Press Release

Outside trading hours - Regulated information*

Brussels, 10 February 2022 (07.00 a.m. CET)

KBC Group: Fourth-quarter result of 663 million euros

KBC Group – overview (consolidated, IFRS)	4Q2021	3Q2021	4Q2020	FY2021	FY2020
Net result (in millions of EUR)	663	601	538	2 614	1 440
Basic earnings per share (in EUR)	1.56	1.41	1.26	6.15	3.34
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*486*	*603*	*396*	*1997*	*1 001*
Czech Republic	*198*	*209*	*94*	*697*	*375*
International Markets	*56*	*-158*	*86*	*127*	*199*
Group Centre	*-77*	*-53*	*-38*	*-207*	*-135*
Parent shareholders' equity per share (in EUR, end of period)	51.8	53.0	48.1	51.8	48.1

At the end of 2021, the macroeconomic and financial outlook remains challenging as the pandemic heads into its third year. However, progress in booster vaccination and antiviral treatment in many countries may mitigate extreme overburdening of the healthcare systems and hence avoid the need for comprehensive and long-lasting lockdowns. From the start of this crisis, we have taken responsibility for safeguarding the health of our staff and customers, while ensuring that services continue to be provided (with our digital assistant Kate convincing and supporting more and more customers). We have also worked closely with government agencies to support all customers impacted by the coronavirus, implementing various measures such as loan payment holidays.

Meanwhile, we continued to implement our strategy, including the further optimisation of our geographic presence. In the fourth quarter of 2021, we reached an agreement to acquire the Bulgarian operations of Raiffeisen Bank International. This investment into a high-quality business with an excellent reputation will allow us to further strengthen our leading position in the Bulgarian financial market. Raiffeisenbank's (Bulgaria) clear focus on innovation and digitalisation, combined with a high customer satisfaction rating, mirrors our own Digital First strategy. Acquiring Raiffeisenbank (Bulgaria) is another testimony to our commitment to the Bulgarian market and our support to the Bulgarian economy. Closure of the deal is subject to regulatory approval and will reduce our common equity ratio by approximately 1.0 percentage points upon closing, which is expected by mid-2022.

On the sustainability front, we continue to play an active role in the transition to a low-carbon economy by working together with all our stakeholders, also demonstrated by the extended assessment of our policy and performance. KBC wants to minimise its negative impact on society as much as possible by applying strict policies and guidelines and reducing our own environmental footprint. As announced at the end of October, KBC will no longer provide credit, advice or insurance for the exploitation of new oil and gas fields. We have also started offsetting our remaining greenhouse gas emissions to reach net-climate neutrality with respect to our direct footprint. At the same time, we are committed to gradually increasing the share of renewable energy sources in the total energy loan portfolio to at least 65% by 2030 at the latest. We continue to focus on activities with a positive sustainability and climate impact, and have, among other things, issued a third Green Bond at the beginning of December to finance projects that have a positive impact on the environment by reducing greenhouse gas emissions and promote the sustainable use of resources and land. Last but not least, KBC converted its two remaining Belgian pension savings funds into SRI funds, in accordance with the KBC in-house developed, well-proven and externally validated SRI framework.

As regards our financial results, we generated a net profit of 663 million euros in the last quarter of 2021. Total income benefited from higher net interest income, higher non-life insurance result and higher net fee and commission income, which was partly offset by the lower trading and fair value result, and lower net other income. Costs, excluding bank taxes, consolidation scope changes and one-offs ended in line with our full-year 2021 guidance of slightly below a 2% increase. Loan loss impairment contributed positively to the result, as previously recorded impairment charges for the coronavirus crisis were partly released. Adding the result for this quarter to the one for the first nine months of the year brings our net profit for full-year 2021 to 2 614 million euros.

For full-year 2021, our Board of Directors has decided to propose to the General Meeting of Shareholders in May of this year a final gross dividend of 7.6 euros per share, bringing the total gross dividend to 10.6 euros per share. This includes a dividend of 2.0 euros per share related to accounting year 2020 (already paid in November 2021), an ordinary dividend of 4.0 euros per share related to accounting year 2021 (of which an interim dividend of 1.0 euro per share was already paid in November 2021 and the remaining 3.0 euros per share is to be paid in May 2022) and an extraordinary dividend of 4.6 euros per share (to be paid in May 2022). If approved, it will lead to a fully loaded common equity ratio (after capital distribution) of 15.5%, in line with our announced capital deployment plan for full-year 2021. The pay-out ratio (including AT1 coupon) amounts to approximately 66% based on the proposed ordinary dividend of 4 euros per share related to accounting year 2021 and 139% based on the proposed total dividend of 8.6 euros per share (ordinary plus extraordinary dividend).
As of full-year 2022, the pay-out ratio of at least 50% of consolidated profit will be maintained and capital above 15.0% fully loaded common equity ratio will be considered for distribution to the shareholders, at the discretion of the Board of Directors when announcing the full year results (full-year 2022 results will be announced on 9 February 2023).

Lastly, we have also updated our three-year financial guidance. Between 2021 and 2024, we are aiming to achieve a compound annual growth rate of approximately 4.5% for total income and approximately 1.5% for operating expenses (excluding bank taxes). Furthermore, we also want to achieve a combined ratio below or equal to 92%.

In closing, I would like to take this opportunity to explicitly thank all stakeholders who have continued to put their trust in us. I also wish to express my utmost appreciation to all our staff, who have continued to serve our customers and support the sound functioning of the group in these challenging times.

Johan Thijs
Chief Executive Officer

Financial highlights in the fourth quarter of 2021

- **Net interest income** increased by 6% compared to the previous quarter and by 10% compared to the year-earlier quarter. In both cases, this was accounted for primarily by the rate hikes in the Czech Republic and Hungary. The net interest margin for the quarter under review was 1.85%, up by 5 basis points on the previous quarter, and by 10 basis points on the year-earlier quarter. Volumes continued to increase, with loans up by 1% quarter-on-quarter and by 5% year-on-year, and deposits excluding debt certificates growing by 6% year-on-year (stable quarter-on-quarter). These figures were calculated on an organic basis (excluding the changes in the scope of consolidation and forex effects).

- Technical income from our **non-life insurance activities** (premiums less charges, plus the ceded reinsurance result) was up by 13% on the level recorded in the previous quarter and down by 3% compared to the year-earlier quarter. The quarter-on-quarter increase was due essentially to lower technical charges consequent on the heavy flooding in Belgium in the previous quarter. Non-life earned premiums only slightly increased quarter-on-quarter, but went up by 8% year-on-year. The combined ratio for full-year 2021 amounted to an excellent 89%. Sales of our **life insurance** products were up by 18% on the level recorded in the previous quarter, but down by 7% on the level recorded in the year-earlier quarter.

- **Net fee and commission income** was up by 3% on its level in the previous quarter and by as much as 19% on the year-earlier quarter. In both cases, this was accounted for by an increase in fees for our asset management activities and higher fee income related to our banking services, partly offset by the higher level of distribution fees paid.

- The **trading & fair value result** amounted to a negative -39 million euros, as opposed to a positive +28 million euros in the previous quarter and +80 million euros in the year-earlier quarter. In both cases, the decrease was mainly due to the lower market value of derivatives used for asset/liability management purposes.

- All **remaining other income** items combined were 30% below the figure recorded in the previous quarter (as the previous quarter included realised gains on the sale of bonds) and 38% higher than the figure recorded in the year-earlier quarter. The quarter under review included a positive recognition of badwill on OTP Banka Slovensko, besides a number of smaller one-off items and partly offset by losses on the sale of bonds.

- **Costs**, excluding bank taxes, increased by 3% compared to the previous quarter and by 10% compared to the year-earlier quarter. In both cases, this was mainly due to higher staff expenses in most countries and one-off costs in Ireland due to the pending sale transactions there (mainly related to accelerated deprecations in the quarter under review). Full-year 2021 costs, excluding bank taxes, consolidation scope changes and one-offs increased by 1.5% year-on-year, in line with our full-year 2021 guidance of slightly below a 2% increase. The resulting cost/income ratio for 2021 amounted to 55%. In that calculation, certain non-operating items have been excluded. Excluding all bank taxes, the cost/income ratio amounted to 51% in 2021.

- The quarter under review included a 62-million-euro net release of **loan loss impairment**, compared to a net release of 66 million euros in the previous quarter, and a net charge of 57 million euros in the year-earlier quarter. The net release in the quarter under review was related to a reversal (79 million euros) of collective impairment previously recorded for the coronavirus crisis, only partly offset by very limited loan loss impairment. As a consequence, the credit cost ratio for full-year 2021 amounted to -0.18%, compared to 0.60% for full-year 2020 (a negative sign implies a positive impact on the results).

- **Income taxes** were down by 47% quarter-on-quarter, due in part to the derecognition of deferred tax assets consequent on the pending sale transactions in Ireland in the previous quarter.

- Our **liquidity position** remained strong, with an LCR of 167% and NSFR of 148%. Our **capital base** remained equally as robust, with a fully loaded common equity ratio of 15.5% (i.e. after deduction of the proposed dividend).

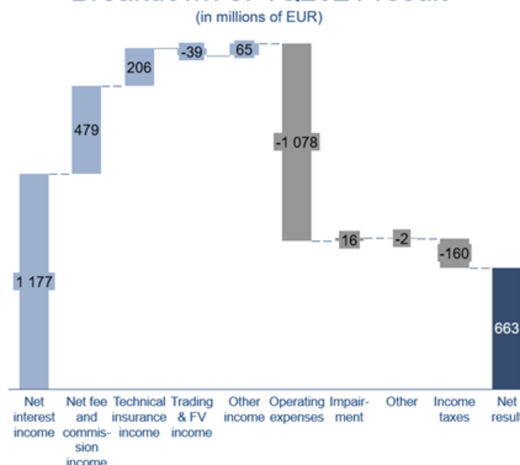
The cornerstones of our strategy

Our strategy rests on the following principles:

- 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, also focussing on the joint development of solutions, initiatives and ideas within the group

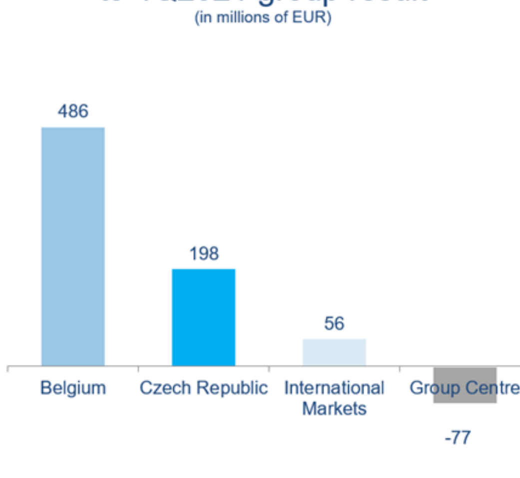
Breakdown of 4Q2021 result

(in millions of EUR)



Contribution of the business units to 4Q2021 group result

(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	4Q2021	3Q2021	2Q2021	1Q2021	4Q2020	FY2021	FY2020
Net interest income	1 177	1 112	1 094	1 068	1 067	4 451	4 467
Non-life insurance (before reinsurance)	181	150	213	238	192	782	865
Earned premiums	*486*	*484*	*463*	*453*	*450*	*1 885*	*1 777*
Technical charges	*-305*	*-334*	*-250*	*-215*	*-258*	*-1 103*	*-912*
Life insurance (before reinsurance)	10	12	10	12	4	45	10
Earned premiums	*375*	*256*	*272*	*292*	*382*	*1 196*	*1 223*
Technical charges	*-365*	*-244*	*-262*	*-280*	*-378*	*-1 150*	*-1 213*
Ceded reinsurance result	15	23	1	-13	10	25	-20
Dividend income	9	11	18	7	11	45	53
Net result from financial instruments at fair value through P&L[1]	-39	28	29	127	80	145	33
Net realised result from debt instruments at fair value through other comprehensive income	1	4	-1	2	-1	6	2
Net fee and commission income	479	467	450	441	403	1 836	1 609
Net other income	56	77	38	53	37	223	176
Total income	1887	1 884	1 853	1 933	1 802	7 558	7 195
Operating expenses	-1 078	-1 025	-972	-1 320	-988	-4 396	-4 156
Impairment	16	45	123	77	-122	261	-1 182
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*62*	*66*	*130*	*76*	*-57*	*334*	*-1 074*
Share in results of associated companies & joint ventures	-2	-2	1	-2	-2	-5	-11
Result before tax	823	903	1 005	688	690	3 418	1 847
Income tax expense	-160	-302	-211	-131	-152	-804	-407
Result after tax	663	601	793	557	538	2 614	1 440
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**663**	**601**	**793**	**557**	**538**	**2 614**	**1 440**
Basic earnings per share (EUR)	1.56	1.41	1.87	1.31	1.26	6.15	3.34
Diluted earnings per share (EUR)	1.56	1.41	1.87	1.31	1.26	6.15	3.34

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-12-2021	30-09-2021	30-06-2021	31-03-2021	31-12-2020
Total assets	340 346	354 336	368 596	351 818	320 743
Loans & advances to customers, excl. reverse repos	159 728	156 712	164 344	160 960	159 621
Securities (equity and debt instruments)	67 794	66 269	71 098	71 981	71 784
Deposits from customers excl. debt certificates & repos	199 476	198 021	201 420	197 268	190 553
Technical provisions, before reinsurance	18 967	18 971	18 976	18 939	18 718
Liabilities under investment contracts, insurance	13 603	13 213	13 128	12 922	12 724
Parent shareholders' equity	21 577	22 096	21 600	20 768	20 030

Selected ratios KBC Group (consolidated)	FY2021	FY2020
Return on equity[3]	13%	8%
Cost/income ratio, group [when excluding certain non-operating items]	58% [55%]	58% [57%]
Combined ratio, non-life insurance	89%	85%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	15.5% [16.8%]	17.6% [18.1%]
Common equity ratio, FICOD fully loaded [transitional]	14.8% [16.1%]	16.4% [16.9%]
Credit cost ratio[4]	-0.18%	0.60%
Impaired loans ratio	2.9%	3.3%
for loans more than 90 days past due	1.5%	1.8%
Net stable funding ratio (NSFR)	148%	146%
Liquidity coverage ratio (LCR)	167%	147%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 15% when the one-off items due to the pending sale transactions in Ireland are excluded.
4 A negative figure indicates a net impairment release (positively affecting results).

Impact of the pending sale transactions for KBC Bank Ireland's loan and deposit portfolios on the balance sheet: as of the third quarter of 2021, all assets and liabilities included in the disposal groups have been 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.

Analysis of the quarter (4Q2021)

Total income 1 887 million euros	• Total income stable quarter-on-quarter and up by 5% year-on-year. • Net interest income, non-life technical insurance income and net fee and commission income up; net result from financial instruments at fair value and net other income down quarter-on-quarter.

Net interest income amounted to 1 177 million euros in the quarter under review, up by 6% on its level in the previous quarter and by 10% on the year-earlier quarter. Quarter-on-quarter, net interest income benefited from the continued growth of lending volumes (see below), the rate hikes in the Czech Republic and Hungary, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, higher netted positive impact of ALM forex swaps and higher interest income generated by the insurer's bond portfolio (inflation-linked bonds). These effects were partly offset by a number of factors, including the negative impact of lower reinvestment yields in euro-denominated countries and pressure on loan portfolio margins in almost all countries. Year-on-year, the increase in net interest income was due to a number of items, such as the rate hikes in the Czech Republic and Hungary, the positive impact of the increase in the loan portfolio, lower funding costs (including the positive impact of TLTRO III), more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, higher netted positive impact of ALM forex swaps, the consolidation of OTP Banka Slovensko (included in the group result as of 2021) and a positive forex effect, which more than offset generally lower reinvestment yields in euro-denominated countries (impacting both banking and insurance interest income) and pressure on loan portfolio margins in almost all countries. The net interest margin for the quarter under review amounted to 1.85%, up by 5 basis points on the previous quarter and by 10 basis points on the year-earlier quarter. For an indication of the expected net interest income for full-year 2022, see 'Guidance' on page 12 of this publication.

Customer deposits excluding debt certificates stabilised quarter-on-quarter and were up by 6% year-on-year, on an organic basis (eliminating the forex-related impact and the effects of changes in the scope of consolidation). The total volume of customer lending rose by 1% quarter-on-quarter and by 5% year-on-year on an organic basis. The volume of loans that were granted payment holidays under the various relief schemes amounted to 10 billion euros (including EBA-compliant moratoria and the now non-EBA-compliant scheme in Hungary, but excluding Ireland). Almost all of the EBA-compliant moratoria have now expired and for 96.5% of these loans, payments have fully resumed. In addition, we granted some 0.8 billion euros in loans that fall under the various coronavirus-related government guarantee schemes in our home markets.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 196 million euros to total income, up by 13% and down by 3% on its performance in the previous and year-earlier quarters, respectively. In the quarter under review, stable earned premiums combined with the decrease in technical charges by 9% quarter-on-quarter (as the reference quarter included 100 million euros in claims related to the heavy flooding in parts of Belgium, of which 79 million euros after reinsurance, while the quarter under review included 10 million euros in claims for the same flooding, of which 8 million euros after reinsurance) were partly offset by a lower reinsurance result. The year-on-year increase in earned premiums (+8%) and better reinsurance result were more than offset by a rise in technical charges (+18% year-on-year), as the level of normal claims was higher, primarily due to the re-opening of the economy. Overall, the combined ratio for the full year 2021 amounted to an excellent 89%, compared to 85% for full-year 2020.

Technical income from our **life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 10 million euros, compared to 11 million euros in the previous quarter and 3 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (541 million euros) were up by 18% on the level recorded in the previous quarter, due mainly to higher sales of guaranteed-interest life products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in the fourth quarter of 2021), partly offset by lower sales of unit-linked products in Belgium. Sales were down by 7% on the level recorded in the year-earlier quarter, driven entirely by lower sales of unit-linked products in Belgium and the Czech Republic, slightly offset by increasing sales in Bulgaria (supported by the consolidation of NN's Bulgarian life insurance activities as of third quarter 2021). Overall, the share of guaranteed-interest products in our

total life insurance sales amounted to 61% in the quarter under review, with unit-linked products accounting for the remaining 39%.

In the quarter under review, **net fee and commission income** amounted to 479 million euros, up by 3% on its level in the previous quarter, a combination of higher management fees for our asset management business and higher fees related to banking services (owing to an increase in payment service fees, higher securities transaction fees, higher fees from credit files and bank guarantees, and higher network income), while distribution costs rose because of higher commissions paid on banking products and increased sales of life insurance products. Net fee and commission income was up by as much as 19% on its level in the year-earlier quarter, benefiting from significantly higher fees for both our asset management services (+24%, attributable to higher management and entry fees) and our banking services (+12%, due to higher fees for payment services and higher network income, among other things), and likewise partly offset by higher distribution fees paid. At the end of December 2021, our total assets under management amounted to 236 billion euros, up by 3% quarter-on-quarter and by 12% year-on-year. In both cases, the increase was due primarily to a further increase in asset prices. The mutual fund business has seen good net inflows in high-margin collective and discretionary management this quarter, more than offset by net outflows in low-margin investment advice.

The **net result from financial instruments at fair value** (trading & fair value income) amounted to a negative -39 million euros, as opposed to a positive +28 million euros in the previous quarter and +80 million euros in the year-earlier quarter. The quarter-on-quarter decrease was mainly due to the lower market value of derivatives used for asset/liability management purposes (especially due to a substantial increase of Hungarian interest rates in derivatives used for asset/liability management purposes that are not in hedge accounting but which will be recovered over time) and lower dealing room income, partly offset by a higher result for the insurer's share portfolio and a positive impact from credit and funding value adjustments. Year-on-year, the slightly better result recorded by the insurer's share portfolio could not offset the significant drop in market value of derivatives used for asset/liability management purposes, lower positive market value adjustments and lower dealing room and other income.

The **other remaining income items** included dividend income of 9 million euros (slightly below the previous quarter and year-earlier figure) and 56 million euros in net other income. The latter was slightly higher than the normal run rate for this item, despite realised losses on the sale of bonds. Note that the quarter under review was impacted by some one-offs, including the recognition of badwill for OTP Banka Slovensko (+28 million euros) and a positive 6 million euros for a legacy legal file, partly offset by an additional amount of -4 million euros for the tracker mortgage review in Ireland and -3 million euros due to the pending sale transactions in Ireland.

Operating expenses 1 078 million euros	• Operating expenses excluding bank taxes were up by 3% quarter-on-quarter and by 10% year-on-year, in both cases mainly caused by higher ICT and facilities costs, higher professional fees and accelerated depreciations due to the pending sale transactions in Ireland. • Group cost/income ratio for full-year 2021 amounted to 55% (when certain non-operating items are excluded) or 51% (when bank taxes are fully excluded).

Operating expenses in the fourth quarter of 2021 amounted to 1 078 million euros. The quarter under review included the booking of a negative one-off impact of costs related to the pending sale transactions in Ireland (16 million euros, mainly with reference to accelerated deprecations), while the previous quarter was impacted by a negative 81-million-euro one-off staff-related cost related to the pending sale transactions in Ireland and a 9-million-euro release of cost provision due to the sale of the Antwerp tower.

Operating expenses, excluding forex, bank taxes, changes in the consolidation scope and one-offs increased by 10% on the level recorded in the previous quarter. This was mainly due to higher staff expenses (including higher variable remuneration, wage inflation in most countries and higher pension costs), seasonally higher professional fees and marketing expenses, and higher ICT and facilities costs.

Year-on-year, expenses excluding forex, bank taxes, changes in the consolidation scope and one-offs were up by 6%, due chiefly to higher staff expenses, higher ICT and facilities costs and higher professional fees, partly offset by lower marketing costs.

Full-year 2021 costs, excluding bank taxes, consolidation scope changes and one-offs increased by 1.5% year-on-year, in line with our full-year 2021 guidance of slightly below a 2% increase. The cost/income ratio for the group came to 58% for full-year 2021. Excluding certain non-operating items, the ratio amounted to 55%, compared to 57% for full-year 2020. When excluding all bank taxes, the cost-income ratio for full-year 2021 fell to 51%.

For an indication of the operating expenses for full-year 2022, see 'Guidance' on page 12 of this publication.

Loan loss impairment 62-million-euro net release	• Release of loan loss impairment in the quarter under review, driven by reversals of collective impairment previously recorded for the coronavirus crisis, more than offset the very limited impairment charges for individual files. • Credit cost ratio for the full year 2021 at -0.18%.

In the fourth quarter of 2021, we recorded a 62-million-euro net release of loan loss impairment, compared with a net release of 66 million euros in the previous quarter and a net charge of 57 million euros in the fourth quarter of 2020. The 62-million-euro release in the quarter under review included the positive impact of a 79-million-euro release of previously recorded collective coronavirus-related impairment, partly offset by 9 million euros in charges for a few individual corporate files and a one-off 8-million-euro charge related to the pending sale transactions in Ireland. As a consequence, the remaining collective impairment for the coronavirus crisis on the books at the end of December 2021 fell to 289 million euros, down from 368 million euros at the end of September. A detailed calculation and background information regarding collective impairment charges for the coronavirus crisis is provided in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report.

Broken down by country, net reversals of loan loss impairment came to 51 million euros in Belgium and 26 million euros in the Czech Republic, while there were loan loss impairment charges of 12 million euros in Hungary (explained by the new forborne flag implementation for customers participating in the opt-in extension of the financial moratorium), 2 million euros in Slovakia and 1 million euros in Bulgaria.

For the entire group, the credit cost ratio amounted to -0.18% for full-year 2021 (0.09% excluding the amount recorded for the coronavirus crisis), compared to 0.60% for full-year 2020 (0.16% excluding the amount recorded for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of December 2021, some 2.9% of our total loan book was classified as impaired (Stage 3), compared to 3.3% at year-end 2020. Impaired loans that are more than 90 days past due amounted to 1.5% of the loan book, compared to 1.8% at year-end 2020. Note that excluding the one-off impairment charges in Ireland, the credit cost ratio excluding the coronavirus crisis impact would be -0.01%, while the impaired loans ratio excluding Ireland would be 2.4%.

For an indication of the expected impact of loan loss impairment for full-year 2022, see 'Guidance' on page 12 of this publication.

Impairment on assets other than loans amounted to 46 million euros, compared to 21 million euros in the previous quarter and 66 million euros in the fourth quarter of 2020. The figure for the quarter under review included a 17-million-euro one-off impairment related to the pending sale transactions in Ireland, as well as a 17-million-euro impairment on tangible and intangible assets in other countries (besides Ireland) and a 7-million-euro impairment on goodwill in the Czech Republic.

Net result by business unit	Belgium	Czech Republic	International Markets	Group Centre
	486 million euros	198 million euros	56 million euros	-77 million euros

Belgium: the net result (486 million euros) was 19% lower quarter-on-quarter due to the combined effect of a decrease in net other income, higher costs and significantly lower loan loss impairment reversals than in the previous quarter, partly offset by an increase in the technical non-life insurance result (as the previous quarter included the bulk of the impact of the severe flooding in parts of the country), higher net interest income, and higher net fee and commission income.

Czech Republic: the net result (198 million euros) was down by 6% on its level for the previous quarter, excluding forex effects. This was due to a combination of higher total income (mainly due to the increase in net interest income), more than offset by higher costs and a lower level of loan loss impairment releases compared to the previous quarter.

International Markets: the 56-million-euro net result breaks down as follows: 18 million euros in Slovakia, 46 million euros in Hungary, 29 million euros in Bulgaria and -37 million euros in Ireland. For the business unit as a whole, the net result was up by 214 million euros quarter-on-quarter, almost entirely on account of Ireland, where the impact of the pending sale transactions resulted in more material one-off costs, additional impairment and a negative tax effect during the previous quarter.

Group Centre: the net result (-77 million euros) was 24 million euros lower than the figure recorded in the previous quarter, due mainly to lower trading & fair value income (entirely due to the lower market value of derivatives used for asset/liability management purposes) and higher costs, partly offset by higher net other income (recognition of 28 million euros badwill on OTP Banka Slovensko).

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**FY2021**	**FY2020**	**FY2021**	**FY2020**	**FY2021**	**FY2020**
Cost/income ratio, group (excluding certain non-operating items)	51%	54%	53%	52%	63%	64%
Combined ratio, non-life insurance	90%	84%	87%	87%	86%	84%
Credit cost ratio*	-0.26%	0.57%	-0.42%	0.67%	0.36%	0.78%
Impaired loans ratio	2.2%	2.3%	1.8%	2.3%	5.7%	6.9%

* A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.

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

Equity, solvency and liquidity	Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
	23.1 billion euros	15.5%	167%	148%

At the end of December 2021, total equity amounted to 23.1 billion euros, comprising 21.6 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up by 1.5 billion euros on its level at the end of 2020. This was accounted for by the combined effect of a number of items, including the profit for full-year 2021 (+2.6 billion euros), dividend payments to shareholders in May and November 2021 (-1.4 billion euros), the remeasurement of defined benefit obligations (+0.3 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 31 December 2021, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 15.5% (after the proposed capital distribution), compared to 17.6% at the end of 2020. For full-year 2021, our Board of Directors has decided to propose to the General Meeting of Shareholders in May of this year a final gross dividend of 7.6 euros per share, bringing the total gross dividend to 10.6 euros per share. This includes a dividend of 2.0 euros per share related to accounting year 2020 (already paid in November 2021), an ordinary dividend of 4.0 euros per share related to accounting year 2021 (of which an interim dividend of 1.0 euro per share was already paid in November 2021 and the remaining 3.0 euros per share is to be paid in May 2022) and an extraordinary dividend of 4.6 euros per share (to be paid in May 2022). It will lead to a fully loaded common equity ratio (after the proposed capital distribution) of 15.5%, in line with our announced capital deployment plan for full-year 2021. The pay-out ratio (including AT1 coupon) amounts to approximately 66% based on the proposed ordinary dividend of 4 euros per share related to accounting year 2021 and 139% based on the proposed total dividend of 8.6 euros per share (ordinary plus extraordinary dividend).

As of full-year 2022, the pay-out ratio of at least 50% of consolidated profit will be maintained and capital above 15.0% fully loaded common equity ratio will be considered for distribution to the shareholders, at the discretion of the Board of Directors when announcing the full year results (full-year 2022 results will be announced on 9 February 2023).

The solvency ratio for KBC Insurance under the Solvency II framework was 201% at the end of December 2021, compared to 222% at the end of 2020 (down mainly as a result of the pay-out of the retained full-year 2020 profit as dividend to KBC Group and the acquisition of the Bulgarian pension and life insurance activities of NN). 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 167% and an NSFR ratio of 148%, compared to 147% and 146%, respectively, at the end of 2020.

Analysis of the year-to-date period (FY2021)

Net profit 2 614 million euros	• Net profit was up by 81% compared to full-year 2020. • Revenues rose by 5% compared to full-year 2020, mainly due to higher net fee and commission income, trading & fair value income, net other income and life technical insurance result, partly offset by lower non-life technical insurance result. • Operating expenses, excluding bank taxes, changes in the consolidation scope and one-offs rose by 1.5% year-on-year, fully in line with our guidance of a slightly below 2% increase compared to the previous year. • The 2020 reference period had included high collective loan loss impairment charges related to the coronavirus crisis (783 million euros) compared to a net release (494 million euros) in full-year 2021.

Highlights (compared to FY2020):

- Approximately stable **net interest income** (at 4 451 million euros) due to a number of compensating factors. A larger loan portfolio, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, lower funding costs (including the impact of TLTRO III and of ECB deposit tiering), the consolidation of OTP Banka Slovensko, the higher netted positive impact of ALM forex swaps and a positive forex effect were offset by the negative impact of lower reinvestment yields in euro-denominated countries, pressure on loan portfolio margins in almost all countries and lower interest income generated by the insurer’s bond portfolio (due in part to a positive 31-million-euro one-off technical item in the reference period 2020). On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of deposits excluding debt certificates increased by 6% and customer lending volumes went up by 5% year-on-year. The net interest margin in 2021 came to 1.81%, down by 3 basis points year-on-year.

- Slight decrease in the contribution to profit made by the **technical insurance result** (down by 0.4% to 852 million euros). The non-life insurance technical result was down by 4% on the figure for the year-earlier period, on account of the increased level of technical charges by 21% (related to the severe flood impact in Belgium during the summer and higher normal claims due to the re-opening of the economy, among other things), which could not be offset entirely by a 6% higher level of premium income and a better ceded reinsurance result (due to higher recuperations for floods and storms). The full-year 2021 non-life combined ratio amounted to an excellent 89%, compared to 85% for full-year 2020. Life insurance sales (1 964 million euros) were slightly down (by 1%), due to decreased sales of unit-linked products, as the result of a shift from mutual funds to unit-linked products by private banking clients in 2020, only partly offset by higher sales of unit-linked products by retail and SME customers in 2021.

- Higher **net fee and commission income** (up by 14% to 1 836 million euros), attributable primarily to an increase in fees for asset management services and, to a lesser extent, higher fees for certain banking services (mainly higher fees from payment services, network income, securities-related fees, and fees from credit files and bank guarantees), despite higher distribution fees paid linked to banking products and increased insurance sales. At the end of December 2021, total assets under management amounted to 236 billion euros, up by 12% on the level recorded a year earlier due mainly to a positive price effect (+11%) and net inflows (+1%).

- Higher **trading & fair value income** (up from 33 million euros to 145 million euros). The figure for the reference period had included the extremely negative performance in the first quarter of 2020 (-385 million euros), as the outbreak of the coronavirus crisis in that quarter initially caused stock markets to tumble, credit spreads to widen and long-term interest rates to fall. Year-on-year, the sharply better result recorded by the insurer’s share portfolio, higher dealing room and other income, and positive change in market value adjustments was partly offset by a significant drop in market value of derivatives used for asset/liability management purposes.

- Higher level of all **other income items combined** (up 19% to 274 million euros) due to higher net other income (which benefited among others from a 28-million-euro positive one-off badwill recognition on OTP Banka Slovensko).

- **Operating expenses** (up by 6% to 4 396 million euros), excluding bank taxes, changes in consolidation scope and one-offs rose by 1.5% year-on-year (+1.0% when also excluding forex), fully in line with our full-year 2021 guidance of slightly below a 2% increase. Contrary to full-year 2020, which included a 10-million-euro positive one-off, the year under review was negatively impacted by -106 million euros in one-offs (mainly related to the pending sale transactions in Ireland and the booking of an exceptional coronavirus-related bonus awarded to staff). The year-to-date cost/income ratio came to 58%, or an adjusted 55% when certain non-operating items are excluded (compared to 57% for full-year 2020). When bank taxes are fully excluded, the cost-income ratio for the 12-month period under review amounted to 51%.

- Significant decrease in **loan loss impairment** (net reversal of 334 million euros, as opposed to a net charge of 1 074 million euros in the reference period). Note that the reference period included 783 million euros in collective impairment charges for the coronavirus crisis, compared to a net release of 494 million euros over full-year 2021. The latter was partly offset by the negative 178-million-euro one-off impact related to the pending sale transactions in Ireland. Full-year 2021 included also 18 million euros of loan loss provision releases on some individual files. As a result, the credit cost ratio for the whole group improved to -0.18%, compared to 0.60% for full-year 2020 (a negative figure implies a positive impact on the result).

- The 2 614-million-euro **net result** for 2021 breaks down as follows: 1 997 million euros for the Belgium Business Unit (up by 996 million euros on the year-earlier level), 697 million euros for the Czech Republic Business Unit (up by 322 million euros), 127 million euros for the International Markets Business Unit (down by 72 million euros) and -207 million euros for the Group Centre (down by 72 million euros). The result for the International Markets Business Unit for 2021 included 85 million euros for Slovakia, 226 million euros for Hungary, 114 million euros for Bulgaria and -298 million euros for Ireland (owing to the impact of the pending sale transactions there).

Recent ESG developments

As previously announced, and whilst we will diligently continue our efforts to reduce our direct footprint in line with our stated ambitions, we have started offsetting our remaining direct GHG emissions to reach net-climate neutrality with respect to our direct footprint. We do so by investing in three climate projects. Noteworthy is that our direct emissions have already achieved a reduction of 71% since 2015 and hence we remain on track for our minus 80% ambition by 2030.

As indicated in our previous reports, KBC is not only focusing on its own direct emissions but continues to take its role in society and more particularly its role in financing the transition to a greener and generally more sustainable economy very seriously. During the quarter, we have announced steps to ensure that KBC stops financing and insuring activities directly related to the development of new oil and gas fields, as the recent International Energy Agency report 'Net Zero by 2050' shows that such new fields will not be needed to move towards climate neutrality. See related press release on this subject for more details.

We are continuing to support our customers in their transition to a more sustainable and greener future, and this in all customer segments. In Hungary for instance, K&H was very successful in launching their 'Green Home Programme'. This is a mortgage scheme, introduced by the Hungarian National Bank (MNB) in accordance with their framework, that supports the purchase of energy efficient newly built flats and houses at favourable rates. Since the launch in October 2021, K&H has noted an above-natural market share for this product. As part of the transactions for corporate customers, we are very pleased that Puratos Group chose KBC as its sole financing partner for its major expansion at its Belcolade facility in Erembodegem (Belgium), nearly doubling the Belcolade output over the next five years. This facility will be the world's first carbon-neutral chocolate factory, running 100% on renewable electricity (completely free from fossil fuels) and sourcing 90% of its water from collected rainwater. Real-estate developer Mitiska REIM also awarded the financing of its Malinas retail park, which is CO2 neutral and has achieved an excellent external sustainability label, to KBC Bank. Over 2021, the Belgian project finance team provided 195 million euros in renewable energy financing, spread over seven different projects, consisting of a diversified range of renewable energy technologies such as onshore and offshore wind, solar PV and energy savings. All in all, we have actively referred Belgian corporate customers to our partner Encon, and more than 80

of them have now received fully individualised, professional sustainability advice tailored to their specific business processes and needs, in combination with suitable financing options.

Last but not least, on the Asset Management side we have noticed an increased interest of our customers in investing in a socially responsible manner. In November 2021, KBC converted its two remaining Belgian pension savings funds into SRI funds as KBC wants to further strengthen its positive impact on society and the environment. With this decision, all Belgian KBC pension savings funds now invest in socially responsible assets. These pension savings funds, including the largest pension savings fund in Belgium, have more than 6 billion euros under management. Besides that, the inflows into SRI funds was very high in 2021 with roughly 55% of KBC Group gross sales invested in SRI funds over the year. In total, the assets managed by KBC Asset Management in a socially responsible manner, according to our current SRI framework, amounted to 32 billion euros at year-end 2021, already reaching the target of '30 billion euros by 2025' that was set in the past. The SRI framework is a KBC in-house, but well-proven, and externally validated framework. KBC Asset Management is further aligning this framework to new EU regulations such as SFDR and MIFID and currently works under the assumption that all SRI funds are either article 8 or article 9 funds under the SFDR.

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 items are considered to constitute the main challenges for the financial sector. These stem primarily from the impact of the coronavirus crisis on the global economy, both as a result of a new surge in infections and via supply-side shortages triggered by the pandemic and related inflation fears. The latter have put some upward pressure on interest rates, leading to volatility on financial markets. These risks come on top of the risks related to macroeconomic and political developments (such as the threatened conflict in Ukraine) that affect global and European economies, including KBC's home markets. Regulatory and compliance risks (including with regard to capital requirements, anti-money laundering regulations and GDPR) 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.

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

The fourth quarter saw economic dynamics diverging between the US and the euro area economy. While US growth dynamics accelerated from 0.6% in the third quarter to 1.7% quarter-on-quarter in the fourth quarter, economic growth in the euro area actually slowed down (from 2.3% to 0.3% quarter-on-quarter), mainly as a result of the impact of the fourth pandemic wave and the Omicron variant. Nevertheless, European economic activity almost fully recovered, with its pre-pandemic GDP-level reached again at the end of 2021. Our growth outlook for KBC's home markets is broadly aligned with that for the euro area. Fourth-quarter economic growth slowed to 0.5% in Belgium (compared to 2.0% in the third quarter), and to 0.9% in the Czech Republic (compared to 1.6% in the third quarter).

The main risks to our short-term growth outlook include the implications of the geopolitical conflict between Russia and Ukraine, as well as the Omicron variant, as a reminder that the pandemic will likely persist somewhat through 2022. Health-related restrictions remain a downside risk going forward and may continue to weigh on the economy. Substantial uncertainty also remains regarding near-term developments of existing bottle-necks in production and supply chains, more persistent high energy prices and a damaging cost-push spiral if higher and rising inflation expectations become entrenched in the wage formation process. This could lead to stronger-than-expected

tightening of monetary policy by the Fed and possibly the ECB. Finally, the global debt build-up remains topical, especially if financing conditions will be less supported by monetary policy and the global financial cycle turns.

Our view on interest rates and foreign exchange rates

The Fed decided to start 'tapering' its bond buying programme from November 2021 on. In January 2022, the Fed announced that net purchases would end in early March. Against the background of inflationary pressure and a strong labour market, the Fed expects to start raising its policy rate soon. We expect four rate hikes of cumulatively 100 basis points in 2022. The orderly run-down of the Fed's balance sheet is likely to start around mid-2022, reducing the total stock of bonds acquired as a consequence of QE-operations.

Meanwhile, the ECB remained on the side-line in Q4 2021. In 2022, however, the ECB is also likely to change course. In December 2021, the ECB announced that it was reducing net purchases and that it would discontinue the Pandemic Emergency Purchase Programme (PEPP) by the end of March 2022. The phasing out of net purchases under the PEPP will, however, be temporarily and partially offset by increased purchases under the general Asset Purchase Programme (APP). In addition, the ECB extended the period in which it reinvests bonds purchased under the PEPP at maturity until at least the end of 2024. Those reinvestments are also given greater flexibility and optionality in terms of timing, asset class and specific national markets. Based on the ECB's medium-term inflation forecasts (2023, 2024), an interest rate increase is not yet in the cards in 2022, however. 2021 was also the year for the ECB to update its monetary policy strategy. A key change from now on is the symmetric (and forward-looking) nature of its 2% inflation target.

Both US and German 10-year yields ended the fourth quarter at broadly the same level as at the beginning of the quarter. There was, however, some volatility. In particular from mid-December on, following the Fed's December policy meeting, both the US and German yields rose markedly. This increase also continued at the beginning of 2022. It was driven mainly by market expectations of stronger and sooner Fed's monetary policy tightening against the background of surprisingly high and increasing inflation. For German yields, the correlation with US yields played an important role, as does the phasing out of the ECB's net purchases under the PEPP (March 2022). As a result of the different policy stances of the Fed and the ECB, and the resulting widening of (short-term) interest rate differentials, the US dollar appreciated on balance versus the euro during the fourth quarter of 2021. We expect this interest rate differential to continue to support the US dollar during the first half of 2022. The ECB's relatively accommodative policy during 2022 also means that intra-EMU sovereign spreads are likely to remain broadly stable at their current compressed levels during the first half of 2022.

As a reaction to strong inflationary pressures, the Czech National Bank (CNB) continued its monetary policy tightening cycle that it started at the end of June 2021. During the fourth quarter of 2021, the policy rate was raised consecutively (by 125 basis points at the beginning of November and by another 100 basis points at the end of December), raising the policy rate to 3.75%. In order to fight persistent inflationary pressure, the CNB raised its policy rate again at the beginning of February by 75 basis points to 4.50%. We expect the CNB to pause its tightening cycle for the time being to evaluate the impact of tighter policy on inflation. The National Bank of Hungary (NBH) also started its tightening cycle in late June 2021, also in reaction to inflation rising well above the NBH's target. During the fourth quarter, the NBH raised its base rate three more times by cumulatively 90 basis points to 2.4% at year-end 2021. At the end of January 2022, the NBH continued its tightening cycle by raising its base rate to 2.9%.

As regards exchange rates, the fourth quarter started with significant volatility for the Czech koruna-euro exchange rate. Higher risk aversion due to the fourth pandemic wave and the Omicron variant led to a weaker koruna by the end of November. From end-November on, however, the impact of the increasing interest rate differential with the euro area outweighed this pandemic impact, resulting in a sharp appreciation of the koruna to 24.8 Czech koruna per euro at the end of 2021. The koruna continued its appreciation in January 2022 and we expect a further moderate appreciation in the course of 2022.

The Hungarian forint depreciated strongly versus the euro during the fourth quarter of 2021, mainly as a result of higher, pandemic-related risk aversion and strong inflationary pressure. In the first two weeks of January 2022, however, the forint significantly appreciated against the euro to a level slightly stronger than at the beginning of the fourth quarter. As was the case for the Czech koruna, this mainly reflects the higher interest rate differential versus the euro. We expect this period of relative forint strength to continue in the first half of 2022, after which the forint is likely to resume its gradual trend-wise depreciation path against the euro, caused by fundamental inflation differentials with the euro area.

Guidance	
	• **Full-year 2022 guidance:** ◦ Total income: in the region of 8.2 billion euros (including the already announced 0.2 billion euros positive one-off effect upon closing of the sales of substantially all of KBC Bank Ireland's performing loan assets and its deposit book), of which in the region of 4.55 billion euros net interest income ◦ Operating expenses excluding bank taxes: approximately 3.9 billion euros (excluding one-offs) and 4.0 billion euros (including additional one-offs in Ireland and some one-off integration/restructuring costs of Raiffeisen Bulgaria) ◦ Credit cost ratio: around 10 basis points (including coronavirus crisis ECL reversals in 2022) • **Basel 4 impact** (assuming a static balance sheet at end-2021): reconfirmed at approximately 8 billion euros higher risk-weighted assets on a fully loaded basis (impact between 2025 and 2033). This corresponds with 7% risk-weighted assets inflation and -1.1 percentage points impact on the common equity ratio at end-2021. Note that the Basel 4 impact will be phased-in, and therefore the first-time application impact on risk-weighted assets in 2025 will only be approximately 2 billion euros. • **3-year and long-term financial guidance:** ◦ CAGR total income (2021-2024): approx. 4.5% by 2024 ◦ CAGR OPEX excl. bank taxes (2021-2024): approx. 1.5% by 2024 ◦ Combined ratio: ≤ 92, as of now ◦ Surplus capital (Fully loaded, Danish Compromise): >15%, as of now ◦ Credit cost ratio: 25-30 basis points, through-the-cycle

Upcoming events	• Annual report, risk report and sustainability report: 4 April 2022 • Annual General Meeting of Shareholders: 5 May 2022 • Dividend: ex-date 10 May 2022, record date 11 May 2022, payment date 12 May 2022 (provided AGM approves) • 1Q2022 results: 12 May 2022 • Other events: www.kbc.com / Investor Relations / Financial Calendar
More information on 4Q2021	• Quarterly report: www.kbc.com / Investor Relations / Reports • Company presentation: www.kbc.com / Investor Relations / Presentations
Detailed impact of coronavirus crisis	• Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' • Company presentation, section 2 on 'Covid-19'
Definitions of ratios	• 'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

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* This news item contains information that is subject to the transparency regulations for listed companies.

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