit International Markets and Group Centre 30-06-2022, in millions of EUR	Business Unit International Markets, o.w.: Slovakia			Hungary			Bulgaria			Group Centre, o.w: Ireland[1]		
Total portfolio outstanding	**11 012**			**6 603**			**4 756**			**9 078**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	6 331	57%		2 520	38%		1 794	38%		9 013	99%	
o/w mortgages	5 796	53%		1 734	26%		945	20%		8 929	98%	
o/w consumer finance	535	5%		786	12%		850	18%		84	1%	
SME	1 121	10%		77	1%		1 163	24%		45	0%	
corporate	3 559	32%		4 006	61%		1 799	38%		19	0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	5 796	53%	65%	1 734	26%	50%	945	20%	58%	8 929	98%	53%
o/w FX mortgages	0	0%	-	1	0%	98%	60	1%	56%	0	0%	-
o/w ind. LTV > 100%	60	1%	-	61	1%		12	0%	-	67	1%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	7 230	66%		3 603	55%		1 366	29%		782	9%	
medium risk (PD 5-7; 0.80%-6.40%)	2 409	22%		2 691	41%		3 005	63%		7 424	82%	
high risk (PD 8-9; 6.40%-100.00%)	605	5%		170	3%		179	4%		623	7%	
impaired loans (PD 10 - 12)	174	2%		122	2%		206	4%		248	3%	
unrated	593	5%		18	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	174	104	60%	122	50	41%	206	71	35%	248	135	54%
o/w PD 10 impaired loans	45	13	29%	88	26	30%	79	8	10%	121	54	45%
o/w more than 90 days past due (PD 11+12)	129	90	70%	33	23	70%	127	63	50%	127	81	63%
all impairments (stage 1+2+3)	177			107			98			155		
o/w stage 1+2 impairments (incl. POCI)	74			58			27			20		
o/w stage 3 impairments (incl. POCI)	104			50			71			135		
2021 Credit cost ratio (CCR)[2]	-0.16%			-0.34%			-0.06%			1.43%		
2022 Credit cost ratio (CCR)[2] - YTD	0.09%			0.20%			0.56%			-0.02%		

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

[2] CCR at country level in local currency

Solvency

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

Solvency KBC Group

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

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

Based on CRR/CRD, profit can be included in CET1 capital only after the profit appropriation decision by the final decision body, for KBC Group it is the General Meeting. ECB can allow to include interim or annual profit in CET1 capital before the decision by the General Meeting. In that case, the foreseeable dividend should be deducted from the profit that is included in CET1. Considering that our Dividend Policy of “at least 50%” does not include a maximum, KBC Group no longer requests ECB approval to include interim or annual profit in CET1 capital before the decision by the General Meeting. As such, the annual profit of 2021 and the final dividend re. 2021 is recognised in the official (transitional) CET1 of the 1st quarter 2022, which is reported after the General Meeting. The (informal) fully loaded 31-12-2021 figures already fully reflected the 2021 profit and proposed dividend.

As regard 1H 2022, the interim profit is included in the fully loaded CET1 (taking into account 50% pay-out in line with our Dividend Policy), while in the official (transitional) CET1 the 1H 2022 interim profit is only included up to the level of the interim dividend.

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 91% of the weighted credit risks, of which approx. 87% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 9%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 11.34% (fully loaded, Danish Compromise which includes the CRR/CRD minimum requirement (4.50%), the Pillar 2 Requirement (1.86%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% Systemic Buffer, 0.33% sectorial Systemic Risk Buffer and 0.65% 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)	30-06-2022 Fully loaded	 Actuals	31-12-2021 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%
Systemic Risk Buffer (SRyB)	0.33%	0.33%	0.00%	0.00%
Entity-specific countercyclical buffer	0.65%	0.17%	0.45%	0.17%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. 104a(4)	10.53%	10.05%	10.00%	9.66%
Pillar 2 requirement that can be satisfied with AT1 & AT2	0.81%	0.81%	0.81%	0.77%
Overall Capital Requirement (OCR) (A)[1] no P2R split	11.34%	10.86%	10.81%	10.42%
CET1 used to satisfy shortfall in AT1 bucket (B)	0.09%	0.09%	0.07%	0.06%
CET1 used to satisfy shortfall in T2 bucket (C) [2]	0.44%	0.31%	0.36%	0.34%
CET1 requirement for MDA (A+B+C)	11.87%	11.26%	11.23%	10.82%
CET1 capital	16 875	16 022	16 224	17 498
CET1 buffer (= buffer compared to MDA)	4 284	4 072	4 470	6 204

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

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

Overview of KBC Group's capital ratios (in millions of EUR) 30-06-2022		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	16 875	106 105	15.90%
Deduction Method	Fully loaded	16 110	101 231	15.91%
Financial Conglomerates Directive	Fully loaded	18 289	118 211	15.47%
Danish Compromise	Transitional	16 022	106 091	15.10%
Deduction Method	Transitional	15 168	100 993	15.02%
Financial Conglomerates Directive	Transitional	17 960	118 198	15.20%

KBC's fully loaded CET1 ratio of 15.90% at the end of June 2022 represents a solid capital buffer:

- 4.56% capital buffer compared with the Overall Capital Requirement (OCR) of 11.34%
- 4.03% capital buffer compared with the Maximum Distributable Amount (MDA) of 11.87%.

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	30-06-2022 Fully loaded	30-06-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital (after profit appropriation)	20 030	19 312	19 445	20 733
Tier-1 capital	18 375	17 522	17 724	18 998
Common equity	16 875	16 022	16 224	17 498
Parent shareholders' equity (after deconsolidating KBC Insurance)	18 536	17 445	20 049	17 708
Intangible fixed assets, incl deferred tax impact (-)	- 574	- 574	- 539	- 539
Goodwill on consolidation, incl deferred tax impact (-)	- 740	- 740	- 746	- 746
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	923	923	1 108	1 108
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 37	- 37	- 16	- 16
Value adjustment due to the requirements for prudent valuation (-)	- 28	- 28	- 28	- 28
Dividend payout (-)	- 610	- 417	- 3 168	0
Share buyback (part not yet executed) (-)	0	0	0	0
Coupon of AT1 instruments (-)	- 12	- 12	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 90	- 90	- 72	- 72
Deduction re NPL backstops (-)	- 75	- 75	- 68	- 68
Deduction re pension plan assets (-)	- 158	- 158	0	0
IRB provision shortfall (-)	0	0	0	- 31
Deferred tax assets on losses carried forward (-)	- 204	- 204	- 227	- 227
Transitional adjustments to CET1	0	46	0	478
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 500	1 500	1 500	1 500
CRR compliant AT1 instruments	1 500	1 500	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	1 655	1 790	1 721	1 735
IRB provision excess (+)	158	157	224	493
Transitional adjustments to T2	0	- 45	0	- 493
Subordinated liabilities	1 497	1 677	1 497	1 735
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Total weighted risk volume	106 105	106 091	104 646	104 362
Banking	96 812	96 798	95 120	94 836
Insurance	9 133	9 133	9 133	9 133
Holding activities	432	432	396	396
Elimination of intercompany transactions	- 272	- 272	- 4	- 4
Solvency ratios				
Common equity ratio	15.90%	15.10%	15.50%	16.77%
Tier-1 ratio	17.32%	16.52%	16.94%	18.20%
Total capital ratio	18.88%	18.20%	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 (20 030 million euros; interim profit after 50% pay-out re. 2022 is included) and the transitional own funds (19 312 million euros; interim profit after 50% pay-out re. 2022 is not included) as at 30-06-2022 is explained by the net result for 2022 (1 091 million euros under the Danish Compromise method), the 50% pay-out (-193 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (-0.4 million euros) and the grandfathered tier-2 subordinated debt instruments (-180 million euros).

Leverage ratio KBC Group

Leverage ratio KBC Group In millions of EUR	30-06-2022 Fully loaded	30-06-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Tier-1 capital	18 375	17 522	17 724	18 998
Total exposures	357 138	357 195	326 792	292 365
Total Assets	369 807	369 807	340 346	340 346
Deconsolidation KBC Insurance	-31 182	-31 182	-34 026	-34 026
Transitional adjustment	0	56	0	617
Adjustment for derivatives	-4 793	-4 793	-1 656	-1 656
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 836	-1 836	-1 665	-1 696
Adjustment for securities financing transaction exposures	1 214	1 214	1 016	1 016
Central Bank exposure	0	0	0	-35 014
Off-balance sheet exposures	23 928	23 928	22 776	22 776
Leverage ratio	5.14%	4.91%	5.42%	6.50%

At the end of June 2022, the fully loaded leverage ratio slightly decreased compared to December 2021, mainly due to higher total assets (driven by short-term money market and repo opportunities), partly compensated by higher Tier 1 capital (mainly driven by inclusion of 1H2022 profits).

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

Solvency banking and insurance activities separately

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

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

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	30-06-2022 Fully loaded	30-06-2022 Transitional	31-12-2021 Fully loaded	31-12-2021 Transitional
Total regulatory capital, after profit appropriation	17 589	17 589	18 318	17 964
Tier-1 capital	15 753	15 798	16 415	16 210
Common equity	14 253	14 298	14 915	14 710
Parent shareholders' equity	16 672	16 672	17 047	14 912
Solvency adjustments	-2 419	-2 374	-2 132	- 202
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	1 836	1 791	1 903	1 754
Total weighted risk volume	96 812	96 798	95 120	94 836
Credit risk	81 788	81 774	80 971	80 687
Market risk	3 539	3 539	2 665	2 665
Operation risk	11 484	11 484	11 484	11 484
Common equity ratio	14.7%	14.8%	15.7%	15.5%

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-06-2022	31-12-2021
Own Funds	4 113	4 075
Tier 1	3 613	3 574
IFRS Parent shareholders' equity	2 676	3 991
Dividend payout	- 274	- 525
Deduction intangible assets and goodwill (after tax)	- 191	- 194
Valuation differences (after tax)	1 209	267
Volatility adjustment	217	43
Other	- 24	- 8
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 699	2 029
Market risk	1 178	1 581
Non-life	660	626
Life	930	834
Health	227	314
Counterparty	133	114
Diversification	-1 084	-1 133
Other	- 344	- 308
Solvency II ratio	242%	201%

Minimum requirement for own funds and eligible liabilities (MREL)

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

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

- 22.39% 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 4.73% for 2022 and 4.98% as from 3Q 2023); leading to 27.37% of RWA as from 01-01-2024 or 26.36% as from 01-01-2022
- 7.41% of LRE as from 01-01-2024, with an intermediate target of 7.34% of LRE as from 01-01-2022.

At the end of June 2022, the MREL ratio stands at 27.6% as a % of RWA (same level as at 31-03-2022) and at 8.2% as % of LRE (versus 9.6% as at 31-03-2022). The decrease of the MREL ratio in % of LRE is due to higher Leverage Ratio Exposure (as from 2Q 2022 the exposure to central banks is no longer excluded from the Leverage Ratio Exposure).

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). Before end of 2Q 2022, KBC Group had on its balance sheet a limited amount of liabilities, excluded from bail-in, which ranked pari passu to MREL eligible liabilities. These excluded liabilities were related to critical shared services (e.g. IT). This jeopardized 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. The Clean HoldCo has been implemented and as at 30-06-2022 and KBC's entire MREL stack is subordinated to excluded liabilities.

The new binding subordinated MREL targets are:

- 17.92% 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 4.73% for 2022 and 4.98% as from 3Q 2023), leading to 22.90% of RWA as from 01-01-2024 or 18.23% as from 01-01-2022
- 7.41% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of June 2022, KBC's entire MREL stack is subordinated and the subordinated MREL ratio stands at 27.6% as a % of RWA and at 8.2% as a % of LRE.

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.40% for 2022 and 0.65% as from 3Q 2023) + Systemic Risk Buffer (0.33%), 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)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Breakdown P&L					
Net interest income	677	635	641	629	637
Non-life insurance (before reinsurance)	125	102	100	77	143
Earned premiums	312	305	308	306	293
Technical charges	- 188	- 203	- 208	- 229	- 150
Life insurance (before reinsurance)	- 12	- 14	- 16	- 13	- 13
Earned premiums	197	216	298	189	194
Technical charges	- 209	- 230	- 314	- 202	- 207
Ceded reinsurance result	10	37	13	27	- 3
Dividend income	19	7	8	10	15
Net result from financial instruments at fair value through profit or loss	37	50	34	33	38
Net realised result from debt instruments at fair value through OCI	1	1	0	0	1
Net fee and commission income	314	345	338	333	322
Net other income	93	42	38	83	33
TOTAL INCOME	1 263	1 204	1 154	1 179	1 173
Operating expenses	- 554	- 901	- 558	- 520	- 538
Impairment	25	- 7	43	139	56
on financial assets at AC and at FVOCI	25	- 1	51	139	56
other	0	- 7	- 8	- 1	0
Share in results of associated companies and joint ventures	- 2	- 2	- 1	- 2	1
RESULT BEFORE TAX	731	294	639	796	693
Income tax expense	- 167	- 67	- 153	- 193	- 165
RESULT AFTER TAX	564	227	486	603	528
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**564**	**227**	**486**	**603**	**528**
Banking	418	138	413	522	403
Insurance	146	89	73	81	125
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	114 910	111 303	108 251	106 952	105 594
of which Mortgage loans (end of period)	*43 327*	*42 478*	*41 561*	*40 800*	*40 069*
Customer deposits and debt certificates excl. repos (end of period)	153 686	142 241	142 282	151 203	159 581
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	12 722	12 831	12 989	12 942	12 984
Unit-Linked (end of period)	12 168	13 152	13 634	13 262	13 217
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	55 749	57 143	55 520	54 493	54 419
Required capital, insurance (end of period)	1 357	1 580	1 708	1 648	1 651
Allocated capital (end of period)	7 679	7 757	7 510	7 342	7 338
Return on allocated capital (ROAC)	28%	12%	27%	33%	29%
Cost/income ratio, group	44%	75%	48%	44%	46%
Combined ratio, non-life insurance	88%	82%	98%	98%	83%
Net interest margin, banking	1.59%	1.57%	1.60%	1.61%	1.63%

Business unit Czech Republic (in millions of EUR)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Breakdown P&L					
Net interest income	340	326	292	244	220
Non-life insurance (before reinsurance)	46	50	35	34	30
Earned premiums	99	92	89	88	82
Technical charges	- 52	- 42	- 54	- 54	- 52
Life insurance (before reinsurance)	15	14	17	15	14
Earned premiums	40	43	47	41	51
Technical charges	- 26	- 29	- 30	- 27	- 37
Ceded reinsurance result	- 1	- 4	7	4	8
Dividend income	1	0	0	0	1
Net result from financial instruments at fair value through profit or loss	40	67	35	24	7
Net realised result from debt instruments at fair value through OCI	- 6	- 5	- 3	0	- 2
Net fee and commission income	55	58	54	56	54
Net other income	2	11	- 10	5	6
TOTAL INCOME	491	516	428	383	339
Operating expenses	- 206	- 270	- 204	- 183	- 191
Impairment	- 6	4	14	50	50
on financial assets at AC and at FVOCI	- 2	10	26	50	53
other	- 4	- 6	- 5	0	- 3
Share in results of associated companies and joint ventures	0	- 1	- 1	- 1	0
RESULT BEFORE TAX	280	249	237	249	198
Income tax expense	- 43	- 42	- 39	- 40	- 30
RESULT AFTER TAX	237	207	198	209	168
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**237**	**207**	**198**	**209**	**168**
Banking	220	186	176	195	152
Insurance	17	21	22	14	16
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	34 169	33 972	32 671	31 288	30 551
of which Mortgage loans (end of period)	*18 916*	*18 974*	*18 303*	*17 437*	*17 190*
Customer deposits and debt certificates excl. repos (end of period)	48 366	48 729	46 239	45 108	44 650
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	673	694	690	676	676
Unit-Linked (end of period)	458	518	526	572	594
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	17 226	17 110	16 213	16 139	15 594
Required capital, insurance (end of period)	178	159	147	149	149
Allocated capital (end of period)	2 132	2 008	1 841	1 835	1 778
Return on allocated capital (ROAC)	46%	42%	44%	47%	38%
Cost/income ratio, group	42%	52%	48%	48%	56%
Combined ratio, non-life insurance	86%	83%	84%	92%	87%
Net interest margin, banking	2.70%	2.65%	2.29%	2.08%	1.97%

Business unit International Markets (in millions of EUR)	**2Q 2022**	**1Q 2022**	**4Q 2021**	**3Q 2021**	**2Q 2021**
Breakdown P&L					
Net interest income	194	187	249	243	239
Non-life insurance (before reinsurance)	45	42	40	34	40
Earned premiums	87	87	85	86	83
Technical charges	- 42	- 45	- 45	- 52	- 43
Life insurance (before reinsurance)	11	11	10	11	9
Earned premiums	28	31	30	26	27
Technical charges	- 18	- 19	- 20	- 15	- 18
Ceded reinsurance result	- 2	- 4	- 4	- 3	- 2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	22	32	- 5	5	13
Net realised result from debt instruments at fair value through OCI	- 5	0	2	0	0
Net fee and commission income	84	80	87	78	74
Net other income	- 5	4	- 2	- 10	1
TOTAL INCOME	343	353	376	358	374
Operating expenses	- 246	- 252	- 263	- 299	- 231
Impairment	- 30	- 9	- 41	- 142	23
on financial assets at AC and at FVOCI	- 16	- 8	- 15	- 121	26
other	- 14	0	- 26	- 21	- 3
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	67	93	72	- 83	166
Income tax expense	- 16	- 19	- 16	- 75	- 26
RESULT AFTER TAX	52	74	56	- 158	140
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**52**	**74**	**56**	**- 158**	**140**
Banking	47	59	53	- 166	127
Insurance	5	15	4	9	13
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	19 902	19 362	18 805	18 472	28 199
of which Mortgage loans (end of period)	*8 362*	*8 036*	*7 800*	*7 658*	*17 515*
Customer deposits and debt certificates excl. repos (end of period)	23 808	24 079	24 652	23 664	27 950
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	300	304	305	306	251
Unit-Linked (end of period)	393	437	459	450	418
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	17 321	17 141	21 790	21 929	23 190
Required capital, insurance (end of period)	147	154	154	156	141
Allocated capital (end of period)	2 112	2 007	2 431	2 448	2 565
Return on allocated capital (ROAC)	9%	13%	9%	-25%	22%
Cost/income ratio, group	72%	71%	70%	84%	62%
Combined ratio, non-life insurance	89%	83%	90%	93%	83%
Net interest margin, banking	2.84%	2.81%	2.69%	2.60%	2.58%

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

Slovakia (in millions of EUR)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Breakdown P&L					
Net interest income	56	58	56	58	57
Non-life insurance (before reinsurance)	8	8	8	8	8
Earned premiums	17	16	17	16	15
Technical charges	- 9	- 8	- 8	- 8	- 7
Life insurance (before reinsurance)	3	3	3	4	3
Earned premiums	7	8	8	8	8
Technical charges	- 4	- 4	- 4	- 4	- 4
Ceded reinsurance result	0	- 1	- 1	- 1	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	12	11	4	1	3
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	19	17	18	18	19
Net other income	0	1	3	1	0
TOTAL INCOME	98	98	91	88	91
Operating expenses	- 60	- 68	- 67	- 64	- 66
Impairment	- 4	- 1	- 2	14	6
on financial assets at AC and at FVOCI	- 4	- 1	- 2	14	6
other	0	0	- 1	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	35	29	21	38	30
Income tax expense	- 7	- 7	- 3	- 9	- 8
RESULT AFTER TAX	28	22	18	29	22
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**28**	**22**	**18**	**29**	**22**
Banking	25	20	18	27	20
Insurance	3	2	1	2	2
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	10 241	9 790	9 417	9 213	9 100
of which Mortgage loans (end of period)	*5 734*	*5 332*	*5 117*	*5 000*	*4 904*
Customer deposits and debt certificates excl. repos (end of period)	8 021	7 617	7 696	7 639	7 908
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	114	114	115	114	114
Unit-Linked (end of period)	56	60	67	69	72
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 097	6 037	5 815	5 750	5 683
Required capital, insurance (end of period)	28	29	30	29	29
Allocated capital (end of period)	719	682	638	630	623
Return on allocated capital (ROAC)	16%	13%	11%	18%	14%
Cost/income ratio, group	61%	69%	74%	73%	73%
Combined ratio, non-life insurance	88%	90%	103%	93%	85%

Hungary (in millions of EUR)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Breakdown P&L					
Net interest income	99	93	90	76	74
Non-life insurance (before reinsurance)	16	14	14	8	14
Earned premiums	34	37	34	36	35
Technical charges	- 19	- 24	- 20	- 28	- 21
Life insurance (before reinsurance)	3	3	2	3	2
Earned premiums	10	11	11	9	10
Technical charges	- 8	- 8	- 9	- 7	- 8
Ceded reinsurance result	- 1	- 1	0	0	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	11	21	- 8	5	11
Net realised result from debt instruments at fair value through OCI	- 5	0	2	0	0
Net fee and commission income	54	51	55	51	49
Net other income	- 7	3	1	0	1
TOTAL INCOME	170	184	155	144	150
Operating expenses	- 154	- 136	- 82	- 77	- 81
Impairment	- 17	- 3	- 17	7	16
on financial assets at AC and at FVOCI	- 3	- 4	- 12	12	19
other	- 14	0	- 5	- 5	- 3
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 1	45	56	73	86
Income tax expense	- 5	- 10	- 10	- 11	- 11
RESULT AFTER TAX	- 6	35	46	62	75
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 6**	**35**	**46**	**62**	**75**
Banking	0	30	41	61	70
Insurance	- 6	5	5	2	5
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	5 274	5 436	5 413	5 457	5 304
of which Mortgage loans (end of period)	*1 693*	*1 812*	*1 812*	*1 817*	*1 795*
Customer deposits and debt certificates excl. repos (end of period)	9 235	9 897	9 759	9 045	9 139
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	41	44	45	45	48
Unit-Linked (end of period)	202	237	254	261	270
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 413	7 553	7 438	7 749	7 468
Required capital, insurance (end of period)	49	51	51	49	49
Allocated capital (end of period)	890	868	828	859	830
Return on allocated capital (ROAC)	-2%	16%	23%	30%	37%
Cost/income ratio, group	90%	74%	53%	54%	54%
Combined ratio, non-life insurance	100%	85%	87%	100%	87%

Bulgaria (in millions of EUR)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Breakdown P&L					
Net interest income	38	36	36	36	35
Non-life insurance (before reinsurance)	21	20	18	18	19
Earned premiums	36	33	34	34	33
Technical charges	- 15	- 13	- 16	- 16	- 14
Life insurance (before reinsurance)	5	5	5	5	4
Earned premiums	11	12	11	9	9
Technical charges	- 6	- 7	- 7	- 5	- 5
Ceded reinsurance result	- 1	- 2	- 2	- 2	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 1	- 1	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	12	13	11	8
Net other income	1	1	1	1	0
TOTAL INCOME	75	71	71	68	65
Operating expenses	- 32	- 49	- 35	- 33	- 32
Impairment	- 10	- 4	- 4	1	1
on financial assets at AC and at FVOCI	- 9	- 3	- 1	2	1
other	0	0	- 2	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	33	19	32	37	33
Income tax expense	- 4	- 2	- 3	- 4	- 3
RESULT AFTER TAX	30	17	29	33	30
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**30**	**17**	**29**	**33**	**30**
Banking	22	9	24	27	23
Insurance	8	8	5	6	7
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	4 387	4 136	3 973	3 799	3 671
of which Mortgage loans (end of period)	*935*	*892*	*870*	*842*	*819*
Customer deposits and debt certificates excl. repos (end of period)	6 551	6 565	6 257	6 017	5 919
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	145	146	145	147	90
Unit-Linked (end of period)	135	140	139	121	77
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 811	3 551	3 452	3 349	3 336
Required capital, insurance (end of period)	70	73	73	78	63
Allocated capital (end of period)	502	457	434	428	412
Return on allocated capital (ROAC)	25%	15%	28%	32%	30%
Cost/income ratio, group	43%	68%	50%	48%	50%
Combined ratio, non-life insurance	77%	81%	87%	86%	77%

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

Group Centre - Breakdown net result (in millions of EUR)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Operational costs of the Group activities	- 14	- 21	- 42	- 17	- 11
Capital and treasury management	- 16	4	0	- 3	- 6
Holding of participations	- 10	- 12	29	1	0
Results companies in rundown	- 4	- 15	4	- 3	- 5
Other	3	- 4	- 68	- 32	- 20
Total net result for the Group centre	- 41	- 49	- 77	- 53	- 42

Business unit Group Centre (in millions of EUR)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Breakdown P&L					
Net interest income	37	53	- 5	- 5	- 2
Non-life insurance (before reinsurance)	7	3	5	4	0
Earned premiums	4	3	4	4	4
Technical charges	2	0	1	0	- 4
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	- 4	- 5	- 2	- 5	- 2
Dividend income	2	0	1	1	2
Net result from financial instruments at fair value through profit or loss	- 10	- 6	- 102	- 34	- 29
Net realised result from debt instruments at fair value through OCI	- 4	1	1	4	0
Net fee and commission income	- 2	0	1	0	- 1
Net other income	1	- 3	30	0	- 2
TOTAL INCOME	26	43	- 71	- 35	- 33
Operating expenses	- 65	- 97	- 53	- 23	- 12
Impairment	- 17	- 10	0	- 2	- 6
on financial assets at AC and at FVOCI	- 16	14	0	- 2	- 6
other	- 1	- 24	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 56	- 64	- 125	- 60	- 52
Income tax expense	15	16	48	6	10
RESULT AFTER TAX	- 41	- 49	- 77	- 53	- 42
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 41**	**- 49**	**- 77**	**- 53**	**- 42**
Banking	- 31	- 38	- 69	- 42	- 43
Holding	- 9	- 4	- 22	- 4	2
Insurance	0	- 7	14	- 8	- 1
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3	3	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)	15 766	15 216	12 920	12 186	11 123
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 675	6 729	1 990	1 939	1 904
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)	17	- 9	20	9	18
Allocated capital (end of period)	774	718	228	212	217

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

Business unit Group Centre – Of which Ireland:

Ireland (in millions of EUR)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
Breakdown P&L					
Net interest income	61	66	68	72	72
Non-life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 1	- 3	- 1	- 1	- 2
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 1	2	0	- 1	- 2
Net other income	- 4	- 3	- 7	- 13	- 1
TOTAL INCOME	55	63	59	58	69
Operating expenses	- 44	- 71	- 79	- 125	- 52
Impairment	- 13	- 10	- 18	- 165	0
on financial assets at AC and at FVOCI	- 13	14	0	- 149	0
other	0	- 24	- 18	- 16	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 2	- 18	- 37	- 231	17
Income tax expense	0	3	0	- 51	- 4
RESULT AFTER TAX	- 2	- 15	- 37	- 282	13
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 2**	**- 15**	**- 37**	**- 282**	**13**
Banking	- 1	- 11	- 30	- 281	14
Insurance	- 1	- 4	- 7	- 1	- 1
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3	3	3	3	10 124
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*9 996*
Customer deposits and debt certificates excl. repos (end of period)	840	974	940	963	4 983
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 855	4 962	5 084	5 080	6 704
Allocated capital (end of period)	551	536	531	531	701
Return on allocated capital (ROAC)	-1%	-11%	-23%	-168%	7%
Cost/income ratio, group	80%	113%	132%	214%	75%

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	1H 2022	2021	1H 2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 269	2 614	1 350
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 25	- 50	- 25
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	417	417
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	417	417
Basic = (A-B) / (C) (in EUR)		2.99	6.15	3.18
Diluted = (A-B) / (D) (in EUR)		2.99	6.15	3.18

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	1H 2022	2021	1H 2021
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	542	1 081	478
/				
Earned insurance premiums (B)	Note 3.7.1	963	1 841	895
+				
Operating expenses (C)	Note 3.7.1	315	565	283
/				
Written insurance premiums (D)	Note 3.7.1	1 086	1 875	1 007
= (A/B)+(C/D)		85.3%	88.9%	81.6%

In 1H 2022, the technical insurance charges were negatively impacted by storms mainly in Belgium (-97 million euros before tax, before reinsurance; -49 million euros before tax, after reinsurance) versus storm effect in 1H 2021 (-24 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	1H 2022	2021	1H 2021
Cost/income ratio				
Operating expenses of the group activities (A)	Consolidated income statement	2 591	4 396	2 293
/				
Total income of the group activities (B)	Consolidated income statement	4 239	7 558	3 786
=(A) / (B)		61.1%	58.2%	60.6%

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 1H 2022 (versus 55% in fY 2021 and 54% in 1H 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	1H 2022	2021	1H 2021
Specific impairment on loans (A)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	2 076	2 569	2 518
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	4 278	5 454	5 896
= (A) / (B)		48.5%	47.1%	42.7%

In 1H 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	1H 2022	2021	1H 2021
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 6	- 329	- 204
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview’ table in the 'Credit risk' section	192 492	184 640	181 694
= (A) (annualised) / (B)		-0.01%	-0.18%	-0.22%

In 1H 2022, the credit cost ratio without the outstanding ECL for geopolitical and emerging risks, amounts to -0.02% (for more information see note 1.4).

Impaired loans ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2022	2021	1H 2021
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 278	5 454	5 896
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	196 596	188 400	182 497
= (A) / (B)		2.2%	2.9%	3.2%

In 1H 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	1H 2022	2021	1H 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	104 182	108 642	94 308
/				
Total net cash outflows over the next 30 calendar days (B)		66 332	65 399	56 808
= (A) / (B)		158%	167%	166%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1H 2022	2021	1H 2021
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	168 984	159 728	164 344
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	782	719	751
+				
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'	5 118	4 830	5 150
+				
Other exposures to credit institutions (D)		4 419	4 392	4 187
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	9 554	9 040	8 481
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 460	2 581	3 398
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 031	- 2 077	- 2 106
+				
Non-loan-related receivables (H)		- 499	- 338	- 413
+				
Other (I)	Component of Note 4.1	7 809	9 525	- 1 296
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		196 596	188 400	182 497

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	1H 2022	2021	1H 2021
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	2 101	3 863	1 883
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	218 548	211 020	209 785
= (A) (annualised x360/number of calendar days) / (B)		1.91%	1.81%	1.79%

The net interest margin takes into account the banking group net interest income, excluding dealing room and the net positive impact of ALM FX swaps & repos.

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	1H 2022	2021	1H 2021
Available amount of stable funding (A)	Regulation (EU) 2019/876 dd. 20-05-2019	214 374	218 124	222 014
/				
Required amount of stable funding (B)		150 767	147 731	146 226
= (A) / (B)		142%	148%	152%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or number)	Reference	1H 2022	2021	1H 2021
Parent shareholders' equity (A)	'Consolidated balance sheet'	18 739	21 577	21 600
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417	417
= (A) / (B) (in EUR)		44.95	51.76	51.84

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	1H 2022	2021	1H 2021
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	790	1 997	908
/				
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)		7 914	7 270	7 166
= (A) annualised / (B)		20.0%	27.5%	25.3%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	443	697	291
/				
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)		2 072	1 784	1 748
= (A) annualised / (B)		42.8%	39.2%	33.2%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	125	127	228
/				
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)		2 278	2 509	2 556
= (A) annualised / (B)		11.0%	5.1%	17.9%

Return on equity

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

Calculation (in millions of EUR or %)	Reference	1H 2022	2021	1H 2021
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 269	2 614	1 350
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 25	- 50	- 25
/				
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI instruments and for FVPL equity instruments – overlay approach (C)	'Consolidated statement of changes in equity'	19 578	19 463	19 421
= (A-B) (annualised) / (C)		12.7%	13.2%	13.6%

In 1H 2022, the return on equity amounts to 15% 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	1H 2022	2021	1H 2021
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	556	1 196	564
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	2	1	1
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	413	768	400
Total sales Life (A)+ (B) + (C)		970	1 964	965

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	1H 2022	2021	1H 2021
Belgium Business Unit (A)	Company presentation on www.kbc.com	190	216	208
+				
Czech Republic Business Unit (B)		14	14	13
+				
International Markets Business Unit (C)		7	7	6
A)+(B)+(C)		211	236	228