Press Release

Outside trading hours - Regulated information*

Brussels, 12 November 2021 (07.00 a.m. CET)

KBC Group: Third-quarter result of 601 million euros

KBC Group – overview (consolidated, IFRS)	3Q2021	2Q2021	3Q2020	9M2021	9M2020
Net result (in millions of EUR)	601	793	697	1 951	902
Basic earnings per share (in EUR)	1.41	1.87	1.64	4.59	2.08
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*603*	*528*	*486*	*1 511*	*605*
Czech Republic	*209*	*168*	*116*	*500*	*281*
International Markets	*-158*	*140*	*123*	*70*	*113*
Group Centre	*-53*	*-42*	*-28*	*-130*	*-97*
Parent shareholders' equity per share (in EUR, end of period)	53.0	51.8	46.2	53.0	46.2

Early in the third quarter, Belgium was confronted with the devastating consequences of heavy flooding in a number of provinces. We would once again like to express our heartfelt sympathy to everyone directly affected, as well as our deep appreciation to all the relief workers and volunteers who have been working tirelessly on behalf of the victims. We fully support the agreement reached following the talks held between Assuralia (the federation of the Belgian insurance sector) and the authorities, which provides greater security for all victims. Over the past few months, we have been using all our knowledge and expertise – via our broad network of insurance agents, experts and repairers – to ensure that the claims of the customers affected are settled quickly and properly. At the same time, the coronavirus crisis is still high on the agenda. In many countries, the large-scale rollout of vaccines is well under way or even in its final stages. Social life is gradually resuming, but caution is still paramount, as the virus is certainly not beaten yet. From the start of this crisis, we have taken responsibility in safeguarding the health of our staff and customers, while ensuring that services continue to be provided. We have also worked closely with government agencies to support all customers impacted by the coronavirus, implementing various measures such as loan payment holidays.

Over the past few months, we have signed a number of transactions that either strengthened or adjusted our geographic focus. At the end of July, for instance, we strengthened our share of the Bulgarian market by acquiring NN's Bulgarian pension insurance and life insurance businesses. And at the end of August, we reached an agreement to dispose of substantially all of the non-performing mortgage loan portfolio of KBC Bank Ireland. More recently, we also entered into a legally binding agreement relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland Group. A small portfolio of non-performing mortgages will also be sold as part of that transaction. The transaction remains subject to regulatory – including Irish competition – approvals. The immediate one-off P&L impact in the third quarter of these Irish transactions amounted to -0.3 billion euros after tax, while there will be a positive impact of approximately 0.2 billion euros upon closure. The finalisation of both deals will ultimately lead to KBC withdrawing from the Irish market and will have a positive impact on our common equity ratio of approximately 0.9 percentage points.

Profit amounted to 601 million euros in the quarter under review, despite 319 million euros negative one-off impact related to the pending sale transactions in Ireland. Total income went up quarter-on-quarter, as higher net interest income, net fee and commission income and net other income more than offset the lower non-life insurance result (which had been negatively impacted by the floods in Belgium) and the seasonally lower level of dividend income. Excluding one-off and non-operating items (including forex effects and bank taxes), costs remained virtually stable quarter-on-quarter. Loan loss impairment contributed positively to the result, as the reversal of previously recorded impairment charges for the coronavirus crisis more than offset the negative impact on impairment of the pending sale transactions in Ireland. As announced earlier, we will pay an interim dividend of 3 euros per share on 17 November 2021, comprising 2 euros per share for financial year 2020 and 1 euro per share as an advance on the total dividend for financial year 2021.

Lastly, I would like to say a few words about our mobile app. In September, KBC Mobile was crowned best mobile banking app in the world by independent international research agency, Sia Partners. This is a clear recognition of 10 years of innovation, development and carefully listening to our customers. The Digital First approach we launched a year ago is clearly paying off and demonstrates the innovative strength we can harness as a group, with the ultimate goal of making our customers' lives easier.
I would also like to take this opportunity to explicitly thank our customers and all other stakeholders for the trust they continue to put in us.

Johan Thijs
Chief Executive Officer

Financial highlights in the third quarter of 2021

Net interest income increased by 2% compared to the previous quarter and decreased by 1% compared to the year-earlier quarter. The net interest margin for the quarter under review was 1.80%, up 1 basis point on the previous quarter and down 1 basis point on the year-earlier quarter. Volumes continued to increase, with deposits excluding debt certificates growing by 1% quarter-on-quarter and 7% year-on-year, and loans up 2% quarter-on-quarter and 4% year-on-year. 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 down 18% and 23% on the level recorded in the previous and year-earlier quarters, respectively, due essentially to higher technical charges consequent on the heavy flooding in Belgium (with a gross impact 100 million euros). Non-life earned premiums went up 4% quarter-on-quarter and 8% year-on-year. The combined ratio for the first nine months of 2021 amounted to an excellent 87%. Sales of our **life insurance** products were down 7% on the level recorded in the previous quarter, but up 9% on the level recorded in the year-earlier quarter.

Net fee and commission income was up 4% on its level in the previous quarter and by as much as 20% on the year-earlier quarter. In both cases, this was accounted for primarily by an increase in fees for our asset management activities and, to a lesser extent, higher fee income related to our banking services.

The **trading & fair value result** was in line with the previous quarter's low figure and down 67% on the year-earlier quarter.

All **remaining other income items** combined were 67% and 84% higher than the figure recorded in the previous and year-earlier quarters, respectively, thanks mainly to realised gains on the sale of bonds.

Costs increased 5% quarter-on-quarter and 11% year-on-year. In both cases, this was almost entirely due to items such as forex effects, bank taxes, changes in the scope of consolidation (OTP Banka Slovensko) and one-off items, including 81 million euros of staff-related costs in Ireland in the quarter under review due to the pending sale transactions there. Excluding such items, costs remained virtually stable. The resulting cost/income ratio for the first nine months of 2021 amounted to 54%. In that calculation, certain non-operating items have been excluded and bank taxes spread evenly throughout the year. Excluding all bank taxes, the cost/income ratio amounted to 50% in the first nine months of 2021.

The quarter under review included a 66-million-euro net release of **loan loss impairment**, compared to a net release of 130 million euros in the previous quarter, and a net charge of 52 million euros in the year-earlier quarter. The net release in the quarter under review was related to a significant reversal (260 million euros) of collective impairment previously recorded for the coronavirus crisis, which more than offset the one-off impairment of 170 million euros relating to the pending sale transactions in Ireland. As a consequence, the credit cost ratio in the first nine months of 2021 amounted to -0.20%, compared to 0.60% for full-year 2020 (a negative sign implies a positive impact on the results).

Income taxes were up 43% quarter-on-quarter, due in part to the derecognition of deferred tax assets consequent on the pending sale transactions in Ireland.

Our **liquidity position** remained strong, with an LCR of 167% and NSFR of 153%. Our **capital base** remained equally as robust, with a fully loaded common equity ratio of 16.4% (under ECB rules, this does not include the interim profit for the interim quarters).

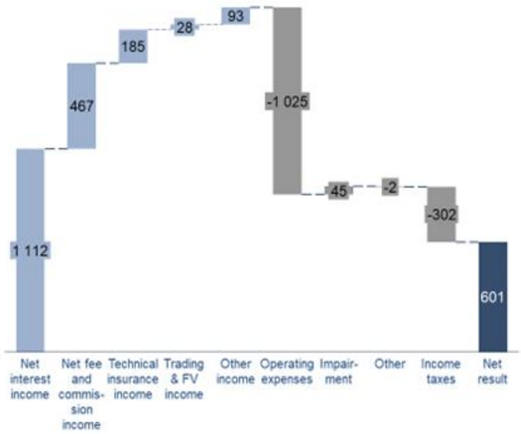
The cornerstones of our strategy

Our strategy rests on the following principles:

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

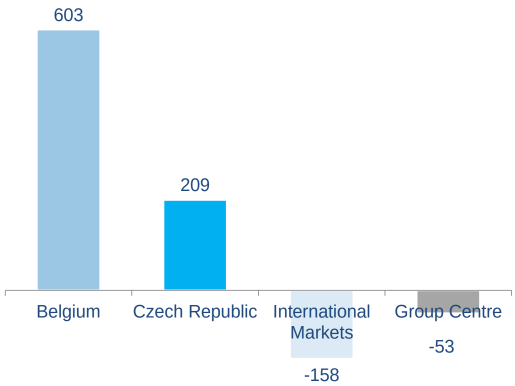
Breakdown of 3Q2021 result

(in millions of EUR)



Contribution of the business units to 3Q2021 group result

(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2021	2Q2021	1Q2021	4Q2020	3Q2020	9M2021	9M2020
Net interest income	1 112	1 094	1 068	1 067	1 122	3 274	3 400
Non-life insurance (before reinsurance)	150	213	238	192	233	601	673
Earned premiums	*484*	*463*	*453*	*450*	*448*	*1 399*	*1 327*
Technical charges	*-334*	*-250*	*-215*	*-258*	*-215*	*-798*	*-654*
Life insurance (before reinsurance)	12	10	12	4	1	35	6
Earned premiums	*256*	*272*	*292*	*382*	*267*	*820*	*841*
Technical charges	*-244*	*-262*	*-280*	*-378*	*-266*	*-786*	*-834*
Ceded reinsurance result	23	1	-13	10	-9	10	-30
Dividend income	11	18	7	11	12	36	41
Net result from financial instruments at fair value through P&L[1]	28	29	127	80	85	183	-47
Net realised result from debt instruments at fair value through other comprehensive income	4	-1	2	-1	1	5	4
Net fee and commission income	467	450	441	403	390	1 357	1 207
Net other income	77	38	53	37	37	168	139
Total income	1 884	1 853	1 933	1 802	1 872	5 671	5 394
Operating expenses	-1 025	-972	-1 320	-988	-926	-3 318	-3 168
Impairment	45	123	77	-122	-63	245	-1 060
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*66*	*130*	*76*	*-57*	*-52*	*272*	*-1 018*
Share in results of associated companies & joint ventures	-2	1	-2	-2	-2	-3	-9
Result before tax	903	1 005	688	690	881	2 595	1 157
Income tax expense	-302	-211	-131	-152	-184	-644	-255
Result after tax	601	793	557	538	697	1 951	902
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**601**	**793**	**557**	**538**	**697**	**1 951**	**902**
Basic earnings per share (EUR)	1.41	1.87	1.31	1.26	1.64	4.59	2.08
Diluted earnings per share (EUR)	1.41	1.87	1.31	1.26	1.64	4.59	2.08

Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-09-2021	30-06-2021	31-03-2021	31-12-2020	30-09-2020
Total assets	354 336	368 596	351 818	320 743	321 053
Loans & advances to customers, excl. reverse repos	156 712	164 344	160 960	159 621	157 773
Securities (equity and debt instruments)	66 269	71 098	71 981	71 784	71 310
Deposits from customers excl. debt certificates & repos	198 021	201 420	197 268	190 553	185 182
Technical provisions, before reinsurance	18 971	18 976	18 939	18 718	18 613
Liabilities under investment contracts, insurance	13 213	13 128	12 922	12 724	12 482
Parent shareholders' equity	22 096	21 600	20 768	20 030	19 244

Selected ratios KBC group (consolidated)	9M2021	FY2020
Return on equity[3]	13%	8%
Cost/income ratio, group [when excluding certain non-operating items and spreading bank taxes evenly throughout the year]	59% [54%]	58% [57%]
Combined ratio, non-life insurance	87%	85%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	16.4% [16.9%]	17.6% [18.1%]
Common equity ratio, FICOD fully loaded [transitional]	15.7% [16.1%]	16.4% [16.9%]
Credit cost ratio[4]	-0.20%	0.60%
Impaired loans ratio	3.1%	3.3%
for loans more than 90 days past due	1.6%	1.8%
Net stable funding ratio (NSFR)	153%	146%
Liquidity coverage ratio (LCR)	167%	147%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 16% when bank taxes are spread evenly throughout the year and 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 (3Q2021)

Total income 1 884 million euros	- Total income up 2% quarter-on-quarter. - Net fee and commission income, net interest income and net other income up; non-life technical insurance income and dividend income down quarter-on-quarter.

Net interest income amounted to 1 112 million euros in the quarter under review, up 2% on its level in the previous quarter and down 1% 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, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, and the higher number of days in the quarter under review. These effects were partly offset by a number of factors, including the negative impact of lower reinvestment yields in euro-denominated countries, pressure on mortgage loan portfolio margins in Central and Eastern European countries and lower interest income generated by the insurer's bond portfolio (including inflation-linked bonds). Year-on-year, the small decrease in net interest income was due to a number of items, such as generally lower reinvestment yields, pressure on mortgage loan portfolio margins in Central and Eastern Europe and lower interest income generated by the insurer's bond portfolio (due in part to a positive 26-million-euro one-off item in the reference quarter), which more than offset the positive impact of the increase in the loan portfolio, the rate hikes in the Czech Republic, lower funding costs (including the positive impact of TLTRO III), the consolidation of OTP Banka Slovensko (included in the group result as of 2021), more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, and a positive forex effect. The net interest margin for the quarter under review amounted to 1.80%, up 1 basis point on the previous quarter and down 1 basis point on the year-earlier quarter. For an indication of the expected net interest income for full-year 2021, see 'Guidance' on page 11 of this publication.

Customer deposits excluding debt certificates were up 1% quarter-on-quarter and 7% 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 2% quarter-on-quarter and 4% year-on-year on an organic basis. The volume of loans that were granted payment holidays under the various relief schemes amounted to 10.9 billion euros (including EBA-compliant moratoria and the now non-EBA-compliant scheme in Hungary, but excluding Ireland). Around 97% of the EBA-compliant moratoria have now expired and for almost 97% of these loans, payments have fully resumed. In addition, we granted some 1 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 174 million euros to total income, down 18% and 23% on its performance in the previous and year-earlier quarters, respectively. In both cases, the increase in earned premiums (+4% quarter-on-quarter and +8% year-on-year) and better reinsurance result (see below) were more than offset by a significant rise in technical charges (+34% quarter-on-quarter and +55% year-on-year), as the quarter under review included 100 million euros in claims related to the heavy flooding in parts of Belgium (note that after reinsurance, the net amount comes down to approximately 79 million euros, 38 million euros of which above the legal limit (which is the ceiling introduced in Belgian law on the intervention of insurers in the event of very large floods)). Overall, the combined ratio for the first nine months of 2021 amounted to what is still an excellent 87%, 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 11 million euros, compared to 10 million euros in the previous quarter and 0 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (458 million euros) were down 7% on the level recorded in the previous quarter, due mainly to lower sales of unit-linked insurance products in Belgium and the Czech Republic. Life insurance sales were up 9% on the level recorded in the year-earlier quarter, due primarily to increased sales of unit-linked products in Belgium and Bulgaria (the latter supported by the consolidation of NN's Bulgarian life insurance activities). Overall, the share of unit-linked products in our total life insurance sales amounted to 53% in the quarter under review, with guaranteed-interest products accounting for the remaining 47%.

In the quarter under review, **net fee and commission income** amounted to 467 million euros, up 4% on its level in the previous quarter, essentially thanks to higher management fees for our asset management business, and, to a lesser extent, higher fees related to banking services (owing in part to a seasonally driven increase in payment service fees), and only slightly offset by higher distribution fees paid. Net fee and commission income was up by as much as 20% on its level in the year-earlier quarter, thanks to a combination of significantly higher fees for both our asset management services (+22%, attributable to higher management fees) and our banking services (+11%, due to higher fees for payment services, network income and securities transaction fees, among other things), and likewise only slightly offset by higher distribution fees paid. At the end of September 2021, our total assets under management amounted to 229 billion euros, up 1% quarter-on-quarter and 12% year-on-year. In both cases, the increase was due primarily to a further increase in asset prices, coupled with net inflows. Note that there was an important shift from low-margin institutional & advisory mandates towards retail funds.

The **net result from financial instruments at fair value** (trading & fair value income) amounted to a relatively low 28 million euros, more or less comparable to the low figure registered in the previous quarter and down 67% on the level recorded in the year-earlier quarter. Quarter-on-quarter, the increase in the market value of derivatives used for asset/liability management purposes was more or less offset by a lower result for the insurer's share portfolio and lower dealing room and other income. Year-on-year, the higher dealing room income and slightly better result recorded by the insurer's share portfolio could not offset the significant drop in market value adjustments and the lower market value of derivatives used for asset/liability management purposes.

The **other remaining income items** included dividend income of 11 million euros (more or less in line with the year-earlier figure, but down on the previous quarter, due to the fact that the second quarter of the year traditionally includes the bulk of received dividends) and 77 million euros in net other income. The latter was higher than the normal run rate for this item, thanks to relatively high realised gains on the sale of bonds. It should also be noted that net other income included two offsetting one-off items (a 13 million gain on the sale of the Antwerp Tower building and an additional amount of -13 million euros for the tracker mortgage review in Ireland).

Operating expenses

1 025 **million euros**

- Operating expenses were up 5% quarter-on-quarter and 11% year-on-year, in both cases almost entirely caused by items such as forex effects, bank taxes, changes in the scope of consolidation and one-off items, including costs recorded in Ireland related to the pending sale transactions.
- Group cost/income ratio for the first nine months of 2021 amounted to 54% (when certain non-operating items are excluded and bank taxes are spread evenly throughout the year) or 50% (when bank taxes are fully excluded).

Operating expenses in the third quarter of 2021 amounted to 1 025 million euros, up 5% on their level in the previous quarter. This increase was entirely accounted for by forex effects, bank taxes and several one-off items, among which the negative impact of costs related to the pending sale transactions in Ireland (81 million euros), the release of a cost provision due to the sale of the Antwerp Tower building (9 million euros) and the fact that the previous quarter had included the booking of an exceptional Covid-related bonus for staff (18 million euros). Year-on-year, expenses were up 11%. Again, this was largely related to items such as forex effects, bank taxes and changes in the scope of consolidation (OTP Banka Slovensko), as well as one-off items, including the negative impact of costs related to the pending sale transactions in Ireland and the release of a cost provision due to the sale of the Antwerp Tower building.

The cost/income ratio for the group came to 59% for the first nine months of 2021. Evenly spreading the bank taxes over the full year (in reality, the bulk of bank taxes is recorded in the first quarter of the year) and excluding certain non-operating items, the ratio amounted to 54%, compared to 57% for full-year 2020. When excluding all bank taxes, the cost-income ratio for the first nine months of the year fell to 50%.

For an indication of the expected increase in costs for full-year 2021, see 'Guidance' on page 11 of this publication.

Loan loss impairment **66-million-euro net release**	• Release of loan loss impairment in the quarter under review, as reversals of collective impairment previously recorded for the coronavirus crisis more than offset the negative one-off impact of the pending sale transactions in Ireland. • Credit cost ratio for the first nine months of 2021 at -0.20%.

In the third quarter of 2021, we recorded a 66-million-euro net release of loan loss impairment, compared with a net release of 130 million euros in the previous quarter and a net charge of 52 million euros in the third quarter of 2020. The 66-million-euros release in the quarter under review included a one-off 170-million-euro charge related to the pending sale transactions in Ireland and 23 million euros in charges for individual files, both of which were more than offset by the positive impact of a 260-million-euros release of previously recorded collective coronavirus-related impairment. As a consequence, the remaining collective impairment for the coronavirus crisis on the books at the end of September 2021 fell to 368 million euros, down from 628 million euros at the end of June. 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 139 million euros in Belgium, 50 million euros in the Czech Republic, 14 million euros in Slovakia, 12 million euros in Hungary and 2 million euros in Bulgaria, with only Ireland (due to the pending sale transactions there) and the Group Centre recording an increase in loan loss impairment (of 149 million euros and 2 million euros, respectively).

For the entire group, the credit cost ratio amounted to -0.20% for the first nine months of 2021 (0.10% excluding the amount recorded for the coronavirus crisis), compared to 0.60% for full-year 2020 (0.16% excluding the amount for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of September 2021, some 3.1% 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 1.6% of the loan book, compared to 1.8% at year-end 2020. Note: excluding the one-off impairment charge in Ireland, the credit cost ratio excluding the coronavirus crisis impact would be -0.02%, while the impaired loans ratio excluding Ireland would be 2.5%.

For an indication of the expected impact of loan loss impairment for full-year 2021, see 'Guidance' on page 11 of this publication.

Impairment on assets other than loans amounted to 21 million euros, compared to 6 million euros in the previous quarter and 11 million euros in the third quarter of 2020. The figure for the quarter under review included some 15 million euros in impairment for tangible and intangible assets related to the pending sale transactions in Ireland referred to above, as well as some 5 million euros in Hungary related to modification losses on the extension of the payment moratorium.

Net result by business unit	Belgium	Czech Republic	International Markets	Group Centre
	603 million euros	209 million euros	-158 million euros	-53 million euros

Belgium: the net result (603 million euros) was up 14% quarter-on-quarter due to the combined effect of the increase in net other income and net fee and commission income, offset by a significant decline in the technical non-life insurance result (which was related to the severe flooding in parts of the country) and, to a lesser extent, lower net interest income, trading & fair value income and dividend income, lower costs (the third quarter includes a positive one-off item and the previous quarter had included an exceptional Covid-related bonus for staff) and significantly higher loan loss impairment reversals than in the previous quarter.

Czech Republic: the net result (209 million euros) was up 24% on its level for the previous quarter, excluding forex effects. This was due to a combination of higher total income (thanks to the increase in net interest income and in trading & fair value income), lower costs (partly because the previous quarter had included an exceptional Covid-related bonus for staff), and a more or less stable level of impairment releases compared to the previous quarter.

International Markets: the -158-million-euro net result breaks down as follows: 29 million euros in Slovakia, 62 million euros in Hungary, 33 million euros in Bulgaria and -282 million euros in Ireland. For the business unit as a whole, the net result was down 298 million euros quarter-on-quarter, almost entirely on account of Ireland, where the impact of the pending sale transactions there resulted in one-off costs, additional impairment and a negative tax effect.

Group Centre: the net result (-53 million euros) was 11 million euros lower than the figure recorded in the previous quarter, due in part to the combination of slightly lower total income, higher costs and lower impairments.

Selected ratios by business unit	Belgium 9M2021	Belgium FY2020	Czech Republic 9M2021	Czech Republic FY2020	International Markets 9M2021	International Markets FY2020
Cost/income ratio, group (when excluding certain non-operating items and spreading bank taxes evenly throughout the year)	50%	54%	54%	52%	63%	64%
Combined ratio, non-life insurance	87%	84%	87%	87%	85%	84%
Credit cost ratio*	-0.29%	0.57%	-0.47%	0.67%	0.41%	0.78%
Impaired loans ratio	2.4%	2.3%	2.0%	2.3%	5.9%	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
	23.6 billion euros	16.4%	167%	153%

At the end of September 2021, total equity amounted to 23.6 billion euros, comprising 22.1 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 2.1 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 the first nine months of 2021 (+2 billion euros), payment of the dividend to shareholders in May 2021 (-0.2 billion euros), an increase in the revaluation reserves (+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 30 September 2021, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 16.4%, compared to 17.6% at the end of 2020. The decrease is largely due to the dividend payout of 3 euros per share foreseen in November. Under ECB rules, the ratio for 30 September 2021 does not include the interim profit for the 9-month period. Note that, at completion of the transaction with Bank of Ireland Group (expected in the second half of 2022), the common equity ratio will improve by +0.9%-points primarily due to reduced risk-weighted assets. The solvency ratio for KBC Insurance under the Solvency II framework was 218% at the end of September 2021, compared to 222% at the end of 2020 (down mainly as a result of 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 153%, compared to 147% and 146%, respectively, at the end of 2020.

Analysis of the year-to-date period (9M2021)

Net profit **1 951** **million euros**	• Net profit more than doubled year-on-year. • The 2020 reference period had included high collective loan loss impairment charges related to the coronavirus crisis (784 million euros) compared to a net release (415 million euros) in the current period. • Additionally, trading & fair value income, net fee and commission income and net other income were all up. Net interest income, the non-life technical insurance result and dividend income were down. Costs increased year-on-year, though the increase was caused entirely by one-off items, forex effects, bank taxes and changes in the scope of consolidation.

Highlights (compared to the first nine months of 2020):

- Lower net interest income (down 4% to 3 274 million euros), due to a number of factors, including lower reinvestment yields in general, pressure on mortgage loan portfolio margins in Central and Eastern European countries and lower interest income generated by the insurer's bond portfolio (due in part to a 26-million-euro one-off item in the reference period). These items were only partly offset by the positive impact of lower funding costs (including the impact of TLTRO III), a larger loan portfolio, the consolidation of OTP Banka Slovensko, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, the higher netted positive impact of ALM forex swaps and a positive forex effect. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of deposits excluding debt certificates increased by 7% and customer lending volumes went up by 4% year-on-year. The net interest margin in the first nine months of 2021 came to 1.79%, down 7 basis points year-on-year.

- Slight decrease in the contribution to profit made by the technical insurance result (down 0.5% to 646 million euros). The non-life insurance technical result was down 5% on the figure for the year-earlier period, on account of the increased level of technical charges (related to the floods in Belgium and the tornado in the Czech Republic, among other things), which could not be offset entirely by the higher level of premium income and a better ceded reinsurance result. The year-to-date non-life combined ratio amounted to 87%, compared to 85% for full-year 2020. Life insurance sales (1 423 million euros) were up slightly (by 1%), thanks to increased sales of unit-linked products.

- Higher net fee and commission income (up 12% to 1 357 million euros), attributable primarily to an increase in fees for asset management services and, to a lesser extent, higher fees for certain banking services. At the end of September 2021, total assets under management amounted to 229 billion euros, up 12% on the level recorded a year earlier (11% price increase, 1% net inflow).

- Much higher trading & fair value income (up from -47 million euros to 183 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.

- Higher level of all other income items combined (up 14% to 209 million euros) due to higher net other income (which benefited from high realised gains on the sale of bonds, among other things).

- Higher operating expenses (up 5% to 3 318 million euros), entirely related to forex effects, higher bank taxes, the consolidation of OTP Banka Slovensko and a number of one-off items, including staff costs related to the pending sale transactions in Ireland and the booking of an exceptional Covid-related bonus awarded to staff. Excluding these items, costs were more or less stable year-on-year. The year-to-date cost/income ratio came to 59%, or an adjusted 54% when bank taxes are evenly spread throughout the year and certain non-operating items excluded (compared to 57% for full-year 2020). When bank taxes are fully excluded, the cost-income ratio for the nine-month period under review amounted to 50%.

- Significant decrease in loan loss impairment (net reversal of 272 million euros, as opposed to a net charge of 1 018 million euros in the reference period). Note that the reference period included 784 million euros in collective impairment charges for the coronavirus crisis, compared to a net release of 415 million euros in the current period. This was partly offset by the negative 170-million-euro one-off impact related to the pending sale transactions in

Ireland. As a result, the credit cost ratio for the whole group improved to -0.20%, compared to 0.60% for full-year 2020 (a negative figure implies a positive impact on the result).

- The 1 951-million-euro net result for the first nine months of 2021 breaks down as follows: 1 511 million euros for the Belgium Business Unit (up 906 million euros on the year-earlier level), 500 million euros for the Czech Republic Business Unit (up 218 million euros), 70 million euros for the International Markets Business Unit (down 42 million euros) and -130 million euros for the Group Centre (down 33 million euros). The result for the International Markets Business Unit for the first nine months of 2021 included 67 million euros for Slovakia, 180 million euros for Hungary, 85 million euros for Bulgaria and -261 million euros for Ireland (owing to the impact of the pending sale transactions there).

Recent ESG developments

We take our role in society, and more particularly as regards financing the transition to a greener and more sustainable economy, very seriously. During the quarter under review, we have continued our work to analyse the risks and opportunities for our most climate-impacted sectors and related products. In line with the commitments made, we will set Paris-aligned targets for these sectors by the third quarter of 2022. One concrete decision prompted by this analysis is to abstain from financing the development of any new oil or gas fields. This restriction, which was announced on 27 October 2021, comes on top of the existing ban on unconventional oil and gas fields (Arctic and Antarctic on- and off-shore oil and gas, deep-water drilling, tar sands, shale oil and gas). In addition, the term of all new financing to vertically integrated oil and gas companies will be limited to 2030 at the latest, unless the company concerned has publicly committed to no longer start operating new oil or gas fields. These new restrictions are in line with the most recent findings of the International Energy Agency (IAE), which show that a sufficient number of oil and gas resources have now been tapped to cover global primary energy supply.

We would also like to repeat that, as announced earlier, after starting to reduce our direct exposure to the thermal coal-related sector (mining as well as electricity or heat generation) as of 2016, we have brought our direct exposure to coal-related projects and activities down to zero as per 30 June 2021. We achieved this goal six months ahead of schedule and estimate that we have reduced the related financing of CO2 emissions by approximately 6 million tonnes over the course of the past five years, i.e. equating to the emissions that would have resulted from about 5 400 flights between Brussels and New York.

During the quarter under review, ČSOB in the Czech Republic also successfully completed its first euro-denominated corporate bond mandate (worth 1 billion euros) for CTP, in accordance with the ICMA Green Bond Standards. CTP is a leading logistic property owner and developer in Central Europe. As an industry frontrunner in sustainable finance, CTP allocates all proceeds from its bond transactions to buildings with very good or excellent external sustainability certificates.

In general, we are very happy to see our customers show an increased interest in sustainability and a clearly heightened awareness of climate-related action. We have had, for instance, over 750 discussions on climate with corporate clients in Belgium to inspire and challenge them since the second quarter of 2020. Year to date, this has led to 65 corporate clients taking specific actions mitigating climate change together with Encon, KBC Belgium Corporate Banking's partner in sustainability. These actions take various forms such as the set-up of a sustainability strategy or investment projects in real estate, energy and mobility. KBC Asset Management has also witnessed a continued inflow of money into our socially responsible investment funds. These funds amounted to 22.2 billion euros as at 30 September 2021, up one-third since the end of 2020.

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 following on from supply-side shortages triggered by the pandemic and related inflation fears. These risks come on top of the risks related to macroeconomic and political developments 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, as evidenced by the summer floods in Western Europe, including in Belgium. 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

As was the case in the second quarter, quarterly growth in the US and the euro area was positive again in the third quarter, despite growth decelerating in the US. The euro area economy grew in the third quarter at the same quarterly rate as in the second quarter (2.2%). European economic activity is likely to return to its pre-pandemic level by the end of 2021. Our growth outlook for KBC's home markets is broadly aligned with our outlook for the euro area. In other words, we estimate that quarterly growth in the third quarter was positive again and above the long-term potential growth rate. Based on currently available GDP data, third-quarter economic growth actually increased to 1.8% in Belgium (compared to 1.7% in the second quarter), while it also increased to 1.4% in the Czech Republic (compared to 1.0% in the second quarter). The main risks to our short term growth outlook include longer-than-expected supply-side bottlenecks, more persistent high energy prices and a damaging cost-push spiral if rising inflation expectations become persistently embedded in the wage formation process.

Our view on interest rates and foreign exchange rates

The Fed decided to start 'tapering' its bond buying programme from November 2021 on. The first Fed rate hike is likely to occur in 2022, after the tapering process is completed. This scenario is consistent with the Fed's own forward guidance, the overall favourable performance of the US labour market and strong inflation dynamics at present.

Both US and German 10-year yields decreased at the beginning of the third quarter, before bottoming out and starting to rise again to levels that are currently slightly higher than at the start of the third quarter (particularly in the US). We expect a continuation of the upward trend in the fourth quarter of 2021 and early 2022, due mainly to higher inflation expectations and the market expectation of earlier Fed tightening. For German yields, the correlation with US yields plays a role, as does the imminent end of the ECB's PEPP (expected in March 2022), with more clarity about what programme comes next and possibly more concrete forward guidance about the ECB's rate policy. As a result of the ECB continuing to provide ample liquidity and maintain low policy rates, we expect intra-EMU sovereign spreads to remain broadly stable at their current compressed levels.

In order to bring high inflation back into its symmetric tolerance band around the inflation target of 2%, the Czech National Bank (CNB) started to raise its policy rate at the end of June, followed by another rate hike in early August (by 25 basis points each time). The persistence of inflationary pressure led the CNB to more sizeable rate hikes of 75 basis points at the end of September and of 125 basis points in the beginning of November to the current level of 2.75%. Based on the CNB's communication, we expect that its tightening cycle is not yet completed. The National Bank of Hungary (NBH) also began its tightening cycle in late June in reaction to inflation rising well above the NBH's target. It raised its base rate again in July and August, each time in larger than expected steps of 30 basis points. This was followed by more moderate steps of 15 basis points each in September and October, bringing the base rate to its current level of 1.80%. We expect the NBH's tightening cycle to continue until at least the beginning of 2022.

As regards exchange rates, the third quarter was a volatile period for the Czech koruna. In November, the koruna slightly appreciated against the euro after the CNB's stronger than expected rate hike. We expect the koruna to gradually appreciate further against the euro from current levels, mainly as a result of the interest rate differential with the euro area. The Hungarian forint was even more volatile than its Czech counterpart in the third quarter and depreciated, on balance, against the euro. We expect the Hungarian forint to remain broadly stable around its current level in the fourth quarter. After a possible temporary rebound in the first quarter of 2022 due to the interest rate differential with the euro area, the forint is likely to resume its gradual depreciation path against the euro, caused by inflation differentials.

Guidance

Full-year 2021 guidance

- Net interest income: maintained at approximately 4.4 billion euros.
- Operating expenses excluding bank taxes: adjusted to slightly below +2% year-on-year like-for-like (the impact of the acquisition of OTP Banka Slovensko as of 2021, the one-off -18 million euros Covid-related bonus in the second quarter of 2021 and the one-off items in the third quarter of 2021 (mainly related to Ireland) come on top).
- Credit cost ratio: adjusted to around -10 basis points (excluding potential further coronavirus crisis ECL reversals in the fourth quarter of 2021).

Basel 4 impact (assuming a static balance sheet at 30 September 2021): reconfirmed at roughly 8 billion euros higher risk weighed 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 30 September 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.

Upcoming events	Dividend dates: ex-coupon 15 November 2021, record 16 November 2021, payment 17 November 2021. 4Q2021 results: 10 February 2022
More information on 3Q2021	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
Detailed impact of coronavirus crisis	Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' Company presentation, section 2 on 'Covid-19'
Definitions of ratios	'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

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

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