KBC GROUP
QUARTERLY REPORT 4Q2021

KBC

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Report for 4Q2021

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Management certification

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

Forward-looking statements

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

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This report contains information that is subject to transparency regulations for listed companies.
Date of release: 10 February 2022

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

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 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.

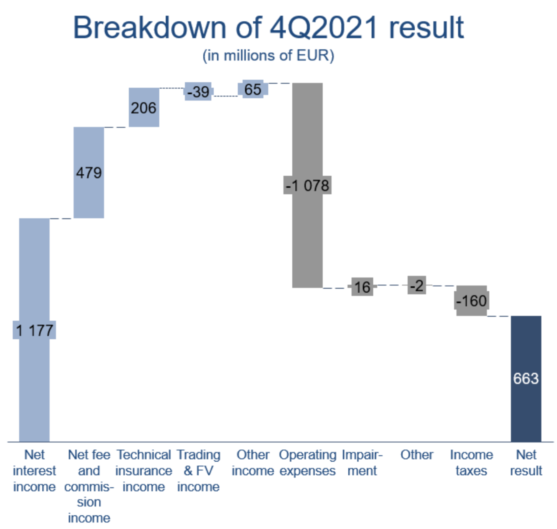
- **Net fee and commission income** was up by 3% on its level in the previous quarter and by as much as 19% on the year-earlier quarter. In both cases, this was accounted for by an increase in fees for our asset management activities and higher fee income related to our banking services, partly offset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

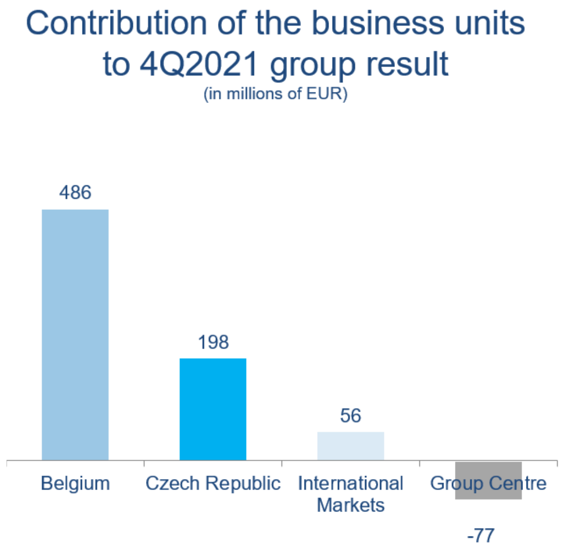
- The **trading & fair value result** amounted to a negative -39 million euros, as opposed to a positive +28 million euros in the previous quarter and +80 million euros in the year-earlier quarter. In both cases, the decrease was mainly due to the lower market value of derivatives used for asset/liability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

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 CO_2 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.

KBC Group

Consolidated financial statements according to IFRS

4Q 2021 and FY 2021

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	2021	2020	4Q 2021	3Q 2021	4Q 2020
Net interest income	3.1	4 451	4 467	1 177	1 112	1 067
Interest income	*3.1*	*6 320*	*6 264*	*1 754*	*1 557*	*1 464*
Interest expense	*3.1*	*-1 869*	*-1 797*	*- 578*	*- 445*	*- 397*
Non-life insurance (before reinsurance)	3.7	782	865	181	150	192
Earned premiums	*3.7*	*1 885*	*1 777*	*486*	*484*	*450*
Technical charges	*3.7*	*-1 103*	*- 912*	*- 305*	*- 334*	*- 258*
Life insurance (before reinsurance)	3.7	45	10	10	12	4
Earned premiums	*3.7*	*1 196*	*1 223*	*375*	*256*	*382*
Technical charges	*3.7*	*-1 150*	*-1 213*	*- 365*	*- 244*	*- 378*
Ceded reinsurance result	3.7	25	- 20	15	23	10
Dividend income		45	53	9	11	11
Net result from financial instruments at fair value through profit or loss	3.3	145	33	- 39	28	80
of which result on equity instruments (overlay approach)		*104*	*- 14*	*27*	*17*	*23*
Net realised result from debt instruments at fair value through OCI		6	2	1	4	- 1
Net fee and commission income	3.5	1 836	1 609	479	467	403
Fee and commission income	*3.5*	*2 692*	*2 365*	*716*	*686*	*602*
Fee and commission expense	*3.5*	*- 856*	*- 755*	*- 238*	*- 219*	*- 200*
Net other income	3.6	223	176	56	77	37
TOTAL INCOME		7 558	7 195	1 887	1 884	1 802
Operating expenses	3.8	-4 396	-4 156	-1 078	-1 025	- 988
Staff expenses	*3.8*	*-2 457*	*-2 329*	*- 615*	*- 659*	*- 626*
General administrative expenses	*3.8*	-1 583	-1 518	- 359	- 279	- 326
Depreciation and amortisation of fixed assets	*3.8*	*- 356*	*- 309*	*- 104*	*- 87*	*- 35*
Impairment	3.10	261	-1 182	16	45	- 122
on financial assets at AC and at FVOCI	*3.10*	*334*	*-1 074*	*62*	*66*	*- 57*
on goodwill	*3.10*	*- 7*	*0*	*- 7*	*0*	*0*
other	*3.10*	*- 65*	*- 108*	*- 39*	*- 21*	*- 66*
Share in results of associated companies and joint ventures		- 5	- 11	- 2	- 2	- 2
RESULT BEFORE TAX		3 418	1 847	823	903	690
Income tax expense	3.12	- 804	- 407	- 160	- 302	- 152
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		2 614	1 440	663	601	538
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**2 614**	**1 440**	**663**	**601**	**538**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		6.15	3.34	1.56	1.41	1.26
Diluted		6.15	3.34	1.56	1.41	1.26

We describe the impact of the most significant acquisitions and disposals in 2020 and 2021 (the acquisition of OTP Banka Slovensko, the acquisition of NN's Bulgarian pension and life insurance business and the sale of the Irish credit and deposit portfolios) in Note 6.6 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 +172 million euros in 2021. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): +275 million euros of which +279 million euros realized and unrealized 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: +104 million euros including net realized result amounting to +123 million euros and impairment loss of -20 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	2021	2020	4Q 2021	3Q 2021	4Q 2020
RESULT AFTER TAX	**2 614**	**1 440**	**663**	**601**	**538**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	2 614	1 440	663	601	538
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**56**	**- 66**	**- 3**	**- 65**	**253**
Net change in revaluation reserve (FVOCI debt instruments)	- 487	138	- 134	- 49	48
Net change in revaluation reserve (FVPL equity instruments) - overlay	172	- 25	75	- 13	56
Net change in hedging reserve (cashflow hedges)	186	37	- 6	30	27
Net change in translation differences	272	- 291	98	- 26	149
Hedge of net investments in foreign operations	- 84	74	- 35	- 7	- 25
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	- 2	0	- 1	0	- 3
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**345**	**- 35**	**73**	**- 31**	**- 4**
Net change in revaluation reserve (FVOCI equity instruments)	56	7	6	0	2
Net change in defined benefit plans	291	- 46	67	- 31	- 6
Net change in own credit risk	- 2	5	0	0	0
Net change in respect of associated companies and joint ventures	0	- 2	0	0	0
TOTAL COMPREHENSIVE INCOME	**3 015**	**1 339**	**733**	**505**	**787**
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	3 015	1 339	733	505	787

The largest movements in other comprehensive income (2021 vs. 2020):

- Net change in revaluation reserve (FVOCI debt instruments): the -487 million euros in 2021 is mainly explained by higher interest rates, for the largest part related to government bonds of European countries. The +138 million euros in 2020 is mainly explained by lower interest rates. Note that 2020 includes compensating effects in 1Q versus 2Q, 3Q and 4Q 2020.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the +172 million euros in 2021 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments). The -25 million euros in 2020 can be explained by negative fair value movements, partly offset by transfers to net result (impairments partly offset by gains on disposal).
- Net change in hedging reserve (cash flow hedge): the +186 million euros in 2021 can mainly be explained by the higher interest rates. The +37 million euros in 2020 can be explained by the unwinding effect, partly offset by the lower interest rates.
- The net change in translation differences: the +272 million euros in 2021 was mainly caused by the appreciation of the CZK versus the EUR, partially offset by the hedge of net investments in foreign operations (-84 million euros). The net change in translation differences (-291 million euros) in 2020 was mainly caused by the substantial weakening of the CZK and HUF versus the EUR, partially compensated by the hedge of the net investment in foreign operations (+74 million euros). The hedging policy of FX participations since mid-2019 aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in revaluation reserve (FVOCI equity instruments): the +56 million euros in 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. Limited increase with +7 million euros in 2020.
- Net change in defined benefit plans: the +291 million euros in 2021 is explained by the combined effect of the higher discount rate applied on the obligations and the positive return of the plan assets, partly offset by the impact of the (as of 3Q 2021 quarterly updated) market based inflation-curve (versus a yearly one-point estimator in previous reporting periods). The -46 million euros in 2020 includes compensating effects in 1Q versus 2Q, 3Q and 4Q 2020.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2021	31-12-2020
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		40 653	24 583
Financial assets	4.0	281 658	286 386
Amortised cost	*4.0*	*240 128*	*243 527*
Fair value through OCI	*4.0*	*15 824*	*18 451*
Fair value through profit or loss	*4.0*	*25 422*	*24 248*
of which held for trading	*4.0*	*8 850*	*8 695*
Hedging derivatives	*4.0*	*283*	*160*
Reinsurers' share in technical provisions, insurance		191	145
Profit/loss on positions in portfolios hedged for interest rate risk		- 436	1 360
Tax assets		1 296	1 624
Current tax assets		*179*	*125*
Deferred tax assets		*1 117*	*1 499*
Non-current assets held for sale and disposal groups	*5.11*	10 001	19
Investments in associated companies and joint ventures		37	24
Property, equipment and investment property		3 568	3 691
Goodwill and other intangible assets		1 749	1 551
Other assets		1 630	1 361
TOTAL ASSETS		340 346	320 743
LIABILITIES AND EQUITY			
Financial liabilities	4.0	291 667	276 781
Amortised cost	*4.0*	*268 387*	*254 053*
Fair value through profit or loss	*4.0*	*22 187*	*21 409*
of which held for trading	*4.0*	*7 271*	*7 157*
Hedging derivatives	*4.0*	*1 094*	*1 319*
Technical provisions, before reinsurance		18 967	18 718
Profit/loss on positions in portfolios hedged for interest rate risk		- 863	99
Tax liabilities		435	498
Current tax liabilities		*87*	*79*
Deferred tax liabilities		*348*	*419*
Liabilities associated with disposal groups	*5.11*	4 262	0
Provisions for risks and charges		282	209
Other liabilities		2 520	2 908
TOTAL LIABILITIES		317 269	299 214
Total equity	5.10	23 077	21 530
Parent shareholders' equity	5.10	21 577	20 030
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		340 346	320 743

The impact of the most important acquisitions and divestments in 2020 and 2021 is described in Note 6.6.

The increase of the balance sheet total in 2021 can for the largest part be explained by higher demand deposits and to a lesser extent an additional amount drawn from ECB's TLTRO programme, leading to higher cash balances with central banks and higher loans and advances to customers (making abstraction of the shift of the loans and deposits at KBC Bank Ireland to the items 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups').

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
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
2020									
Balance at the end of the previous period	1 458	5 498	- 2	11 732	37	18 722	1 500	0	20 222
Net result for the period	0	0	0	1 440	0	1 440	0	0	1 440
Other comprehensive income for the period	0	0	0	0	- 102	- 102	0	0	- 102
Subtotal	0	0	0	1 440	- 102	1 339	0	0	1 339
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	17	0	0	0	18	0	0	18
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	23	- 23	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	17	1	1 414	- 125	1 308	0	0	1 308
Balance at the end of the period	1 459	5 514	- 1	13 146	- 88	20 030	1 500	0	21 530

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

Furthermore, the Board of Directors will additionally propose to the Annual General Meeting of shareholders on 5 May 2022 a final gross 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 to be paid in May 2022 (in addition of an interim dividend of 1.00 euro per share already paid in November 2021)
- an extraordinary dividend of 4.60 euros per share (to be paid in May 2022)

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

2020

The changes in equity in 2020 include a transfer from revaluation reserves (FVOCI equity instruments) to retained earnings for 23 million euros on realisation, mainly related to a corporate action.

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	31-12-2021	31-12-2020
Total	318	- 88
Revaluation reserve (FVOCI debt instruments)	642	1 130
Revaluation reserve (FVPL equity instruments) - overlay	496	325
Revaluation reserve (FVOCI equity instruments)	74	15
Hedging reserve (cashflow hedges)	-1 108	-1 294
Translation differences	- 110	- 382
Hedge of net investments in foreign operations	79	163
Remeasurement of defined benefit plans	246	- 45
Own credit risk through OCI	- 1	1

Consolidated cash flow statement

More details will be available in the annual report of 2021.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2020)

The condensed interim financial statements of the KBC Group for the period ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, 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 became effective on 1 January 2021, but KBC decided to early adopt in 2020:

- Amendments to IAS 39 and related standards:

  As part of the phase 2 of the IBOR reform, the IASB has published a number of amendments to IAS 39 (and related standards which are also affected), which provide temporary relief from adopting specific hedge accounting requirements for hedging relationships directly affected by this reform. KBC decided to early adopt these amendments in 2020. The changes to IAS 39 regarding IBOR did not have a significant impact on our hedge accounting, as most hedging derivatives are based on EURIBOR. For more information regarding the IBOR reform, we refer to the 2020 Annual Report, to the section 'How do we manage our risks?'.

The following IFRS standards were issued but not yet effective in 2021. 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. A few scope exceptions will apply. 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. 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 the past year the focus has been on the further development of an unambiguous interpretation of the IFRS 17 standard and the further implementation of an IFRS 17-compliant process for the closing of the accounts. 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 now also take into account the amendments to the original standard that were published by the IASB in June 2020.

  In the past year, the focus was on the further implementation of an IFRS17-compliant process for the accounting closing. The interpretation of the IFRS 17 standard was gradually adjusted where necessary when new information became available from external or internal sources. 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.

- Other:

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

Summary of significant accounting policies (note 1.2 in the annual accounts 2020)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2020.

Main exchange rates used:

	Exchange rate at 31-12-2021		Average exchange rate in FY 2021	
		Changes relative to 31-12-2020		Changes relative to the average FY 2020
	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	24.858	6%	25.706	3%
HUF	369.19	-1%	358.39	-2%

COVID-19 (note 1.4)

Introduction

The Coronavirus pandemic significantly affected the global economy in 2020 and 2021. The substantial deterioration in the economic outlook has resulted in an unprecedented monetary policy response from central banks and governments around the world.

Meanwhile, we have been working hard with government agencies to support all customers impacted by coronavirus, by efficiently implementing various relief measures, including loan deferrals. In our home countries combined, we have granted a total of 10 billion euros in loan payment deferrals by the end of December 2021 (including EBA-compliant moratoria and the now non-EBA-compliant scheme in Hungary, but excluding Ireland because defined as assets under IFRS 5).
Nearly all of the EBA-compliant moratoria have now expired and for almost 97% 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.

Latest status overview of the different government and sector measures in each of our core countries

In Hungary, the blanket moratorium has ended in October 2021 with the option for clients under an active moratoria to extend until June 2022 under certain conditions in an opt-in scheme. Otherwise, there are no substantial changes in the different government and sector measures in our core countries in 4Q 2021. For the full overview, we refer to the annual report of 2020.

Regarding the public Covid-19 guarantee schemes, a second extension was already approved by the Belgian government of the Covid II program (launched in 3Q 2020 of up to 10 billion EUR) to cover losses on future SME loans granted before 31 December 2021 (instead of 30 June 2021). This government guarantee covers 80% of all losses, in total.

Main Covid-19 related items affecting the results, revaluation reserves, liquidity and solvency

For more information, see the note 1.4 in the annual report of 2020.

Details related to the impact of the Covid-19 crisis on the loan impairments

Referring to the disclosure in our annual report of 2020, our Expected Credit Loss (ECL) models are not able to adequately reflect all the specifics of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis.

Therefore, an expert-based calculation at portfolio level is required via a management overlay. In the fourth quarter of 2021, KBC performed an update of its Covid-19 impact assessment which resulted in a total collective Covid-19 ECL of 289 million euros (versus 783 million euros at year-end 2020). The latter implies a ECL decrease of 79 million euros in 4Q 2021 compared to the 415 million euros ECL decrease in the first nine months of 2021 (26 million euros in 1Q 2021, 129 million euros in 2Q 2021 and 260 million euros in 3Q 2021).

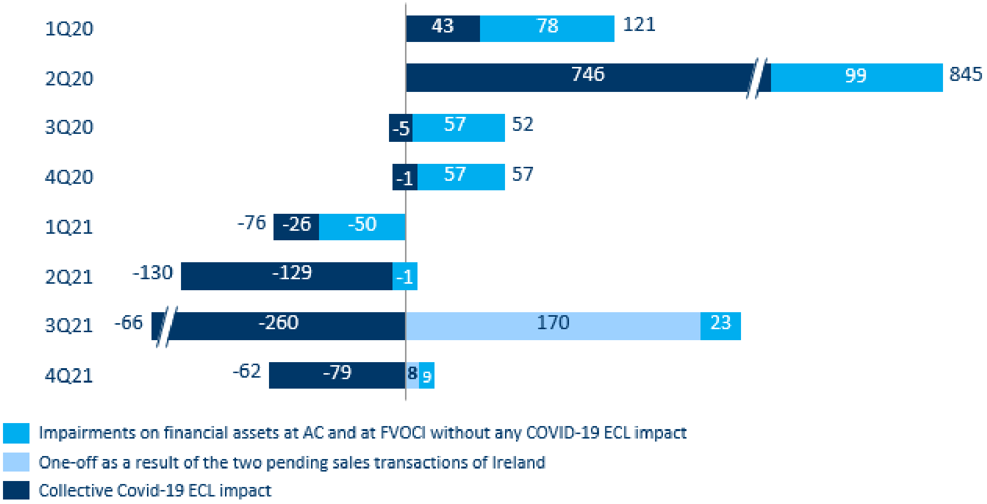
This q-o-q decrease is mainly driven by:

- the reduction in the existing non-performing portfolio collective Covid-19 ECL (33 million euros), since there is no indication that additional ECL will materialize for the collectively managed stage 3 exposures from the Covid-19 crisis above a through the cycle level, except for Ireland where this part is locked in related to the envisaged sale.
- release of additional Covid-19 impairments (32 million euros) for low-risk sectors (e.g. financial and pharma sector) given that forward-looking indicators (such as turnover on accounts and sentiment indicators) indicate that no deterioration in credit risk is expected for these exposures.
- the remainder of the movement is mainly driven by further smaller changes in the macroeconomic scenarios (14 million euros).

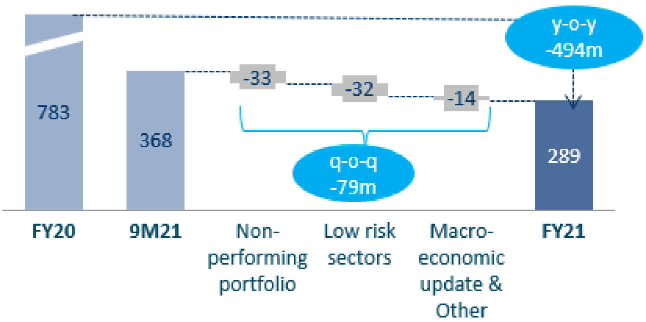
The y-o-y decrease is mainly driven by following elements:

- the application of the most recent macroeconomic forecasts (363 million euros) based on the latest developments (see Economic scenarios below). The improvement of the forecast and the revision of the scenario weights (from 55% base-case, 10% optimistic and 35% pessimistic in 2020 to 80% base-case, 10% optimistic and 10% pessimistic in 2021) resulted in a reduction of the applied stress in the migration matrices.
- the refinement of the sectoral risk effect (98 million euros) based on the latest insight regarding the vulnerability of non-retail clients to the Covid-19 crisis:
    - the critically vulnerable clients are still weighed at 150% in the calculation while the less vulnerable segments are weighed at 100% (66 million euros).
    - the release of additional Covid-19 impairments (32 million euros) for low-risk sectors as explained above.
- the reduction in the existing non-performing portfolio collective Covid-19 ECL (33 million euros) as explained above.

Impairment on financial assets at AC and at FVOCI



Total collective Covid-19 ECL (incl. management overlay)



COVID-19 ECL per country – per scenario:

FY21 EUR m	Performing portfolio impact Optimistic 10%	Base 80%	Pessimistic 10%	Probability weigthed	Non-Performing portfolio	Total 12M21	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
KBC Group	219	249	343	257	32	289	-79	-260	-129	-26	-1	-5	746	43
By country:														
Belgium	96	100	102	100	0	100	-58	-169	-66	-20	3	-3	378	35
Czech Republic	59	67	90	69	0	69	-9	-56	-30	2	-5	9	152	6
Slovakia	17	19	27	20	0	20	0	-10	-6	-1	0	-3	39	1
Hungary	29	34	69	37	0	37	-4	-3	-9	-3	2	-1	54	1
Bulgaria	5	12	18	12	0	12	-4	-4	-4	0	1	-5	28	n/a
Ireland	13	17	37	19	32	51	-4	-18	-14	-4	-2	-2	95	n/a

COVID-19 ECL sector driven – per scenario:

KBC Group Base-case scenario EUR m	Performing portfolio High risk sectors 150%	Medium risk sectors 100%	Low risk sectors 0%	Mortgages & other retail	TOTAL
FY21					
Base-case scenario	**14**	**170**	**0**	**65**	**249**
Optimistic scenario	12	153	0	54	219
Pessimistic scenario	20	224	0	99	343

As of 3Q 2021, given the aim of returning fully to the regular impairment process, KBC has decided to capture part of the collective Covid-19 ECL via a collective transfer to Stage 2 of two Stage 1 portfolios for which the repayment is still uncertain. More specially, the SME & Corporate clients active in a highly vulnerable sector and the payment holidays (Retail & Non-Retail) which are still ongoing or ended maximum 6 months ago. The related files will revert to Stage 1 in 1Q 2022, after a probation period of 6 months, in case no other signs of an increase in credit risk are detected. In 4Q21, 3.1 billion euros of stage 1 exposure was allocated to stage 2 based on this collective assessment (compared to 3.3 billion in 3Q21). Excluding this collective shift, only minor PD shifts have been observed in our portfolio (for more information see note 4.2.1).

Economic scenarios

The pandemic still plays a prominent role in shaping the macroeconomic landscape, with the Omicron variant serving as a reminder of this. New lockdown measures and deteriorating economic sentiment (risk aversion), caused by this variant, are temporarily weighing on economic activity. However, they are not derailing the ongoing path of the economic recovery. Fiscal and monetary policy will continue to support growth, albeit at a somewhat more moderate scale than right after the start of the pandemic. Overall, we maintain a positive economic outlook, despite new uncertainties surrounding the road back to normality, created by such factors as the spread of the Omicron variant and persistent supply chain disruptions.

Because of this uncertainty, we continue working with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario. The definition of each scenario reflects the latest pandemic and related economic developments, with the following probabilities: 80% for the base-case, 10% for the pessimistic and 10% for the optimistic scenario (in line with 3Q 2021).

The economic outlook for the home markets remains aligned to that of the euro area and confirms the better-than-expected level of resilience.

The following table (in line with the KBC forecast of December 2021) gives these three scenarios for three key indicators (GDP growth, unemployment rate and house price index):

Real GDP growth		2021			2022	
Annual average growth (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Euro area	5.2%	5.0%	4.9%	5.3%	4.2%	3.0%
Belgium	6.1%	6.0%	5.9%	5.1%	3.3%	2.6%
Czech Republic	2.8%	2.6%	2.4%	5.4%	4.2%	1.8%
Hungary	7.5%	7.3%	6.7%	6.0%	5.2%	2.7%
Slovakia	4.6%	3.7%	2.8%	5.0%	4.8%	3.0%
Bulgaria	3.5%	3.0%	1.6%	4.4%	4.0%	3.6%
Ireland	18.0%	15.0%	11.0%	11.0%	7.0%	1.0%

Unemployment rate*		2021			2022	
End-of-year (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.1%	6.2%	6.3%	5.5%	5.8%	6.0%
Czech Republic	3.0%	3.0%	3.1%	2.3%	2.6%	3.5%
Hungary	3.6%	3.8%	4.0%	3.3%	3.5%	4.2%
Slovakia	6.5%	7.5%	9.0%	7.0%	7.5%	8.5%
Bulgaria	4.5%	5.0%	7.0%	4.3%	4.8%	6.0%
Ireland	6.5%	7.5%	9.5%	4.5%	6.0%	10.0%

House-price index		2021			2022	
Annual average growth (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	7.0%	6.0%	5.0%	5.0%	3.0%	2.0%
Czech Republic	13.0%	12.8%	12.0%	6.0%	5.2%	1.5%
Hungary	10.5%	10.0%	8.5%	6.0%	4.5%	2.0%
Slovakia	6.0%	5.0%	4.0%	4.5%	3.5%	1.5%
Bulgaria	9.0%	8.0%	7.0%	7.0%	6.5%	3.5%
Ireland	10.0%	7.5%	5.0%	9.0%	6.0%	3.0%

(*) Note: Eurostat definition, except for Ireland (national Covid-19 unemployment rate)

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2020)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2020.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
2021									
Net interest income	2 533	972	962	*311*	*229*	*141*	*282*	- 16	4 451
Non-life insurance (before reinsurance)	460	142	160	*52*	*35*	*73*	*0*	19	782
Earned premiums	*1 197*	*337*	*336*	*143*	*62*	*132*	*0*	*15*	*1 885*
Technical charges	*- 737*	*- 194*	*- 176*	*- 91*	*- 26*	*- 59*	*0*	*4*	*-1 103*
Life insurance (before reinsurance)	- 55	61	39	*9*	*13*	*17*	*0*	- 1	45
Earned premiums	*903*	*182*	*111*	*40*	*31*	*39*	*0*	*- 1*	*1 196*
Technical charges	*- 958*	*- 121*	*- 71*	*- 31*	*- 18*	*- 23*	*0*	*0*	*-1 150*
Ceded reinsurance result	36	17	- 16	*- 2*	*- 7*	*- 7*	*0*	- 12	25
Dividend income	38	1	1	*0*	*0*	*0*	*0*	5	45
Net result from financial instruments at fair value through profit or loss	224	95	23	*21*	*8*	*0*	*- 5*	- 198	145
Net realised result from debt instruments at fair value through OCI	2	- 4	2	*2*	*0*	*0*	*0*	6	6
Net fee and commission income	1 320	214	305	*198*	*71*	*39*	*- 3*	- 3	1 836
Net other income	195	8	- 7	*3*	*6*	*5*	*- 21*	28	223
TOTAL INCOME	4 754	1 506	1 469	*592*	*356*	*268*	*253*	- 171	7 558
Operating expenses	-2 436	- 803	-1 048	*- 335*	*- 260*	*- 140*	*- 313*	- 109	-4 396
Impairment	303	126	- 160	*9*	*15*	*- 1*	*- 183*	- 7	261
of which on FA at amortised cost and at fair value through OCI	*309*	*142*	*- 110*	*22*	*16*	*2*	*- 149*	*- 7*	*334*
Share in results of associated companies and joint ventures	- 3	- 3	0	*0*	*0*	*0*	*0*	0	- 5
RESULT BEFORE TAX	2 618	827	262	*267*	*111*	*127*	*- 243*	- 288	3 418
Income tax expense	- 621	- 129	- 135	*- 40*	*- 26*	*- 13*	*- 55*	81	- 804
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 997	697	127	*226*	*85*	*114*	*- 298*	- 207	2 614
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 997	697	127	*226*	*85*	*114*	*- 298*	- 207	2 614

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
2020									
Net interest income	2 579	1 012	894	*262*	*202*	*144*	*286*	- 18	4 467
Non-life insurance (before reinsurance)	562	141	150	*55*	*27*	*68*	*0*	13	865
Earned premiums	*1 141*	*302*	*321*	*143*	*52*	*126*	*0*	*12*	*1 777*
Technical charges	*- 579*	*- 161*	*- 172*	*- 88*	*- 25*	*- 58*	*0*	*0*	*- 912*
Life insurance (before reinsurance)	- 63	48	26	*- 1*	*12*	*15*	*0*	- 1	10
Earned premiums	*913*	*206*	*105*	*35*	*34*	*36*	*0*	*0*	*1 223*
Technical charges	*- 976*	*- 158*	*- 79*	*- 36*	*- 22*	*- 21*	*0*	*0*	*- 1 213*
Ceded reinsurance result	- 12	- 1	- 5	*- 3*	*3*	*- 5*	*0*	- 2	- 20
Dividend income	47	1	0	*0*	*0*	*0*	*0*	4	53
Net result from financial instruments at fair value through profit or loss	32	7	43	*39*	*9*	*0*	*- 4*	- 51	33
Net realised result from debt instruments at fair value through OCI	0	1	2	*1*	*2*	*0*	*0*	0	2
Net fee and commission income	1 138	203	273	*191*	*58*	*28*	*- 3*	- 4	1 609
Net other income	157	13	8	*4*	*8*	*3*	*- 9*	- 1	176
TOTAL INCOME	4 438	1 425	1 391	*548*	*320*	*253*	*269*	- 59	7 195
Operating expenses	- 2 398	- 752	- 894	*- 323*	*- 204*	*- 139*	*- 228*	- 111	- 4 156
Impairment	- 695	- 226	- 250	*- 85*	*- 45*	*- 30*	*- 91*	- 11	- 1 182
of which on FA at amortised cost and at fair value through OCI	*- 654*	*- 210*	*- 217*	*- 59*	*- 42*	*- 27*	*- 90*	*7*	*- 1 074*
Share in results of associated companies and joint ventures	- 9	- 2	0	*0*	*0*	*0*	*0*	0	- 11
RESULT BEFORE TAX	1 335	446	247	*140*	*71*	*84*	*- 50*	- 181	1 847
Income tax expense	- 335	- 71	- 48	*- 26*	*- 15*	*- 9*	*2*	46	- 407
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 001	375	199	*114*	*56*	*76*	*- 48*	- 135	1 440
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 001	375	199	*114*	*56*	*76*	*- 48*	- 135	1 440

Other notes

Net interest income (note 3.1 in the annual accounts 2020)

(in millions of EUR)	2021	2020	4Q 2021	3Q 2021	4Q 2020
Total	4 451	4 467	1 177	1 112	1 067
Interest income	6 320	6 264	1 754	1 557	1 464
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	4 797	4 869	1 349	1 175	1 130
Financial assets at FVOCI	286	330	67	72	82
Hedging derivatives	355	377	128	90	92
Financial liabilities (negative interest)	425	222	130	102	87
Other	25	10	10	0	4
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	24	14	7	6	5
Financial assets held for trading	407	442	62	112	64
Of which economic hedges	*367*	*398*	*49*	*101*	*54*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-1 869	-1 797	- 578	- 445	- 397
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 534	- 707	- 199	- 106	- 127
Financial assets (negative interest)	- 253	- 79	- 67	- 70	- 36
Hedging derivatives	- 604	- 632	- 165	- 152	- 165
Other	- 7	- 5	- 1	- 3	0
Interest expense on other financial instruments					
Financial liabilities held for trading	- 459	- 345	- 143	- 110	- 66
Of which economic hedges	*- 414*	*- 313*	*- 131*	*- 96*	*- 57*
Other financial liabilities at FVPL	- 11	- 25	- 2	- 3	- 3
Net interest expense relating to defined benefit plans	- 1	- 3	0	0	- 1

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).

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2020)

(in millions of EUR)	2021	2020	4Q 2021	3Q 2021	4Q 2020
Total	145	33	- 39	28	80
Breakdown by driver					
Market value adjustments (xVA)	67	13	19	11	45
MTM ALM derivatives	- 197	- 94	- 105	- 33	- 30
Financial instruments to which the overlay is applied	104	- 14	27	17	23
Dealing room and other	171	128	20	32	42

The result from financial instruments at fair value through profit or loss in 4Q 2021 is 67 million euro lower compared to 3Q 2021.

The quarter-on-quarter decrease is attributable to:

- More negative MTM ALM derivatives in 4Q 2021 compared to 3Q 2021 (especially due to a substantial increase of Hungarian interest rates in ALM derivatives, not in hedge accounting but will be recovered over time)
- Lower dealing room and other income in Belgium

Partly compensated by

- Higher net result on equity instruments (insurance), driven by higher realized gains on shares and lower impairments on equity instruments
- More positive market value adjustments (xVA) mainly due to an increase in the yield curve, increasing equity markets and a decrease in counterparty credit spreads, partly offset by an increase in KBC funding spreads.

The result from financial instruments at fair value through profit or loss in 2021 is 112 million euros higher compared to 2020, for a large part explained by:

- High positive net result on equity instruments (insurance) in 2021 thanks to higher realized gains on shares and much lower impairments. The negative net result in 2020 was driven by higher impairments on equity instruments due to decreasing equity markets in 1Q 2020.
- More positive impact from market value adjustments (xVA)
- Higher dealing room and other income in the Czech Republic

Partly offset by

- More negative MTM ALM derivatives.

Net fee and commission income (note 3.5 in the annual accounts 2020)

(in millions of EUR)	2021	2020	4Q 2021	3Q 2021	4Q 2020
Total	1 836	1 609	479	467	403
Fee and commission income	2 692	2 365	716	686	602
Fee and commission expense	- 856	- 755	- 238	- 219	- 200
Breakdown by type					
Asset Management Services	1 196	1 022	318	306	256
Fee and commission income	*1 274*	*1 081*	*338*	*328*	*272*
Fee and commission expense	*- 78*	*- 59*	*- 20*	*- 22*	*- 16*
Banking Services	950	875	250	237	223
Fee and commission income	*1 330*	*1 205*	*356*	*336*	*310*
Fee and commission expense	*- 380*	*- 330*	*- 106*	*- 98*	*- 87*
Distribution	- 311	- 288	- 89	- 77	- 77
Fee and commission income	*87*	*78*	*22*	*23*	*20*
Fee and commission expense	*- 398*	*- 366*	*- 111*	*- 99*	*- 97*

The building blocks of the 2020 net fee and commission income figures were restated, resulting in a shift of about of 20 million euros for full year 2020 or about 5 million euros per quarter from Banking Services to Asset Management Services, related to fee and commission income from CSOB CZ Pension company.

Net other income (note 3.6 in the annual accounts 2020)

(in millions of EUR)	2021	2020	4Q 2021	3Q 2021	4Q 2020
Total	223	176	56	77	37
of which gains or losses on					
Sale of financial assets measured at amortised cost	6	11	- 16	23	1
Repurchase of financial liabilities measured at amortised cost	0	0	0	0	0
of which other, including:	218	165	71	54	37
Income from operational leasing activities	98	77	25	27	16
Income from VAB Group	50	49	11	12	12
Badwill on OTP SK	28	0	28	0	0
Legacy legal cases	6	0	6	0	0
Gain on sale KBC Tower in Antwerp	13	0	0	13	0
Provisioning for tracker mortgage review	- 18	- 9	- 4	- 13	- 3

Note :

In 2021 (all in 2H 2021):

- Badwill on OTP SK (+28 million euros in 4Q 2021), for more information see note 6.6
- Sale of bonds at amortised cost (+22 million euros in 3Q 2021), mainly optimization of low yield bond portfolio in Belgium and sale of government bonds in the Czech Republic (-10 million euros in 4Q 2021)
- Legacy legal case in Group Centre (+6 million euros in 4Q 2021)
- Gain on sale of KBC Tower in Antwerp (+13 million euros in 3Q 2021)
- Provision for tracker mortgage review in KBC Bank Ireland (-18 million euros, of which -4 million euros in 4Q 2021)

In 2020:

- Provision for tracker mortgage review in KBC Bank Ireland of -9 million euros in 2020 (of which an additional -4 million euros related to the fine).

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2020)

(in millions of EUR)	Life	Non-life	Non-technical account	Total
2021				
Earned premiums, insurance (before reinsurance)	1 196	1 905	-	3 101
of which change in provision unearned premiums	*- 1*	*- 48*	-	*- 49*
Technical charges, insurance (before reinsurance)	- 1 150	- 1 106	-	- 2 256
Claims paid	*- 1 163*	*- 872*	-	*- 2 036*
Changes in technical provisions	*- 1*	*- 223*	-	*- 224*
Other technical result	*14*	*- 10*	-	*4*
Net fee and commission income	- 5	- 367	-	- 372
Ceded reinsurance result	- 2	27	-	25
General administrative expenses	- 149	- 255	- 2	- 407
Internal claims settlement expenses	*- 9*	*- 59*	-	*- 68*
Indirect acquisition costs	*- 31*	*- 68*	-	*- 98*
Administrative expenses	*- 109*	*- 128*	-	*- 238*
Investment management fees	*0*	*0*	*- 2*	*- 2*
Technical result	- 110	204	- 2	91
Investment Income *	382	92	69	543
Technical-financial result	271	296	66	634
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	271	296	66	634
Income tax expense	-	-	-	- 125
RESULT AFTER TAX	-	-	-	508
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***508***
2020				
Earned premiums, insurance (before reinsurance)	1 223	1 795	-	3 019
of which change in provision unearned premiums	*- 2*	*- 28*	-	*- 30*
Technical charges, insurance (before reinsurance)	- 1 212	- 913	-	- 2 126
Claims paid	*- 1 137*	*- 806*	-	*- 1 943*
Changes in technical provisions	*- 53*	*- 101*	-	*- 154*
Other technical result	*- 22*	*- 6*	-	*- 28*
Net fee and commission income	- 17	- 346	-	- 362
Ceded reinsurance result	- 2	- 18	-	- 20
General administrative expenses	- 139	- 248	- 2	- 390
Internal claims settlement expenses	*- 8*	*- 60*	-	*- 67*
Indirect acquisition costs	*- 30*	*- 68*	-	*- 98*
Administrative expenses	*- 102*	*- 120*	-	*- 222*
Investment management fees	*0*	*0*	*- 2*	*- 2*
Technical result	- 148	271	- 2	121
Investment Income *	355	92	29	477
Technical-financial result	207	363	27	598
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	207	363	27	598
Income tax expense	-	-	-	- 132
RESULT AFTER TAX	-	-	-	466
attributable to minority interest	-	-	-	*0*
attributable to equity holders of the parent	-	-	-	***466***

* 2021 Investment income consists of (in millions of EUR): Net interest income (398), Net Dividend income (31), Net result from financial instruments at fair value through profit and loss (117), Net other income (1), Impairment (-3) and Net result from financial instruments at fair value through OCI (-2).
* 2020 consists of (in millions of EUR): Net interest income (450), Net Dividend income (34), Net result from financial instruments at fair value through profit and loss (1), Net other income (8) and Impairment (-15).

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 2020 annual accounts).

In 2021, the technical result non-life was severely negatively impacted by storms: several floods in Belgium starting mid of July (impact -110 million euros pre-tax - before reinsurance; -87 million euros pre-tax - after reinsurance, of which 45 million euros above the legal limit but still within the conventional limit as agreed between the Belgian insurance sector and the Walloon regional government).

In 2020 the technical result non-life was positively impacted by low claim level largely as a result of the lockdown in 2Q 2020 (and to a lesser extent in 4Q 2020), partially offset by storms (in mainly Belgium) for a total amount of -43 million euros (pre-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 2020)

The operating expenses for 4Q 2021 include 47 million euros related to bank (and insurance) levies (24 million euros in 3Q 2021; 49 million euros in 4Q 2020; 525 million euros in 2021; 503 million euros in 2020). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

In 2Q 2021 an exceptional Covid bonus for all staff members was decided for in total 18 million euros (5.1 million euros in Business Unit Belgium, 3.8 million euros in Business Unit Czech Republic, 2.5 million euros in Hungary, 2.4 million euros in Slovakia, 1.9 million euros in Bulgaria, 0.4 million euros in Ireland and 1.5 million euros in Group Centre).

Note: One-off impact from the two pending sales transactions in Ireland in 2021 (see note 6.6 further in this report).

Impairment – income statement (note 3.10 in the annual accounts 2020)

(in millions of EUR)	2021	2020	4Q 2021	3Q 2021	4Q 2020
Total	**261**	**- 1 182**	**16**	**45**	**- 122**
Impairment on financial assets at AC and at FVOCI	334	- 1 074	62	66	- 57
Of which impairment on financial assets at AC	330	- 1 069	60	65	- 57
By product					
Loans and advances	*315*	*- 1 067*	*65*	*65*	*- 70*
Debt securities	*- 1*	*0*	*0*	*- 3*	*1*
Off-balance-sheet commitments and financial guarantees	*15*	*- 2*	*- 5*	*2*	*13*
By type					
Stage 1 (12-month ECL)	*70*	*- 44*	*12*	*14*	*20*
Stage 2 (lifetime ECL)	*449*	*- 724*	*45*	*237*	*- 22*
Stage 3 (non-performing; lifetime ECL)	*- 191*	*- 302*	*5*	*- 196*	*- 56*
Purchased or originated credit impaired assets	*2*	*1*	*- 2*	*9*	*2*
Of which impairment on financial assets at FVOCI	4	- 5	1	2	0
Debt securities	4	- 5	1	2	0
Stage 1 (12-month ECL)	*3*	*- 2*	*1*	*1*	*0*
Stage 2 (lifetime ECL)	*0*	*- 2*	*1*	*1*	*0*
Stage 3 (non-performing; lifetime ECL)	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	- 7	0	- 7	0	0
Impairment on other	- 65	- 108	- 39	- 21	- 66
Intangible fixed assets (other than goodwill)	- 35	- 64	- 28	- 7	- 59
Property, plant and equipment (including investment property)	- 17	- 9	- 6	- 9	- 4
Associated companies and joint ventures	0	0	0	0	0
Other	- 13	- 35	- 5	- 5	- 2

2021:
The impairments on financial assets at AC and at FVOCI in 2021 include a release of +494 million euros collective Covid-19 ECL impact (of which +26m in 1Q 2021, +129 million euros in 2Q 2021, +260 million euros in 3Q 2021 and +79 million euros in 4Q 2021).

Additionally, 2H 2021 is negatively impacted by one-off impairments on financial assets at AC and at FVOCI related to the two pending sales transactions at KBC Bank Ireland for an amount of -178 million euros (for more information see note 6.6 further in this report).

The impairments on financial assets at AC and at FVOCI in 2021 also include 18 million euros net releases related to a number of corporate files mainly in Czech Republic and Bulgaria. 4Q 2021 includes -14m impairments in Hungary related to new forborne flag implementation for clients in the financial moratorium.

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

The impairment on other (Other) includes -8 million euros in 2021 related to modification losses in Hungary. Additionally, 2021 includes -52 million euros related to impairments on property and equipment and intangible assets (of which -32 million euros in Ireland (for more information see note 6.6 further in this report)).

2020:
The impairments on financial assets at AC in 2020 include -783 million euros collective Covid-19 ECL (of which -43 million euros in 1Q 2020, -746 million euros in 2Q 2020, +5 million euros in 3Q 2020 and +1 million euros in 4Q 2020). For more information, see note 1.4 of this report.

The stage 3 impairments in 2020 are attributable mainly to loan loss impairments in Belgium, Czech Republic and Hungary due to a number of corporate files.

The impairment on other (Other) included -29 million euros in 2020 related to modification losses in Belgium, Czech Republic and Hungary.

4Q 2020 included -59 million euros impairments on software related to software projects which were (partly) decommissioned (of which -28 million euros in Belgium, -6 million euros in Czech Republic, -5 million euros in Hungary, -2 million euros in Slovakia and -18 million euros in Group Centre).

Income-tax expense (note 3.12 in the annual accounts 2020)

2021 income tax is negatively impacted by the derecognition of deferred tax assets related to tax losses carried forward in Ireland in 3Q 2021 (for more information see note 6.6 further in this report).

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2020)

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO [1]	Hedging deriva-tives	Total	*Pro Forma excl. Ireland*
FINANCIAL ASSETS, 31-12-2021									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	7 920	0	0	0	1	0	0	7 920	
of which repayable on demand and term loans at not more than three months								*3 146*	
Loans and advances to customers (excl. reverse repos)	159 167	0	560	0	0	0	0	159 728	
Trade receivables	*2 090*	*0*	*0*	*0*	*0*	*0*	*0*	*2 090*	
Consumer credit	*5 470*	*0*	*381*	*0*	*0*	*0*	*0*	*5 851*	
Mortgage loans	*67 486*	*0*	*179*	*0*	*0*	*0*	*0*	*67 665*	
Term loans	*72 998*	*0*	*0*	*0*	*0*	*0*	*0*	*72 998*	
Finance lease	*5 815*	*0*	*0*	*0*	*0*	*0*	*0*	*5 815*	
Current account advances	*4 819*	*0*	*0*	*0*	*0*	*0*	*0*	*4 819*	
Other	*490*	*0*	*0*	*0*	*0*	*0*	*0*	*490*	
Reverse repos[2]	24 978	0	0	0	0	0	0	24 978	
with credit institutions and investment firms	*24 861*	*0*	*0*	*0*	*0*	*0*	*0*	*24 861*	
with customers	*117*	*0*	*0*	*0*	*0*	*0*	*0*	*117*	
Equity instruments	0	321	8	1 366	448	0	0	2 144	
Investment contracts (insurance)[6]	0	0	14 620	0	0	0	0	14 620	
Debt securities issued by	47 172	15 503	17	0	2 958	0	0	65 650	
Public bodies	*41 475*	*10 514*	*0*	*0*	*2 517*	*0*	*0*	*54 507*	
Credit institutions and investment firms	*3 310*	*2 245*	*0*	*0*	*357*	*0*	*0*	*5 912*	
Corporates	*2 387*	*2 744*	*17*	*0*	*84*	*0*	*0*	*5 232*	
Derivatives	0	0	0	0	5 443	0	283	5 727	
Other[3]	892	0	0	0	0	0	0	892	
Total	240 128	15 824	15 205	1 366	8 850	0	283	281 658	
FINANCIAL ASSETS, 31-12-2020									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 343	0	0	0	0	0	0	6 343	*6 343*
of which repayable on demand and term loans at not more than three months								*1 393*	*1 393*
Loans and advances to customers (excl. reverse repos)	159 234	0	387	0	0	0	0	159 621	*149 655*
Trade receivables	*1 686*	*0*	*0*	*0*	*0*	*0*	*0*	*1 686*	*1 686*
Consumer credit	*5 476*	*0*	*273*	*0*	*0*	*0*	*0*	*5 749*	*5 705*
Mortgage loans	*71 841*	*0*	*109*	*0*	*0*	*0*	*0*	*71 950*	*62 106*
Term loans	*69 477*	*0*	*5*	*0*	*0*	*0*	*0*	*69 482*	*69 418*
Finance lease	*5 747*	*0*	*0*	*0*	*0*	*0*	*0*	*5 747*	*5 747*
Current account advances	*4 285*	*0*	*0*	*0*	*0*	*0*	*0*	*4 285*	*4 272*
Other	*722*	*0*	*0*	*0*	*0*	*0*	*0*	*722*	*722*
Reverse repos[2]	27 628	0	0	0	0	0	0	27 628	*27 628*
with credit institutions and investment firms	*27 444*	*0*	*0*	*0*	*0*	*0*	*0*	*27 444*	*27 444*
with customers	*184*	*0*	*0*	*0*	*0*	*0*	*0*	*184*	*184*
Equity instruments	0	294	7	1 276	489	0	0	2 067	*2 067*
Investment contracts (insurance)[6]	0	0	13 830	0	0	0	0	13 830	*13 830*
Debt securities issued by	48 965	18 157	53	0	2 542	0	0	69 717	*68 478*
Public bodies	*42 432*	*12 301*	*0*	*0*	*2 479*	*0*	*0*	*57 212*	*55 973*
Credit institutions and investment firms	*3 902*	*2 569*	*0*	*0*	*19*	*0*	*0*	*6 490*	*6 490*
Corporates	*2 631*	*3 286*	*53*	*0*	*45*	*0*	*0*	*6 014*	*6 014*
Derivatives	0	0	0	0	5 659	0	160	5 818	*5 806*
Other[3]	1 358	0	0	0	4	0	0	1 361	*1 361*
Total	243 527	18 451	14 277	1 276	8 695	0	160	286 386	*275 168*

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total	*Pro Forma excl. Ireland*
FINANCIAL LIABILITIES, 31-12-2021						
Deposits from credit institutions and investment firms (excl. repos)	38 047	0	0	0	38 047	
of which repayable on demand					*4 695*	
Deposits from customers and debt securities (excl. repos)	224 759	21	1 312	0	226 093	
Demand deposits	*112 097*	*0*	*0*	*0*	*112 097*	
Time deposits	*9 106*	*21*	*60*	*0*	*9 187*	
Savings accounts	*74 801*	*0*	*0*	*0*	*74 801*	
Special deposits	*2 962*	*0*	*0*	*0*	*2 962*	
Other deposits	*428*	*0*	*0*	*0*	*428*	
Subtotal deposits of clients, excl. repos	*199 395*	*21*	*60*	*0*	*199 476*	
Certificates of deposit	*6 273*	*0*	*0*	*0*	*6 273*	
Savings certificates	*253*	*0*	*0*	*0*	*253*	
Non-convertible bonds	*15 892*	*0*	*1 118*	*0*	*17 011*	
Non-convertible subordinated liabilities	*2 946*	*0*	*134*	*0*	*3 080*	
Repos[4]	3 293	2	0	0	3 295	
with credit institutions and investment firms	*2 888*	*2*	*0*	*0*	*2 890*	
with customers	*405*	*0*	*0*	*0*	*405*	
Liabilities under investment contracts[6]	0	0	13 603	0	13 603	
Derivatives	0	5 619	0	1 094	6 713	
Short positions	0	1 628	0	0	1 628	
In equity instruments	*0*	*18*	*0*	*0*	*18*	
In debt securities	*0*	*1 611*	*0*	*0*	*1 611*	
Other[5]	2 288	0	0	0	2 288	
Total	268 387	7 271	14 916	1 094	291 667	
FINANCIAL LIABILITIES, 31-12-2020						
Deposits from credit institutions and investment firms (excl. repos)	34 605	0	0	0	34 605	*34 331*
of which repayable on demand					*4 604*	*4 341*
Deposits from customers and debt securities (excl. repos)	213 801	101	1 528	0	215 430	*211 162*
Demand deposits	*100 986*	*0*	*0*	*0*	*100 986*	*100 449*
Time deposits	*11 768*	*16*	*117*	*0*	*11 902*	*10 595*
Savings accounts	*74 862*	*0*	*0*	*0*	*74 862*	*72 437*
Special deposits	*2 543*	*0*	*0*	*0*	*2 543*	*2 543*
Other deposits	*260*	*0*	*0*	*0*	*260*	*260*
Subtotal deposits of clients, excl. repos	*190 419*	*16*	*117*	*0*	*190 553*	*186 285*
Certificates of deposit	*5 412*	*0*	*5*	*0*	*5 417*	*5 417*
Savings certificates	*454*	*0*	*0*	*0*	*454*	*454*
Non-convertible bonds	*15 319*	*85*	*1 264*	*0*	*16 668*	*16 668*
Non-convertible subordinated liabilities	*2 196*	*0*	*142*	*0*	*2 338*	*2 338*
Repos[4]	3 570	0	0	0	3 570	*3 570*
with credit institutions and investment firms	*3 288*	*0*	*0*	*0*	*3 288*	*3 288*
with customers	*282*	*0*	*0*	*0*	*282*	*282*
Liabilities under investment contracts[6]	0	0	12 724	0	12 724	*12 724*
Derivatives	0	5 362	0	1 319	6 681	*6 681*
Short positions	0	1 694	0	0	1 694	*1 694*
In equity instruments	*0*	*12*	*0*	*0*	*12*	*12*
In debt securities	*0*	*1 682*	*0*	*0*	*1 682*	*1 682*
Other[5]	2 077	0	0	0	2 077	*2 077*
Total	254 053	7 157	14 252	1 319	276 781	*272 239*

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

Pro Forma excluding Ireland: it relates to the financial assets and liabilities of KBC Bank Ireland included in "Non-current assets held for sale and disposal groups" and "Liabilities associated with disposal groups" (see Notes 5.11 and 6.6). For the purpose of comparison between the figures as at 31-12-2021 and 31-12-2020, these assets and liabilities have been deducted as at 31-12-2020 in this column.

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). KBC's management is confident that KBC will meet the related conditions (amongst others the level of lending to non-financial corporates and households) and therefore interest was recognised accordingly.

Impaired financial assets (note 4.2.1 in the annual accounts 2020)

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
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
31-12-2020			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	196 900	- 3 695	193 205
Stage 1 (12-month ECL)	172 059	- 168	171 891
Stage 2 (lifetime ECL)	19 423	- 992	18 431
Stage 3 (lifetime ECL)	5 278	- 2 517	2 761
Purchased or originated credit impaired assets (POCI)	139	- 18	121
Debt Securities	48 974	- 9	48 965
Stage 1 (12-month ECL)	48 935	- 6	48 929
Stage 2 (lifetime ECL)	36	- 1	35
Stage 3 (lifetime ECL)	3	- 2	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	18 166	- 9	18 157
Stage 1 (12-month ECL)	18 028	- 6	18 022
Stage 2 (lifetime ECL)	138	- 3	135
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
Pro forma 31-12-2020 excl. KBC Ireland			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	186 482	- 3 243	183 239
Stage 1 (12-month ECL)	163 726	- 158	163 568
Stage 2 (lifetime ECL)	18 772	- 925	17 847
Stage 3 (lifetime ECL)	3 844	- 2 142	1 703
Purchased or originated credit impaired assets (POCI)	139	- 18	121
Debt Securities	47 886	- 9	47 877
Stage 1 (12-month ECL)	47 847	- 6	47 841
Stage 2 (lifetime ECL)	36	- 1	35
Stage 3 (lifetime ECL)	3	- 2	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	18 015	- 9	18 005
Stage 1 (12-month ECL)	17 877	- 6	17 871
Stage 2 (lifetime ECL)	138	- 3	135
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)

Pro Forma excluding Ireland: it relates to the financial assets of KBC Bank Ireland included in "Non-current assets held for sale and disposal groups" (see Notes 5.11 and 6.6). For the purpose of comparison between the figures as at 31-12-2021 and 31-12-2020, these assets and liabilities have been deducted as at 31-12-2020 in the last table.

As of 3Q 2021 a collective shift to Stage 2 has been applied on two Stage 1 portfolios which are deemed to bear more risk from Covid-19, leading to a migration of 3.1 billion euros of our outstanding from Stage 1 towards Stage 2 (for more information see note 1.4 in this report). As of 4Q 2021 a collective shift to Stage 2 has been applied on a part of the Czech retail portfolio linked to the recent sharp increase in interest rates, leading to a migration of 0.7 billion euros of our outstanding from Stage 1 towards Stage 2. Apart from this, the table does not include the Stage transfers embedded underlying in the management overlay of the forecasted collective Covid-19 ECL, as these are determined based on a collective statistical approach and hence cannot be individually linked to specific credits. Taking into account the impact of the management overlay on staging would result in a carrying value before impairment of loans and advances of approximately respectively 165.4, 24.3 and 4.3 billion euros in Stage 1,2 and 3 (or a net staging of 1% of the total portfolio from Stage 1 to Stage 2 and of 0,4% from Stage 1 & 2 to Stage 3).

The increase of the Purchased or originated credit impaired assets within the loans and advances category is to a large extent attributable to a reclassification from Stage 3 related to an improved POCI identification in light of the new regulatory reporting requirements.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2020)

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 2020.

(in millions of EUR) Fair value hierarchy	Level 1	Level 2	Level 3	31-12-2021 Total	Level 1	Level 2	Level 3	31-12-2020 Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	15 702	254	615	16 572	14 722	344	487	15 553
Held for trading	1 970	5 915	965	8 850	2 647	5 081	967	8 695
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	12 284	2 964	577	15 824	14 513	3 364	575	18 451
Hedging derivatives	0	283	0	283	0	160	0	160
Total	29 956	9 416	2 157	41 529	31 881	8 948	2 030	42 859
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 582	4 083	1 606	7 271	1 697	4 270	1 191	7 157
Designated at fair value	13 603	61	1 251	14 916	12 724	377	1 151	14 252
Hedging derivatives	0	1 094	0	1 094	0	1 319	0	1 319
Total	15 185	5 238	2 857	23 280	14 420	5 966	2 342	22 728

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2020)

During 2021, KBC transferred about 206 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 287 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 2020)

In 2021 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 173 million euros, primarily due to new transactions, only partially offset by changes in fair value and instruments that reached maturity. The fair value of debt securities decreased by 34 million euros, mostly due to changes in fair value.
- Financial liabilities held for trading: the fair value of derivatives increased by 500 million euros, mainly due to a combination of changes in fair value and new transactions, only partially offset by sales of existing positions. The fair value of debt securities issued decreased by 85 million euros, primarily due to instruments that reached maturity.
- Financial liabilities designated at fair value: the fair value of debt securities issued increased by 100 million euros, mostly due to new issues only partially offset by repurchases.

Provisions for risks and charges (note 5.7 in the annual accounts 2020)

- On 6 October 2011, Irving H. Picard, trustee for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) before the bankruptcy court in New York to recover (claw-back) approximately USD 110,000,000 which had been transferred from Madoff (via a feeder fund KBC had lent to, called Harley) to KBC entities. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors ("joint defense group").
- A lengthy litigation process was conducted on the basis of preliminary objections in respect of the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees (as is the case for KBC Investments Ltd), as detailed in previous disclosures. In June 2015 the trustee amended the original claim which led to an increase of the amount claimed to USD 196,000,000.
- A court ruling dismissing the claim of the Trustee was issued on 3 March 2017. The Trustee appealed and the Court of Appeal reversed the dismissal on 28 February 2019. A petition (i.e. writ of Certiorari) filed on 30 August 2019 was denied by the U.S. Supreme Court on 2 June 2020. As a consequence the merits of the case are handled by the Bankruptcy Court.

- On August 30, 2021, in two other appeals by other defendants, the appellate court ("Court of Appeals for the Second Circuit") reversed the burden of proof from an initial burden on the Trustee to prove the defendant's lack of good faith to a burden on the defendant to prove its good faith.
- Given that the new judge, appointed to the Bankruptcy Court, has decided to handle all proceedings separately, the Trustee has begun to have separate discussions with counsel for all Defendants in the remaining 80 cases . However, KBC will be filing a motion to dismiss for lack of specific personal jurisdiction of the US court, in particular due to the insufficient nexus of KBC Investments Ltd to US jurisdiction.
- Although the burden of proof has been increased, KBC still believes that it has a good and credible defenses, both procedurally and on the merits, including the affirmative defense of its good faith.
- The proceedings may continue for several years.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2020)

Quantities	31-12-2021	31-12-2020
Ordinary shares	416 883 592	416 694 558
of which ordinary shares that entitle the holder to a dividend payment	*416 883 592*	*416 694 558*
of which treasury shares	*2*	*20 795*
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels). The treasury shares almost fully relate to positions in shares of KBC Group to hedge outstanding equity derivatives.

In December 2021 the number of KBC Group NV shares went up by 189 034 to 416 883 592 (in December 2020 by 299 916 to 416 694 558), due to new shares being issued following the yearly capital increases reserved for staff.

Non-current assets held for sale and discontinued operations (note 5.11 in the annual accounts 2020)

The sale of loans and deposits at KBC Bank Ireland resulted in a shift to the items 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' because we consider all IFRS 5 conditions are met. More details can be found in the table below. For more information, see note 6.6.

KBC Bank Ireland (in millions of EUR)	31-12-2021
ASSETS	
Loans and advances to customers (excl. reverse repos)	9 998
Consumer credit	32
Mortgage loans	9 871
Term loans	83
Current account advances	12
LIABILITIES	
Deposits from customers and debt securities (excl. repos)	3 999
Demand deposits	481
Time deposits	949
Savings accounts	2 569
Deposits from credit institutions and investment firms (excl. repos)	263
of which repayable on demand	257

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2020)

In 2021 and upcoming changes:

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.

- The impact of this is included in the consolidated balance sheet figures (as of 30 September 2021). The results of the relevant operations were fully consolidated in the income statement from 1 August 2021. See table with details further in this note.
- KBC has recognised goodwill of 56 million euros in the consolidated accounts on Pension Insurance Company UBB EAD. This is justified by the profitability of this company (based on the results of previous years and the business plan for the coming years), and allows UBB and DZI to further increase their cross-selling potential through their already established bancassurance presence on the Bulgarian market, to serve more customers and to benefit from economies of scale and increased visibility.
- KBC booked no goodwill or badwill on the acquisition of all assets and liabilities of NN Insurance Co. Ltd. - Sofia Branch as the acquisition price was approximately equal to the net value of the assets and liabilities acquired (taking into account specific fair value adjustments).
- IFRS 3 (Business Combinations) allows in principle for the adjustment of the goodwill amount during the 12-month period from the acquisition date. Therefore, the goodwill amount is temporary and subject to change (currently there are no indications that a significant change to the goodwill calculation will be necessary). The goodwill cannot be deducted for tax purposes.
- The deal had no impact on KBC's capital position at Group level and only a limited negative impact on the Solvency II ratio.
- The impact of NN's Bulgarian pension and life insurance activities, as included in KBC's profit and loss account as of 1 August 2021: +5 million euros total income (of which the largest part in net fee and commission income), -4 million euros operating expenses and +1 million euros result after tax.
- Fair value of the main assets and liabilities included in the acquisition of NN's Bulgarian pension and life insurance activities: see table further in this note.

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). 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).

Transaction with Bank of Ireland Group

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

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

The transaction remains subject to regulatory, including Irish competition, approvals.

The transaction will have an impact on KBC Group's P&L which has been estimated at +0.2 billion euros at completion. Furthermore, as the transaction would ultimately result in KBC Group's withdrawal from the Irish market, this also triggers a P&L impact in 2021 of -241 million euros (see table with details further in this note). Combined, it further improves KBC's solid capital position on completion of the transaction (expected in 2H 2022), with a positive impact of +0.9%pt. on the CET1 ratio primarily by reducing risk-weighted assets by c.5 billion euros upon completion of the transaction and a further c.1 billion thereafter.

As a result of this announcement, the P&L-lines of KBC Bank Ireland will be transferred from Business Unit International Markets (KBC Group) to Group Centre as of 1 January 2022 (not retroactive).

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
4Q 2021			
Total income	0	- 3	- 3
Operating expenses	0	- 16	- 16
Impairment	- 10	- 15	- 25
on financial assets at AC and at FVOCI	*- 10*	*2*	*- 8*
other	*0*	*- 17*	*- 17*
Income tax expense	0	1	1
RESULT AFTER TAX	- 10	- 32	- 42
3Q 2021			
Operating expenses	- 7	- 75	- 81
Impairment	- 119	- 66	- 185
on financial assets at AC and at FVOCI	*- 119*	*- 51*	*- 170*
other	*0*	*- 15*	*- 15*
Income tax expense	16	- 68	- 53
RESULT AFTER TAX	- 110	- 209	- 319

Bulgarian operations of Raffeisen Bank International:

On 15 November 2021, KBC Bank and Austria-based Raiffeisen Bank International ('RBI') reached an agreement for KBC Bank to acquire 100% of the shares of Raiffeisenbank (Bulgaria) EAD, comprising RBI's Bulgarian banking operations.

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

The deal, involving a total consideration of 1 015 million euros paid in cash, reflects the quality of the Raiffeisen franchise and the synergies potential.

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

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

In 2020 :

On 29 May 2020, KBC Insurance and Nova Ljubljanska banka ('NLB') closed the transaction announced on 27 December 2019 to sell, in a joint process, their respective stakes in the Slovenian 50/50 life insurance joint venture **NLB Vita**.

The transaction had a negligible impact on KBC Group's P&L and capital ratio.

On 26 November 2020, we completed the acquisition of 99.44% of **OTP Banka Slovensko** for EUR 64 million, without any contingent consideration.

- The impact was included in the consolidated balance sheet figures of 4Q 2020. The results of OTP Banka Slovensko are fully consolidated in each line of the income statement as of 1 January 2021.
- KBC did not recognise any goodwill or badwill in its consolidated financial statements at the end of 2020 as the acquisition price was close to OTP's equity (taking into account specific negative fair value adjustments identified by KBC during the due diligence process). If needed, IFRS 3 (Business Combinations) requires to adjust the goodwill amount during the 12-month period from the acquisition date. After finalization of the specific fair value adjustments (mainly related to the loan portfolio based on a detailed screening of individual files during 2021), KBC recorded a badwill of 28 million euros in 4Q 2021 (included in net other income, see also Note 3.6). The badwill is not subject to tax.
- The acquisition had a limited impact on KBC's capital position (-0.2% on common equity ratio).
- In 2021, the stake increased to 100% via a squeeze-out bid. On 1 October 2021, CSOB Slovakia merged with OTP Banka Slovensko (merger by absorption).
- The impact of OTP Banka Slovensko, as included in KBC's profit and loss account as of 1 January 2021: approximately +34 million euros total income (of which almost 80% in net interest income and the remainder in net fee and commission income), -30 million euros business-as-usual operating expenses (excluding 18 million euros one-off integration project costs, of which 4 million euro booked at OTP Banka Slovensko and 14 million euro booked at CSOB SK), 6 million euros impairment releases and +4 million euros result after tax.

The following table sets out the fair value of the main assets and liabilities included in the acquisition of OTP Banka Slovensko and of NN's Bulgarian pension and life insurance activities.

in millions of EUR	2021	2020
Purchase or sale	Purchase	Purchase
	Bulgarian life and pension insurance from NN	OTP Banka Slovenska
Total share percentage at the end of the relevant year	100.00%	99.44%
For business unit/segment	International Markets	International Markets
Deal date (month and year)	July 2021	November 2020
Incorporation of the result of the company in the result of the group as of:	01-08-2021	01-01-2021
Purchase price	78	64
Cashflow for acquiring or selling companies less cash and cash equivalents acquired	- 71	107
Recognised amounts of identifiable assets acquired and liabilities assumed - (provisional) fair value at:	31/07/2021	31/12/2020
Cash and cash balances with central banks	7	171
Financial assets	106	1 209
At amortised cost	1	1 206
Fair value through OCI	58	2
Fair value through profit or loss	47	0
Hedging derivatives	0	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	0
Tax assets	0	16
Property and equipment	1	10
Goodwill and other intangible assets	0	0
Other assets	5	2
of which: cash and cash equivalents (included in the assets above)	*7*	*171*
Financial liabilities	36	1 048
At amortised cost	0	1 048
Hedging derivatives	36	0
Technical provisions, before reinsurance	59	0
Provisions for risks and charges	0	10
Other liabilities	3	21
of which: cash and cash equivalents (included in the liabilities above)	*0*	*0*

Post-balance sheet events (note 6.8 in the annual accounts 2020)

Significant non-adjusting event between the balance sheet date (31 December 2021) and the publication of this report (10 February 2022):

- KBC Group and KBC Bank Ireland finalized the deal announced on 30 August 2021 about the disposal of a non-performing mortgage loan portfolio of roughly 1.1 billion euros (mainly Private Dwelling House and Buy to let) in a transaction financed by funds managed by CarVal Investors (for more information see note 6.6).

KBC Group

Additional Information 4Q 2021 and FY 2021

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities in the investment portfolio are included if they are issued by companies or banks. Government bonds are not included. The loan portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section of the annual accounts 2020. For more information, please refer to 'Details of ratios and terms on KBC Group level'.

Credit risk: loan portfolio overview	31/12/2021	Pro Forma excl. Ireland 31/12/2021	31/12/2020
Total loan portfolio (in billions of EUR) [1]			
Amount outstanding and undrawn	237	226	225
Amount outstanding	188	178	181
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)			
Belgium	63.4%	67.1%	64.0%
Czech Republic	18.8%	19.9%	17.6%
International Markets	16.8%	11.9%	16.6%
Group Centre	1.0%	1.1%	1.8%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)			
Private individuals	44.4%	41.2%	43.0%
Finance and insurance	6.0%	6.3%	8.0%
Governments	2.8%	2.9%	2.9%
Corporates	46.8%	49.5%	46.1%
Services	10.3%	10.9%	10.8%
Distribution	7.5%	8.0%	6.9%
Real estate	6.1%	6.4%	6.3%
Building & construction	4.2%	4.4%	3.9%
Agriculture, farming, fishing	2.7%	2.9%	2.7%
Automotive	2.4%	2.6%	2.5%
Food Producers	1.8%	1.9%	1.8%
Electricity	1.6%	1.6%	1.6%
Metals	1.4%	1.5%	1.4%
Chemicals	1.3%	1.4%	1.4%
Machinery & Heavy equipment	0.9%	0.9%	0.9%
Hotels, bars & restaurants	0.7%	0.8%	0.7%
Shipping	0.7%	0.7%	0.6%
Oil, gas & other fuels	0.6%	0.7%	0.5%
Traders	0.5%	0.5%	0.5%
Electrotechnics	0.5%	0.5%	0.5%
Textile & Apparel	0.5%	0.5%	0.4%
Other [2]	3.1%	3.3%	2.9%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)			
Home countries	88.7%	88.1%	86.7%
Belgium	53.9%	57.1%	53.2%
Czech Republic	17.6%	18.7%	16.6%
Ireland	5.7%	0.1%	5.8%
Slovakia	5.6%	6.0%	5.7%
Hungary	3.6%	3.8%	3.3%
Bulgaria	2.3%	2.4%	2.1%
Rest of Western Europe	6.9%	7.3%	8.9%
Rest of Central and Eastern Europe	0.2%	0.2%	0.2%
North America	1.3%	1.3%	1.4%
Asia	1.5%	1.6%	1.2%
Other	1.4%	1.5%	1.6%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)			
Retail	44.4%	41.2%	42.9%
of which: mortgages	41.2%	37.8%	39.7%
of which: consumer finance	3.2%	3.4%	3.2%
SME	21.5%	22.8%	21.6%
Corporate	34.0%	36.0%	35.4%

	31/12/2021	Pro Forma excl. Ireland 31/12/2021	31/12/2020
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)			
Stage 1 (credit risk has not increased significantly since initial recognition)	83.5%	83.5%	85.2%
of which: PD 1 - 4	62.3%	65.4%	62.5%
of which: PD 5 - 9 including unrated	21.2%	18.1%	22.7%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI[3]	13.6%	14.1%	11.5%
of which: PD 1 - 4	5.1%	5.4%	3.6%
of which: PD 5 - 9 including unrated	8.5%	8.7%	7.9%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI[3]	2.9%	2.4%	3.3%
of which: PD 10 impaired loans	1.4%	1.1%	1.5%
of which: more than 90 days past due (PD 11+12)	1.5%	1.2%	1.8%
Impaired loan portfolio (in millions of EUR)			
Impaired loans (PD10 + 11 + 12)	5 454	4 198	5 902
of which: more than 90 days past due	2 884	2 157	3 220
Impaired loans ratio (%)			
Belgium	2.2%	2.2%	2.3%
Czech Republic	1.8%	1.8%	2.3%
International Markets	5.7%	2.5%	6.9%
Group Centre	21.5%	21.5%	13.9%
Total	2.9%	2.4%	3.3%
of which: more than 90 days past due	1.5%	1.2%	1.8%
Loan loss impairment (in millions of EUR)			
Loan loss Impairment for Stage 1 portfolio	127	123	191
Loan loss Impairment for Stage 2 portfolio	559	528	998
Loan loss Impairment for Stage 3 portfolio	2 569	2 025	2 638
of which: more than 90 days past due	1 905	1 513	2 044
Cover ratio of impaired loans (%)			
Loan loss impairments for stage 3 portfolio / impaired loans	47.1%	48.2%	44.7%
of which: more than 90 days past due	66.1%	70.2%	63.5%
Cover ratio of impaired loans, mortgage loans excluded (%)			
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	50.9%	50.8%	52.3%
of which: more than 90 days past due	72.8%	72.7%	74.8%
Credit cost ratio (%)			
Belgium	-0.26%	-0.26%	0.57%
Czech Republic	-0.42%	-0.42%	0.67%
International Markets	0.36%	-0.19%	0.78%
Slovakia	-0.16%	-0.16%	0.50%
Hungary	-0.34%	-0.34%	1.05%
Bulgaria	-0.06%	-0.06%	0.73%
Ireland	1.43%		0.88%
Group Centre	0.28%	0.28%	-0.23%
Total	-0.18%	-0.27%	0.60%

[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] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors
[3] Purchased or originated credit impaired assets

As of 3Q 2021, given the aim of returning fully to the regular impairment process, KBC has decided to capture part of the Covid-19 ECL via a collective transfer to Stage 2 of two Stage 1 portfolios for which the repayment is still uncertain. More specially, the SME & Corporate clients active in a highly vulnerable sector and the payment holidays (Retail & Non-Retail) which are still ongoing or ended maximum 6 months ago. This collective transfer led to a migration of 3.1 billion euros of our outstanding from Stage 1 towards Stage 2 . As of 4Q 2021 a collective shift to Stage 2 has been applied on a part of the Czech retail portfolio linked to the recent sharp increase in interest rates, leading to a migration of 0.7 billion euros from Stage 1 towards Stage 2. The related files, shifted in 3Q and 4Q, will revert to Stage 1 after a probation period of 6 months in case no other signs of an increase in credit risk are detected. Excluding these collective transfers, only minor Stage shifts have been observed in our portfolio (for more information see note 4.2.1).

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2020 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Loan portfolio per Business Unit (banking activities)

Legend:

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

Loan portfolio per Business Unit 31-12-2021, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**119 353**			**35 436**			**31 660**			**1 950**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	42 287	35%		21 011	59%		20 418	64%		0	0%	
o/w mortgages	40 654	34%		18 732	53%		18 236	58%		0	0%	
o/w consumer finance	1 633	1%		2 279	6%		2 183	7%		0	0%	
SME	33 095	28%		5 114	14%		2 375	8%		0	0%	
corporate	43 971	37%		9 311	26%		8 867	28%		1 950	100%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	40 654	34%	56%	18 732	53%	55%	18 236	58%	62%	0	0%	-
o/w FX mortgages	0	0%	-	0	0%	-	67	0%	59%	0	0%	-
o/w ind. LTV > 100%	347	0%	-	41	0%	-	599	2%	-	0	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	92 538	78%		20 868	59%		12 174	38%		1 402	72%	
medium risk (PD 5-7; 0.80%-6.40%)	20 680	17%		12 743	36%		15 085	48%		128	7%	
high risk (PD 8-9; 6.40%-100.00%)	3 328	3%		1 157	3%		1 701	5%		0	0%	
impaired loans (PD 10 - 12)	2 595	2%		649	2%		1 790	6%		420	22%	
unrated	213	0%		19	0%		911	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	2 595	1 106	43%	649	320	49%	1 790	777	43%	420	365	87%
o/w PD 10 impaired loans	1 429	329	23%	370	120	32%	744	195	26%	27	20	75%
o/w more than 90 days past due (PD 11+12)	1 166	777	67%	279	201	72%	1 046	582	56%	393	345	88%
all impairments (stage 1+2+3)	1 437			482			967			369		
o/w stage 1+2 impairments (incl. POCI)	331			162			189			4		
o/w stage 3 impairments (incl. POCI)	1 106			320			777			365		
2020 Credit cost ratio (CCR)[3]	0.57%			0.67%			0.78%			-0.23%		
2021 Credit cost ratio (CCR)[3]	-0.26%			-0.42%			0.36%			0.28%		

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

[2] Business Unit Group Centre = part of non-legacy portfolio assigned to BU Group and activities in wind-down (e.g. ex-Antwerp Diamond Bank)

[3] CCR at country level in local currency

Loan portfolio Business Unit International Markets

Legend:

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

  Cover ratio impaired loans: stage 3 impairments / impaired loans

Loan portfolio Business Unit International Markets 31-12-2021, in millions of EUR	Slovakia			Hungary			Bulgaria			Ireland[1]		
Total portfolio outstanding	**10 183**			**6 651**			**4 322**			**10 504**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	5 759	57%		2 581	39%		1 652	38%		10 426	99%	
o/w mortgages	5 186	51%		1 826	27%		883	20%		10 342	98%	
o/w consumer finance	573	6%		755	11%		770	18%		84	1%	
SME	1 108	11%		136	2%		1 078	25%		53	1%	
corporate	3 316	33%		3 934	59%		1 592	37%		25	0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	5 186	51%	66%	1 826	27%	51%	883	20%	59%	10 342	98%	61%
o/w FX mortgages	0	0%	-	2	0%	78%	65	2%	58%	0	0%	-
o/w ind. LTV > 100%	61	1%	-	56	1%		14	0%	-	468	4%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	6 204	61%		3 617	54%		1 314	30%		1 038	10%	
medium risk (PD 5-7; 0.80%-6.40%)	2 341	23%		2 723	41%		2 575	60%		7 446	71%	
high risk (PD 8-9; 6.40%-100.00%)	561	6%		173	3%		203	5%		764	7%	
impaired loans (PD 10 - 12)	167	2%		137	2%		229	5%		1 256	12%	
unrated	910	9%		1	0%		0	0%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	167	99	59%	137	52	38%	229	83	36%	1 256	543	43%
o/w PD 10 impaired loans	44	10	23%	100	28	28%	71	6	8%	529	151	29%
o/w more than 90 days past due (PD 11+12)	123	88	72%	37	25	66%	159	77	49%	727	392	54%
all impairments (stage 1+2+3)	177			106			104			579		
o/w stage 1+2 impairments (incl. POCI)	79			54			21			36		
o/w stage 3 impairments (incl. POCI)	99			52			83			543		
2020 Credit cost ratio (CCR)[2]	0.50%			1.05%			0.73%			0.88%		
2021 Credit cost ratio (CCR)[2]	-0.16%			-0.34%			-0.06%			1.43%		

[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 will be 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 reflect the 2021 profit and proposed 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 92% of the weighted credit risks, of which approx. 88% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 10.81% (fully loaded, Danish Compromise which includes the CRR/CRD minimum requirement (4.50%), the Pillar 2 Requirement (1.86%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% Systemic Buffer and 0.45% Countercyclical Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

Distributions (being dividend payments, payments related to additional tier 1 instruments or variable remuneration) are limited in case the combined buffer requirements described above are breached. This limitation is also referred to as “Maximum Distributable Amount” or “MDA” thresholds.
The table below provides an overview of the buffers KBC Group has compared to these thresholds, both on an actuals basis (i.e. versus the regulatory targets that apply at the reporting date) and a fully loaded basis (i.e. versus the regulatory targets that will apply going forward).

In line with CRD Art. 104a(4), ECB allows banks to satisfy the P2R with additional tier-1 instruments (up to [1.5]/8) and tier-2 instruments (up to 2/8) based on the same relative weights as allowed for meeting the 8% Pillar 1 Requirement. KBC currently does not intend to issue additional tier-1 or tier-2 instruments to meet the P2R; KBC may consider this to avoid or mitigate a MDA breach.

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	31-12-2021 Fully loaded	31-12-2021 Actuals	31-12-2020 Fully loaded	31-12-2020 Actuals
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement to be satisfied with CET1	1.05%	0.98%	0.98%	0.98%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Entity-specific countercyclical buffer	0.45%	0.17%	0.20%	0.17%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. 104a(4)	10.00%	9.66%	9.68%	9.65%
Pillar 2 requirement that can be satisfied with AT1 & AT2	0.81%	0.77%	0.77%	0.77%
Overall Capital Requirement (OCR) (A)[1] no P2R split	10.81%	10.42%	10.45%	10.42%
CET1 used to satisfy shortfall in AT1 bucket (B)	0.07%	0.06%	0.03%	0.03%
CET1 used to satisfy shortfall in T2 bucket (C) [2]	0.36%	0.34%	-0.13%	0.12%
CET1 requirement for MDA (A+B+C)	11.23%	10.82%	10.35%	10.57%
CET1 capital	16 224	17 498	17 948	18 441
CET1 buffer (= buffer compared to MDA)	4 470	6 204	7 382	7 681

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

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

Overview of KBC Group's capital ratios (in millions of EUR) 31-12-2021		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	16 224	104 646	15.50%
Deduction Method	Fully loaded	15 392	99 603	15.45%
Financial Conglomerates Directive	Fully loaded	17 861	120 873	14.78%
Danish Compromise	Transitional	17 498	104 362	16.77%
Deduction Method	Transitional	16 745	99 518	16.83%
Financial Conglomerates Directive	Transitional	19 370	120 589	16.06%

KBC’s fully loaded CET1 ratio of 15.50% at the end of December 2021 represents a solid capital buffer:

- 4.69% capital buffer compared with the Overall Capital Requirement (OCR) of 10.81%
- 4.27% capital buffer compared with the Maximum Distributable Amount (MDA) of 11.23%.

The impact on ‘Total weighed risk volume ‘and the ‘Common equity ratio’ of our most significant acquisitions and disposals in 2020 and 2021 (the acquisition of OTP Banka Slovenska, the acquisition of NN’s Bulgarian pension and life insurance business and the sale of the Irish credit and deposit portfolio) are described in Note 6.6 of this report.

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	31-12-2021 Fully loaded	31-12-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Total regulatory capital (after profit appropriation)	19 445	20 733	21 627	21 856
Tier-1 capital	17 724	18 998	19 448	19 941
Common equity	16 224	17 498	17 948	18 441
Parent shareholders' equity (after deconsolidating KBC Insurance)	20 049	17 708	18 688	18 688
Intangible fixed assets, incl deferred tax impact (-)	- 539	- 539	- 568	- 568
Goodwill on consolidation, incl deferred tax impact (-)	- 746	- 746	- 734	- 734
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	1 108	1 108	1 294	1 294
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 16	- 16	- 13	- 13
Value adjustment due to the requirements for prudent valuation (-)	- 28	- 28	- 25	- 25
Dividend payout (-)	- 3 168	0	- 183	- 183
Coupon of AT1 instruments (-)	- 12	- 12	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 72	- 72	- 58	- 58
Deduction re NPL backstops (-)	- 68	- 68	- 11	- 11
IRB provision shortfall (-)	0	- 31	0	0
Deferred tax assets on losses carried forward (-)	- 227	- 227	- 373	- 373
Transitional adjustments to CET1	0	478	0	493
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	1 721	1 735	2 178	1 914
IRB provision excess (+)	224	493	427	427
Transitional adjustments to T2	0	- 493	0	- 264
Subordinated liabilities	1 497	1 735	1 751	1 751
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	104 646	104 362	102 111	101 843
Banking	95 120	94 836	92 903	92 635
Insurance	9 133	9 133	9 133	9 133
Holding activities	396	396	66	66
Elimination of intercompany transactions	- 4	- 4	9	9
Solvency ratios				
Common equity ratio	15.50%	16.77%	17.58%	18.11%
Tier-1 ratio	16.94%	18.20%	19.05%	19.58%
Total capital ratio	18.58%	19.87%	21.18%	21.46%

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

Note: the difference between the fully loaded total own funds (19 445 million euros; profit and dividend re. 2021 is included) and the transitional own funds (20 733 million euros; profit and dividend re. 2021 is not included) as at 31-12-2021 is explained by the net result for 2021 (2 341 million euros under the Danish Compromise method), the proposed final dividend (- 3 168 million euros), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (-222 million euros) and the grandfathered tier-2 subordinated debt instruments (-239 million euros).

The ECB lifted its restrictions on bank dividend payments and share buy backs as of 30 September 2021. As a result, KBC’s Board of Directors of 10 November 2021 decided to distribute from retained earnings an interim dividend of 3.0 euros per share (of which 2.0 euros related to the accounting year 2020 and 1.00 euro related to the accounting year 2021). In total an interim dividend of 1 250 million euros, paid on 17 November 2021 is therefore deducted from the solvency ratios in 3Q 2021.

Additionally, a final ordinary dividend of 3.0 euros per share and an extra-ordinary dividend of 4.6 euros per share (payment date 12-05-2022) is proposed to the General Meeting of Shareholders. The 2021 profit and the proposed 7.6 euros per share final dividend is included in the 31-12-2021 fully loaded figures, but not in the 31-12-2021 transitional figures pending the formal approval by the General Meeting.

Leverage ratio KBC Group

Leverage ratio KBC Group In millions of EUR	31-12-2021 Fully loaded	31-12-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Tier-1 capital	17 724	18 998	19 448	19 941
Total exposures	326 792	292 365	303 069	303 696
Total Assets	340 346	340 346	320 743	320 743
Deconsolidation KBC Insurance	-34 026	-34 026	-32 972	-32 972
Transitional adjustment	0	617	0	
Adjustment for derivatives	-1 656	-1 656	-4 158	-4 158
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 665	-1 696	-1 825	-1 825
Adjustment for securities financing transaction exposures	1 016	1 016	830	830
Central Bank exposure	0	-35 014	0	0
Off-balance sheet exposures	22 776	22 776	20 451	20 451
Leverage ratio	5.42%	6.50%	6.42%	6.57%

At the end of December 2021, the fully loaded leverage ratio decreased compared to December 2020, mainly due to lower Tier-1 Capital following the deduction of the 3.00 euros interim dividend per share in 3Q 2021 and 7.60 euros closing dividend per share in 4Q 2021. Additionally, the total assets have increased driven by short-term money market and repo opportunities.

The higher transitional ratio (in comparison with the fully loaded ratio) reflects the exclusion of Central Bank exposures (CRR Art. 500b; applied as from the end of September 2021 onwards).

Solvency banking and insurance activities separately

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

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

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	31-12-2021 Fully loaded	31-12-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Total regulatory capital, after profit appropriation	18 318	17 964	17 792	18 021
Tier-1 capital	16 415	16 210	15 585	16 078
Common equity	14 915	14 710	14 085	14 578
Parent shareholders' equity	17 047	14 912	14 567	14 567
Solvency adjustments	-2 132	- 202	- 481	12
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	1 903	1 754	2 206	1 942
Total weighted risk volume	95 120	94 836	92 903	92 635
Credit risk	80 971	80 687	78 785	78 518
Market risk	2 665	2 665	2 716	2 716
Operation risk	11 484	11 484	11 401	11 401
Common equity ratio	15.7%	15.5%	15.2%	15.7%

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-12-2021	31-12-2020
Own Funds	4 075	3 868
Tier 1	3 574	3 368
IFRS Parent shareholders equity	3 991	3 815
Dividend payout	- 525	0
Deduction intangible assets and goodwill (after tax)	- 194	- 136
Valuation differences (after tax)	267	- 383
Volatility adjustment	43	89
Other	- 8	- 16
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	2 029	1 744
Market risk	1 581	1 355
Non-life	626	583
Life	834	735
Health	314	305
Counterparty	114	101
Diversification	-1 133	-1 027
Other	- 308	- 308
Solvency II ratio	201%	222%

Minimum requirement for own funds and eligible liabilities (MREL)

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

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

- 22.13% of RWA as from 01-01-2024 with an intermediate target of 21.63% as from 01-01-2022 (the Combined Buffer Requirement(1) needs to be held on top and amounts to 4.35% as from 2022 and 4.45% as from 2023)
- 7.34% of LRE as from 01-01-2022

At the end of December 2021, the MREL ratio stands at 27.7% as a % of RWA (versus 27.9% as at 31-12-2020) and at 9.9% as % of LRE (versus 9.3% as at 31-12-2020). The MREL ratio in % of LRE increases, compared to 31-12-2020, due to decrease of the Leverage Ratio Exposure (mainly driven by implementation of the ECB relief measure from September 2021, allowing temporary exclusion of the exposure to central banks 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). KBC Group has on its balance sheet a limited amount of liabilities, excluded from bail-in, which rank pari passu to MREL eligible liabilities. These excluded liabilities are related to critical shared services (e.g. IT). This jeopardizes the eligibility of the HoldCo senior debt to be acknowledged by the SRB as subordinated.

To ensure that KBC's HoldCo senior debt is eligible for the subordinated MREL target (i.e., to make sure that no excluded liabilities ranking pari passu or junior with HoldCo senior debt are present in KBC Group NV), KBC Group decided to make KBC Group NV a Clean HoldCo for the purpose of resolution. After implementation of the Clean HoldCo, KBC's entire MREL stack will be considered as subordinated.

The new binding subordinated MREL targets are:

- 15.95% of RWA as from 01-01-2024 with an intermediate target of 13.50% as from 01-01-2022 (the Combined Buffer Requirement(1) needs to be held on top and amounts to 4.35% as from 2022 and 4.45% as from 2023)
- 7.34% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of December 2021, the subordinated MREL ratio stands at 20.6% as a % of RWA (versus 21.5% as at 31-12-2020) and at 7.35% as % of LRE (versus 7.20% as at 31-12-2020).

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.35% for 2022 and 0.45% as from 2023), comes on top of the MREL target as a percentage of RWA.

Income statement, volumes and ratios per business unit

Details on our segments or business units are available in the company presentation.

Note: The ECB approved to apply the IFRS9 transitional arrangements from 2Q 2020, as such the difference between fully loaded and the transitional measures are assigned to Group Centre. In other words, the RWA, allocated capital and the ROAC of the different countries remain based on fully loaded.

Business unit Belgium (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	2 533	2 579	641	629	637	626	631
Non-life insurance (before reinsurance)	460	562	100	77	143	140	127
Earned premiums	1 197	1 141	308	306	293	289	290
Technical charges	- 737	- 579	- 208	- 229	- 150	- 149	- 164
Life insurance (before reinsurance)	- 55	- 63	- 16	- 13	- 13	- 12	- 10
Earned premiums	903	913	298	189	194	223	298
Technical charges	- 958	- 976	- 314	- 202	- 207	- 235	- 308
Ceded reinsurance result	36	- 12	13	27	- 3	- 1	10
Dividend income	38	47	8	10	15	6	10
Net result from financial instruments at fair value through profit or loss	224	32	34	33	38	120	33
Net realised result from debt instruments at fair value through OCI	2	0	0	0	1	1	- 2
Net fee and commission income	1 320	1 138	338	333	322	327	287
Net other income	195	157	38	83	33	41	41
TOTAL INCOME	4 754	4 438	1 154	1 179	1 173	1 248	1 127
Operating expenses	- 2 436	- 2 398	- 558	- 520	- 538	- 821	- 530
Impairment	303	- 695	43	139	56	65	- 67
on financial assets at AC and at FVOCI	309	- 654	51	139	56	62	- 39
other	- 6	- 41	- 8	- 1	0	3	- 27
Share in results of associated companies and joint ventures	- 3	- 9	- 1	- 2	1	- 1	- 1
RESULT BEFORE TAX	2 618	1 335	639	796	693	490	529
Income tax expense	- 621	- 335	- 153	- 193	- 165	- 110	- 132
RESULT AFTER TAX	1 997	1 001	486	603	528	380	396
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**1 997**	**1 001**	**486**	**603**	**528**	**380**	**396**
Banking	1 619	650	413	522	403	282	285
Insurance	377	351	73	81	125	98	111
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	108 251	103 092	108 251	106 952	105 594	103 960	103 092
of which Mortgage loans (end of period)	*41 561*	*38 831*	*41 561*	*40 800*	*40 069*	*39 452*	*38 831*
Customer deposits and debt certificates excl. repos (end of period)	142 282	135 442	142 282	151 203	159 581	150 296	135 442
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	12 989	13 032	12 989	12 942	12 984	13 018	13 032
Unit-Linked (end of period)	13 634	12 819	13 634	13 262	13 217	13 014	12 819
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	55 520	52 671	55 520	54 493	54 419	53 759	52 671
Required capital, insurance (end of period)	1 708	1 491	1 708	1 648	1 651	1 546	1 491
Allocated capital (end of period)	7 510	6 995	7 510	7 342	7 338	7 164	6 995
Return on allocated capital (ROAC)	27%	15%	27%	33%	29%	21%	23%
Cost/income ratio, group	51%	54%	48%	44%	46%	66%	47%
Combined ratio, non-life insurance	90%	84%	98%	98%	83%	80%	87%
Net interest margin, banking	1.62%	1.63%	1.60%	1.61%	1.63%	1.63%	1.59%

Business unit Czech Republic (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	972	1 012	292	244	220	215	206
Non-life insurance (before reinsurance)	142	141	35	34	30	43	36
Earned premiums	337	302	89	88	82	78	77
Technical charges	- 194	- 161	- 54	- 54	- 52	- 35	- 41
Life insurance (before reinsurance)	61	48	17	15	14	15	10
Earned premiums	182	206	47	41	51	43	59
Technical charges	- 121	- 158	- 30	- 27	- 37	- 27	- 49
Ceded reinsurance result	17	- 1	7	4	8	- 3	0
Dividend income	1	1	0	0	1	0	0
Net result from financial instruments at fair value through profit or loss	95	7	35	24	7	29	26
Net realised result from debt instruments at fair value through OCI	- 4	1	- 3	0	- 2	0	0
Net fee and commission income	214	203	54	56	54	50	46
Net other income	8	13	- 10	5	6	7	- 3
TOTAL INCOME	1 506	1 425	428	383	339	356	322
Operating expenses	- 803	- 752	- 204	- 183	- 191	- 225	- 187
Impairment	126	- 226	14	50	50	12	- 24
on financial assets at AC and at FVOCI	142	- 210	26	50	53	13	- 17
other	- 9	- 16	- 5	0	- 3	- 1	- 7
Share in results of associated companies and joint ventures	- 3	- 2	- 1	- 1	0	- 1	- 1
RESULT BEFORE TAX	827	446	237	249	198	143	111
Income tax expense	- 129	- 71	- 39	- 40	- 30	- 20	- 17
RESULT AFTER TAX	697	375	198	209	168	123	94
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**697**	**375**	**198**	**209**	**168**	**123**	**94**
Banking	629	321	176	195	152	105	81
Insurance	69	54	22	14	16	18	12
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	32 671	29 099	32 671	31 288	30 551	29 273	29 099
of which Mortgage loans (end of period)	*18 303*	*16 190*	*18 303*	*17 437*	*17 190*	*16 449*	*16 190*
Customer deposits and debt certificates excl. repos (end of period)	46 239	41 610	46 239	45 108	44 650	43 079	41 610
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	690	655	690	676	676	663	655
Unit-Linked (end of period)	526	614	526	572	594	576	614
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	16 213	15 338	16 213	16 139	15 594	15 109	15 338
Required capital, insurance (end of period)	147	137	147	149	149	149	137
Allocated capital (end of period)	1 841	1 739	1 841	1 835	1 778	1 728	1 739
Return on allocated capital (ROAC)	39%	22%	44%	47%	38%	28%	22%
Cost/income ratio, group	53%	53%	48%	48%	56%	63%	58%
Combined ratio, non-life insurance	87%	87%	84%	92%	87%	83%	87%
Net interest margin, banking	2.08%	2.31%	2.29%	2.08%	1.97%	1.99%	1.95%

Business unit International Markets (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	962	894	249	243	239	231	229
Non-life insurance (before reinsurance)	160	150	40	34	40	46	31
Earned premiums	336	321	85	86	83	82	80
Technical charges	- 176	- 172	- 45	- 52	- 43	- 37	- 49
Life insurance (before reinsurance)	39	26	10	11	9	9	5
Earned premiums	111	105	30	26	27	27	26
Technical charges	- 71	- 79	- 20	- 15	- 18	- 18	- 22
Ceded reinsurance result	- 16	- 5	- 4	- 3	- 2	- 7	2
Dividend income	1	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	23	43	- 5	5	13	11	16
Net realised result from debt instruments at fair value through OCI	2	2	2	0	0	0	0
Net fee and commission income	305	273	87	78	74	66	69
Net other income	- 7	8	- 2	- 10	1	4	1
TOTAL INCOME	1 469	1 391	376	358	374	361	353
Operating expenses	- 1 048	- 894	- 263	- 299	- 231	- 254	- 231
Impairment	- 160	- 250	- 41	- 142	23	0	- 15
on financial assets at AC and at FVOCI	- 110	- 217	- 15	- 121	26	0	- 1
other	- 50	- 33	- 26	- 21	- 3	- 1	- 13
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	262	247	72	- 83	166	106	107
Income tax expense	- 135	- 48	- 16	- 75	- 26	- 18	- 20
RESULT AFTER TAX	127	199	56	- 158	140	88	86
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**127**	**199**	**56**	**- 158**	**140**	**88**	**86**
Banking	85	144	53	- 166	127	72	79
Insurance	42	55	4	9	13	17	7
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	18 805	27 430	18 805	18 472	28 199	27 726	27 430
of which Mortgage loans (end of period)	*7 800*	*16 929*	*7 800*	*7 658*	*17 515*	*17 180*	*16 929*
Customer deposits and debt certificates excl. repos (end of period)	24 652	28 075	24 652	23 664	27 950	27 438	28 075
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	305	249	305	306	251	250	249
Unit-Linked (end of period)	459	398	459	450	418	399	398
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	21 790	23 224	21 790	21 929	23 190	23 020	23 224
Required capital, insurance (end of period)	154	135	154	156	141	135	135
Allocated capital (end of period)	2 431	2 561	2 431	2 448	2 565	2 541	2 561
Return on allocated capital (ROAC)	5%	8%	9%	-25%	22%	14%	15%
Cost/income ratio, group	71%	64%	70%	84%	62%	70%	66%
Combined ratio, non-life insurance	86%	84%	90%	93%	83%	78%	90%
Net interest margin, banking	2.61%	2.60%	2.69%	2.60%	2.58%	2.56%	2.59%

We describe the impact of the pending sale transactions of the Irish credit and deposit portfolio in note 5.11 and note 6.6 in this report.

Slovakia (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	229	202	56	58	57	57	51
Non-life insurance (before reinsurance)	35	27	8	8	8	11	4
Earned premiums	62	52	17	16	15	14	14
Technical charges	- 26	- 25	- 8	- 8	- 7	- 3	- 10
Life insurance (before reinsurance)	13	12	3	4	3	3	3
Earned premiums	31	34	8	8	8	8	8
Technical charges	- 18	- 22	- 4	- 4	- 4	- 5	- 5
Ceded reinsurance result	- 7	3	- 1	- 1	- 1	- 4	4
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	8	9	4	1	3	0	3
Net realised result from debt instruments at fair value through OCI	0	2	0	0	0	0	0
Net fee and commission income	71	58	18	18	19	16	14
Net other income	6	8	3	1	0	2	2
TOTAL INCOME	356	320	91	88	91	86	82
Operating expenses	- 260	- 204	- 67	- 64	- 66	- 62	- 48
Impairment	15	- 45	- 2	14	6	- 3	- 2
on financial assets at AC and at FVOCI	16	- 42	- 2	14	6	- 3	1
other	- 1	- 3	- 1	0	0	0	- 2
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	111	71	21	38	30	20	32
Income tax expense	- 26	- 15	- 3	- 9	- 8	- 5	- 6
RESULT AFTER TAX	85	56	18	29	22	15	25
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**85**	**56**	**18**	**29**	**22**	**15**	**25**
Banking	77	45	18	27	20	12	23
Insurance	8	11	1	2	2	3	3
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	9 417	9 016	9 417	9 213	9 100	9 090	9 016
of which Mortgage loans (end of period)	*5 117*	*4 707*	*5 117*	*5 000*	*4 904*	*4 814*	*4 707*
Customer deposits and debt certificates excl. repos (end of period)	7 696	8 601	7 696	7 639	7 908	8 178	8 601
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	115	114	115	114	114	115	114
Unit-Linked (end of period)	67	83	67	69	72	73	83
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 815	5 919	5 815	5 750	5 683	5 809	5 919
Required capital, insurance (end of period)	30	29	30	29	29	29	29
Allocated capital (end of period)	638	648	638	630	623	636	648
Return on allocated capital (ROAC)	13%	10%	11%	18%	14%	10%	18%
Cost/income ratio, group	73%	64%	74%	73%	73%	72%	59%
Combined ratio, non-life insurance	92%	82%	103%	93%	85%	85%	80%

We describe the impact of the acquisition of OTP Banka Slovensko in note 6.6 in this report.

Hungary (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	311	262	90	76	74	70	68
Non-life insurance (before reinsurance)	52	55	14	8	14	16	12
Earned premiums	143	143	34	36	35	37	34
Technical charges	- 91	- 88	- 20	- 28	- 21	- 22	- 23
Life insurance (before reinsurance)	9	- 1	2	3	2	2	- 2
Earned premiums	40	35	11	9	10	9	9
Technical charges	- 31	- 36	- 9	- 7	- 8	- 7	- 11
Ceded reinsurance result	- 2	- 3	0	0	- 1	- 1	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	21	39	- 8	5	11	12	14
Net realised result from debt instruments at fair value through OCI	2	1	2	0	0	0	0
Net fee and commission income	198	191	55	51	49	43	49
Net other income	3	4	1	0	1	1	1
TOTAL INCOME	592	548	155	144	150	143	142
Operating expenses	- 335	- 323	- 82	- 77	- 81	- 94	- 79
Impairment	9	- 85	- 17	7	16	3	- 17
on financial assets at AC and at FVOCI	22	- 59	- 12	12	19	3	- 8
other	- 12	- 26	- 5	- 5	- 3	0	- 9
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	267	140	56	73	86	52	46
Income tax expense	- 40	- 26	- 10	- 11	- 11	- 9	- 8
RESULT AFTER TAX	226	114	46	62	75	43	38
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**226**	**114**	**46**	**62**	**75**	**43**	**38**
Banking	207	90	41	61	70	36	35
Insurance	19	24	5	2	5	8	4
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	5 413	4 940	5 413	5 457	5 304	5 047	4 940
of which Mortgage loans (end of period)	*1 812*	*1 600*	*1 812*	*1 817*	*1 795*	*1 657*	*1 600*
Customer deposits and debt certificates excl. repos (end of period)	9 759	8 982	9 759	9 045	9 139	8 766	8 982
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	45	46	45	45	48	46	46
Unit-Linked (end of period)	254	255	254	261	270	258	255
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 438	6 961	7 438	7 749	7 468	7 165	6 961
Required capital, insurance (end of period)	51	47	51	49	49	48	47
Allocated capital (end of period)	828	775	828	859	830	797	775
Return on allocated capital (ROAC)	27%	15%	23%	30%	37%	22%	21%
Cost/income ratio, group	57%	59%	53%	54%	54%	66%	56%
Combined ratio, non-life insurance	87%	86%	87%	100%	87%	78%	93%

Bulgaria (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	141	144	36	36	35	35	36
Non-life insurance (before reinsurance)	73	68	18	18	19	19	15
Earned premiums	132	126	34	34	33	31	32
Technical charges	- 59	- 58	- 16	- 16	- 14	- 12	- 17
Life insurance (before reinsurance)	17	15	5	5	4	4	3
Earned premiums	39	36	11	9	9	10	9
Technical charges	- 23	- 21	- 7	- 5	- 5	- 6	- 6
Ceded reinsurance result	- 7	- 5	- 2	- 2	- 1	- 2	- 2
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	39	28	13	11	8	7	8
Net other income	5	3	1	1	0	2	1
TOTAL INCOME	268	253	71	68	65	65	61
Operating expenses	- 140	- 139	- 35	- 33	- 32	- 40	- 33
Impairment	- 1	- 30	- 4	1	1	0	0
on financial assets at AC and at FVOCI	2	- 27	- 1	2	1	1	1
other	- 3	- 3	- 2	0	0	0	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	127	84	32	37	33	25	28
Income tax expense	- 13	- 9	- 3	- 4	- 3	- 3	- 3
RESULT AFTER TAX	114	76	29	33	30	22	25
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**114**	**76**	**29**	**33**	**30**	**22**	**25**
Banking	90	53	24	27	23	15	23
Insurance	24	23	5	6	7	7	2
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	3 973	3 508	3 973	3 799	3 671	3 547	3 508
of which Mortgage loans (end of period)	*870*	*778*	*870*	*842*	*819*	*790*	*778*
Customer deposits and debt certificates excl. repos (end of period)	6 257	5 453	6 257	6 017	5 919	5 560	5 453
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	145	88	145	147	90	89	88
Unit-Linked (end of period)	139	60	139	121	77	68	60
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 452	3 254	3 452	3 349	3 336	3 233	3 254
Required capital, insurance (end of period)	73	58	73	78	63	58	58
Allocated capital (end of period)	434	398	434	428	412	396	398
Return on allocated capital (ROAC)	28%	19%	28%	32%	30%	22%	25%
Cost/income ratio, group	52%	55%	50%	48%	50%	62%	54%
Combined ratio, non-life insurance	82%	82%	87%	86%	77%	76%	89%

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

Ireland (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	282	286	68	72	72	69	74
Non-life insurance (before reinsurance)	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 5	- 4	- 1	- 1	- 2	- 1	- 2
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	- 3	- 3	0	- 1	- 2	- 1	- 1
Net other income	- 21	- 9	- 7	- 13	- 1	0	- 3
TOTAL INCOME	253	269	59	58	69	67	68
Operating expenses	- 313	- 228	- 79	- 125	- 52	- 58	- 71
Impairment	- 183	- 91	- 18	- 165	0	0	4
on financial assets at AC and at FVOCI	- 149	- 90	0	- 149	0	0	5
other	- 34	- 2	- 18	- 16	0	0	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	- 243	- 50	- 37	- 231	17	9	1
Income tax expense	- 55	2	0	- 51	- 4	- 1	- 4
RESULT AFTER TAX	- 298	- 48	- 37	- 282	13	8	- 3
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**- 298**	**- 48**	**- 37**	**- 282**	**13**	**8**	**- 3**
Banking	- 289	- 44	- 30	- 281	14	9	- 2
Insurance	- 10	- 4	- 7	- 1	- 1	- 1	- 1
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	3	9 966	3	3	10 124	10 042	9 966
of which Mortgage loans (end of period)	*0*	*9 844*	*0*	*0*	*9 996*	*9 919*	*9 844*
Customer deposits and debt certificates excl. repos (end of period)	940	5 040	940	963	4 983	4 935	5 040
Technial provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	0	0	0	0	0	0	0
Unit-Linked (end of period)	0	0	0	0	0	0	0
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 084	7 089	5 084	5 080	6 704	6 813	7 089
Required capital, insurance (end of period)	0	0	0	0	0	0	0
Allocated capital (end of period)	531	741	531	531	701	712	741
Return on allocated capital (ROAC)	-46%	-7%	-23%	-168%	7%	4%	-2%
Cost/income ratio, group	124%	85%	132%	214%	75%	86%	104%
Combined ratio, non-life insurance	0%	0%	0%	0%	0%	0%	0%

We describe the impact of the pending sale transactions of the Irish credit and deposit portfolio in note 5.11 and note 6.6 in this report.

Group Centre - Breakdown net result (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Operational costs of the Group activities	- 86	- 95	- 42	- 17	- 11	- 16	- 42
Capital and treasury management	- 13	- 20	0	- 3	- 6	- 4	- 4
Holding of participations	32	- 3	29	1	0	1	- 1
Results companies in rundown	- 5	- 1	4	- 3	- 5	0	0
Other	- 135	- 16	- 68	- 32	- 20	- 15	9
Total net result for the Group centre	- 207	- 135	- 77	- 53	- 42	- 35	- 38

Business unit Group Centre (in millions of EUR)	FY 2021	FY 2020	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020
Breakdown P&L							
Net interest income	- 16	- 18	- 5	- 5	- 2	- 4	2
Non-life insurance (before reinsurance)	19	13	5	4	0	9	- 2
Earned premiums	15	12	4	4	4	3	3
Technical charges	4	0	1	0	- 4	6	- 4
Life insurance (before reinsurance)	- 1	- 1	0	0	0	0	0
Earned premiums	- 1	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Ceded reinsurance result	- 12	- 2	- 2	- 5	- 2	- 3	- 2
Dividend income	5	4	1	1	2	1	1
Net result from financial instruments at fair value through profit or loss	- 198	- 51	- 102	- 34	- 29	- 32	4
Net realised result from debt instruments at fair value through OCI	6	0	1	4	0	0	0
Net fee and commission income	- 3	- 4	1	0	- 1	- 3	0
Net other income	28	- 1	30	0	- 2	1	- 2
TOTAL INCOME	- 171	- 59	- 71	- 35	- 33	- 31	0
Operating expenses	- 109	- 111	- 53	- 23	- 12	- 21	- 39
Impairment	- 7	- 11	0	- 2	- 6	1	- 17
on financial assets at AC and at FVOCI	- 7	7	0	- 2	- 6	1	1
other	0	- 18	0	0	0	0	- 18
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	- 288	- 181	- 125	- 60	- 52	- 51	- 57
Income tax expense	81	46	48	6	10	17	18
RESULT AFTER TAX	- 207	- 135	- 77	- 53	- 42	- 35	- 38
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**- 207**	**- 135**	**- 77**	**- 53**	**- 42**	**- 35**	**- 38**
Banking	- 202	- 101	- 69	- 42	- 43	- 48	- 9
Holding	- 25	- 39	- 22	- 4	2	- 2	- 31
Insurance	20	5	14	- 8	- 1	15	2
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	0	1	0	0	0	0	1
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	12 920	10 303	12 920	12 186	11 123	11 025	10 303
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	1 990	1 744	1 990	1 939	1 904	1 773	1 744
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	20	- 18	20	9	18	- 8	- 18
Allocated capital (end of period)	228	164	228	212	217	178	164

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	2021	2020
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 614	1 440
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 50	- 50
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	416
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	416
Basic = (A-B) / (C) (in EUR)		6.15	3.34
Diluted = (A-B) / (D) (in EUR)		6.15	3.34

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	2021	2020
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	1 081	945
/			
Earned insurance premiums (B)	Note 3.7.1	1 841	1 742
+			
Operating expenses (C)	Note 3.7.1	565	536
/			
Written insurance premiums (D)	Note 3.7.1	1 875	1 769
= (A/B)+(C/D)		88.9%	84.5%

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	2021	2020
Cost/income ratio			
Operating expenses of the group activities (A)	'Consolidated income statement': component of 'Operating expenses'	4 396	4 156
/			
Total income of the group activities (B)	'Consolidated income statement': component of 'Total income'	7 558	7 195
=(A) / (B)		58.2%	57.8%

Where relevant, we also estimate 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 55% in 2021 (versus 57% in 2020).

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	2021	2020
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 569	2 638
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 454	5 902
= (A) / (B)		47.1%	44.7%

The increase of the coverage ratio is mainly driven by additional impairments from the sale of the non-performing portfolio in Ireland, booked in 2H 2021 (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	2021	2020
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 329	1 068
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	184 640	177 542
= (A) (annualised) / (B)		-0.18%	0.60%

The credit cost ratio of 2020 includes a total collective Covid-19 expected credit loss (ECL) of 783 million euros in FY 2020. Without the collective Covid-19 ECL impact, the credit cost ratio amounts to 0.16% in FY 2020.
In 2021, the credit cost ratio excluding the decrease of the collective Covid-19 ECL of 494 million euros, amounts to 0.09%.

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	2021	2020
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 454	5 902
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	188 400	180 891
= (A) / (B)		2.9%	3.3%

The calculation does only contain a partial impact of stage transfers that underlie the management overlay for the forecasted collective coronavirus-related ECL, due to the fact that they are determined based on a collective statistical approach and, therefore, cannot be fully individually linked to specific loans (for more information see note 4.2.1).

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	2021	2020
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	108 642	81 833
/			
Total net cash outflows over the next 30 calendar days (B)		65 399	55 714
= (A) / (B)		167%	147%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	2021	2020
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	159 728	159 621
+			
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	719	3 295
+			
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'	4 830	6 056
+			
Other exposures to credit institutions (D)		4 392	4 009
+			
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	9 040	7 919
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 581	3 703
+			
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 077	- 2 198
+			
Non-loan-related receivables (H)		- 338	- 592
+			
Other (I)	Component of Note 4.1	9 525	- 923
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		188 400	180 891

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	2021	2020
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	3 863	3 788
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	211 020	203 616
= (A) (annualised x360/number of calendar days) / (B)		1.81%	1.84%

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	2021	2020
Available amount of stable funding (A)	As of 2020: Regulation (EU) 2019/876 dd. 20-05-2019	218 124	209 932
/			
Required amount of stable funding (B)		147 731	143 901
= (A) / (B)		148%	146%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or %)	Reference	2021	2020
Parent shareholders' equity (A)	'Consolidated balance sheet'	21 577	20 030
/			
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417
= (A) / (B) (in EUR)		51.76	48.07

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	2021	2020
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	1 997	1 001
/			
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)		7 270	6 894
= (A) annualised / (B)		27.5%	14.5%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	697	375
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		1 784	1 717
= (A) annualised / (B)		39.2%	21.7%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	127	199
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 509	2 367
= (A) annualised / (B)		5.1%	8.4%

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	2021	2020
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 614	1 440
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 50	- 50
/			
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'	19 463	17 954
= (A-B) (annualised) / (C)		13.2%	7.7%

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	2021	2020
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	1 196	1 223
+			
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	2
+			
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	768	764
Total sales Life (A)+ (B) + (C)		1 964	1 989

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	2021	2020
Belgium Business Unit (A)	Company presentation on www.kbc.com	216	194
+			
Czech Republic Business Unit (B)		14	11
+			
International Markets Business Unit (C)		7	6
A)+(B)+(C)		236	212