Press Release

Outside trading hours - Regulated information*

Brussels, 9 November 2022 (07.00 a.m. CET)

KBC Group: Third-quarter result of 776 million euros

KBC Group – overview (consolidated, IFRS)	3Q2022	2Q2022	3Q2021	9M2022	9M2021
Net result (in millions of EUR)	776	811	601	2 046	1 951
Basic earnings per share (in EUR)	1.83	1.92	1.41	4.82	4.59
Breakdown of the net result by business unit (in millions of EUR)*					
Belgium	*444*	*564*	*603*	*1 234*	*1 511*
Czech Republic	*197*	*237*	*209*	*640*	*500*
International Markets	*147*	*52*	*-158*	*272*	*70*
Group Centre	*-11*	*-41*	*-53*	*-100*	*-130*
Parent shareholders' equity per share (in EUR, end of period)	44.5	45.0	53.0	44.5	53.0

* At the start of 2022, Ireland was moved from the International Markets Business Unit to the Group Centre in view of the pending sale. Past figures have not been restated.

'Almost nine months have now passed since Russia invaded Ukraine and, unfortunately, there is no sign of an end to the war. The tragedy in Ukraine is causing immense human suffering and our heartfelt solidarity goes out to all victims of this conflict. We sincerely hope that a respectful, peaceful and lasting solution can be achieved as soon as possible. The war in Ukraine, alongside other geopolitical uncertainties, is also sending shockwaves throughout the global economy, resulting in high inflation and weighing on economic growth. Given those uncertainties, we have further increased our dedicated reserve for geopolitical and emerging risks, bringing it close to 0.4 billion euros at the end of the quarter under review.

The tragedy unfolding in Ukraine comes on top of other pressing issues such as the climate crisis, as evidenced by the extreme weather events of the past year. In that respect, sustainability and ESG in general also remain high on our agenda. In August, for example, we became the first Belgian financial institution to issue a social bond, for an amount of 750 million euros. The money raised will be used for investments in the health care sector. What's more, having already achieved or even surpassed almost all our previously set sustainability objectives ahead of schedule, we have – in accordance with our climate commitments – now set new climate-related targets for a number of key sectors and activities. You can read all about them in our first ever Climate Report on www.kbc.com.

In early July, we finalised the acquisition of Raiffeisenbank Bulgaria. This entity and our existing Bulgarian subsidiary UBB will merge their operations, allowing us to significantly expand our share of our Bulgarian core market to an estimated 19% in terms of assets. Raiffeisenbank Bulgaria has now been included in our consolidated results for the first time.

As regards our financial results, we posted an excellent net profit of 776 million euros in the quarter under review. Quarter-on-quarter total income was more or less stable, with higher net interest income, technical insurance income and net fee and commission income being offset by lower trading & fair value income and net other income. Costs were also more or less at the previous quarter's level, though that quarter did include a one-off 78-million euro charge in the form of a new additional bank and insurance tax in Hungary. We recorded a net impairment release on our loan book, which was more than offset by an increase in the reserve for geopolitical and emerging risks. Our solvency position remained very solid with a common equity ratio of 15% on a fully loaded basis, and our liquidity position was excellent, as illustrated by an NSFR of 140% and an LCR of 155%. As announced earlier, we will – in line with our general dividend policy – pay out an interim dividend of 1 euro per share on 16 November 2022 as an advance on the total dividend for financial year 2022.

In closing, a few words about our mobile app. A few weeks ago, independent international research agency Sia Partners again named KBC Mobile one of the top performing mobile banking apps worldwide. KBC Mobile is also the best mobile banking and insurance app in Belgium where it has further consolidated the leading position it already occupied. This is not only recognition of the quality of service we provide, it's also a clear sign that we remain committed to innovation and ensuring maximum convenience for our customers, who continue to put their trust in us. I would like to thank our customers, our employees, our shareholders and all our other stakeholders for their continuing trust and support.'

Johan Thijs
Chief Executive Officer

Financial highlights in the third quarter of 2022

- **Net interest income** increased by 4% quarter-on-quarter and by 17% year-on-year (1% quarter-on-quarter and 14% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The net interest margin for the quarter under review amounted to 1.90%, down 1 basis point quarter-on-quarter but up 10 basis points on the year-earlier quarter. Loan volumes continued to increase, going up by 2% quarter-on-quarter and 9% year-on-year. Deposits excluding debt certificates fell by 2% quarter-on-quarter but increased by 6% year-on-year. These volume growth figures were calculated on an organic basis (excluding the changes in the scope of consolidation and forex effects).

- Technical income from our **non-life insurance activities** (premiums less charges, plus the ceded reinsurance result) was up 4% on the level recorded in the previous quarter and 33% on the year-earlier quarter. The year-on-year increase was related to higher premium income and lower technical charges, partially offset by a lower ceded reinsurance result. The combined ratio for the first nine months of 2022 amounted to an excellent 86%. Sales of our **life insurance** products were down 8% and 15% on the level recorded in the previous and year-earlier quarters, respectively.

- **Net fee and commission income** was up 3% on its level in the previous quarter but down 1% on the year-earlier quarter (down 2% quarter-on-quarter and 5% year-on-year when recently consolidated Raiffeisenbank Bulgaria is excluded). The organic quarter-on-quarter decrease was due mainly to the higher level of distribution fees paid.

- **Trading & fair value result** was down 37% on the level recorded in the previous quarter, but double the relatively low level recorded in the year-earlier quarter. The quarter-on-quarter decrease was attributable primarily to a significantly lower dealing room result and a less positive change in the market value of derivatives used for asset/liability management purposes.

- **All other income items combined** were down 80% and 79% on the figure recorded in the previous and year-earlier quarters, respectively. The quarter-on-quarter decrease was almost entirely due to the drop in net other income (resulting in part from realised losses on the sale of bonds in the quarter under review and a high capital gain in the previous quarter).

- **Costs** excluding bank taxes were up 7% on their level in the previous quarter and 4% on their year-earlier level. Excluding recently consolidated Raiffeisenbank Bulgaria, costs excluding bank taxes were up 4% quarter-on-quarter and 2% year-on-year. The cost/income ratio for the first nine months of 2022 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 48%.

- The quarter under review included a 79-million-euro net **loan loss impairment charge**, compared to a net charge of 9 million euros in the previous quarter, and a net release of 66 million euros in the year-earlier quarter. The net charge in the quarter under review included a 24-million-euro net release for the loan book, which was more than offset by a 103-million-euro increase in the reserve for geopolitical and emerging risks. As a consequence, the credit cost ratio for the first nine months of 2022 amounted to 0.05%, compared to -0.18% for full-year 2021 (a negative sign implies a positive impact on the results).

- Our **liquidity position** remained strong, with an LCR of 155% and NSFR of 140%. Our **capital base** remained robust, with a fully loaded common equity ratio of 15.0%.

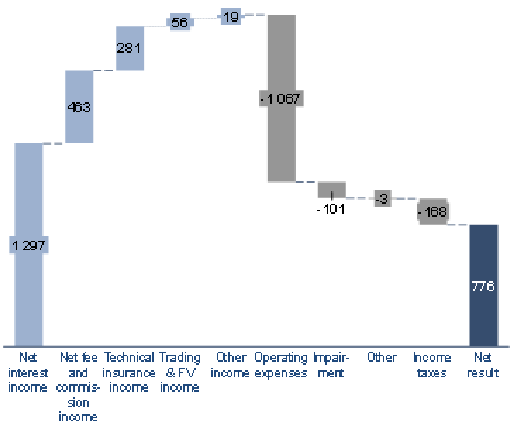
The cornerstones of our strategy

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

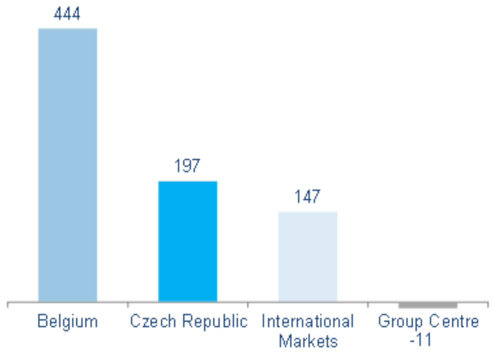
Breakdown of 3Q2022 result

(in millions of EUR)



Contribution of the business units to 3Q2022 group result

(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2022	2Q2022	1Q2022	4Q2021	3Q2021	9M2022	9M2021
Net interest income	1 297	1 248	1 200	1 177	1 112	3 745	3 274
Non-life insurance (before reinsurance)	238	222	197	181	150	657	601
Earned premiums	*521*	*503*	*487*	*486*	*484*	*1 512*	*1 399*
Technical charges	*-284*	*-280*	*-291*	*-305*	*-334*	*-855*	*-798*
Life insurance (before reinsurance)	50	14	11	10	12	75	35
Earned premiums	*268*	*266*	*290*	*375*	*256*	*824*	*820*
Technical charges	*-218*	*-252*	*-279*	*-365*	*-244*	*-749*	*-786*
Ceded reinsurance result	-7	2	24	15	23	19	10
Dividend income	22	21	7	9	11	50	36
Net result from financial instruments at fair value through P&L[1]	56	89	143	-39	28	289	183
Net realised result from debt instruments at fair value through other comprehensive income	-5	-14	-2	1	4	-21	5
Net fee and commission income	463	451	482	479	467	1 396	1 357
Net other income	2	90	54	56	77	146	168
Total income	2 115	2 123	2 116	1 887	1 884	6 355	5 671
Operating expenses	-1 067	-1 071	-1 520	-1 078	-1 025	-3 658	-3 318
Impairment	-101	-28	-22	16	45	-151	245
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-79*	*-9*	*15*	*62*	*66*	*-72*	*272*
Share in results of associated companies & joint ventures	-3	-2	-3	-2	-2	-7	-3
Result before tax	945	1 023	571	823	903	2 538	2 595
Income tax expense	-168	-211	-113	-160	-302	-493	-644
Result after tax	776	811	458	663	601	2 046	1 951
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**776**	**811**	**458**	**663**	**601**	**2 046**	**1 951**
Basic earnings per share (EUR)	1.83	1.92	1.07	1.56	1.41	4.82	4.59
Diluted earnings per share (EUR)	1.83	1.92	1.07	1.56	1.41	4.82	4.59

Key consolidated balance sheet figures, IFRS KBC Group (in millions of EUR)	30-09-2022	30-06-2022	31-03-2022	31-12-2021	30-09-2021
Total assets	363 528	369 807	369 903	340 346	354 336
Loans & advances to customers, excl. reverse repos	177 100	168 984	164 639	159 728	156 712
Securities (equity and debt instruments)	66 043	66 703	66 789	67 794	66 269
Deposits from customers excl. debt certificates & repos	217 538	217 293	205 896	199 476	198 021
Technical provisions, before reinsurance	18 569	18 817	19 092	18 967	18 971
Liabilities under investment contracts, insurance	11 964	12 153	13 131	13 603	13 213
Parent shareholders' equity	18 540	18 739	21 608	21 577	22 096

Selected ratios KBC Group (consolidated)	9M2022	FY2021
Return on equity	14%	13%
Cost/income ratio, group excl. certain non-operating items and evenly spreading bank taxes throughout the year / excl. full bank taxes	58% 54% / 48%	58% 55% / 51%
Combined ratio, non-life insurance	86%	89%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	15.0% [13.9%]	15.5% [16.8%]
Common equity ratio, FICOD fully loaded [transitional]	14.6% [14.1%]	14.8% [16.1%]
Credit cost ratio[3]	0.05%	-0.18%
Impaired loans ratio	2.0%	2.9%
for loans more than 90 days past due	1.1%	1.5%
Net stable funding ratio (NSFR)	140%	148%
Liquidity coverage ratio (LCR)	155%	167%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 A negative figure indicates a net impairment release (positively affecting results).

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

Analysis of the quarter (3Q2022)

Total income 2 115 million euros	• Total income was in line with the figure recorded in the previous quarter. Excluding the consolidation of Raiffeisenbank Bulgaria, total income was down 3% quarter-on-quarter. • Net interest income, technical insurance income and net fee and commission income were all up, while trading & fair value income and net other income were down quarter-on-quarter.

Net interest income amounted to 1 297 million euros in the quarter under review, up 4% and 17% on its level in the previous and year-earlier quarters, respectively. When the impact of the consolidation of Raiffeisenbank Bulgaria as of the third quarter of 2022 is eliminated, net interest income was up 1% quarter-on-quarter and 14% year-on-year. In both cases, net interest income benefited from organic growth in lending volumes (see below), the continued improvement in reinvestment yields in all core countries, increased income related to funding and the higher number of days in the reporting period (quarter-on-quarter only). This was partly offset by the negative effect of a number of factors, including pressure on loan margins in almost all core countries, the abolishment of the charging of negative interest rates on current accounts held by corporate entities and SMEs during the third quarter, no positive ECB tiering effect since the end of July 2022, lower reinvestment income from retained earnings due to a large dividend being paid out in the Czech Republic at the end of the second quarter, lower income from inflation-linked bonds (quarter-on-quarter) and a negative forex impact. The net interest margin for the quarter under review amounted to 1.90%, down 1 basis point quarter-on-quarter but up 10 basis points year-on-year.

Customer deposits excluding debt certificates were down 2% quarter-on-quarter but up 6% year-on-year on an organic basis (or +1% and +6%, respectively, when excluding volatility in deposits at the foreign branches of KBC Bank). The total volume of customer lending rose 2% quarter-on-quarter and 9% year-on-year on an organic basis. In the organic growth figures, the forex-related impact and the effects of changes in the scope of consolidation were eliminated.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 232 million euros to total income, up 4% and 33% on its performance in the previous and year-earlier quarters, respectively. Compared to the previous quarter, earned premiums were up 4%, only partially offset by a lower ceded reinsurance result and slightly higher technical charges (up just 1% as they benefited from the positive effect of technical provisions being released in the Czech Republic). Compared to the year-earlier quarter, the increase in the technical non-life result was attributable to the combination of an 8% increase in premium income and 15% reduction in technical charges (the reference quarter had included the adverse impact of the heavy flooding in Belgium in the summer of 2021, among other factors), partly offset by a lower ceded reinsurance result. Overall, the combined ratio for the first nine months of 2022 amounted to an excellent 86%, compared to 89% for full-year 2021.

Technical income from our **life insurance** activities (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 49 million euros, compared to 14 million euros in the previous quarter and 11 million euros in the year-earlier quarter. The current quarter's figure benefited from the positive effect of a release of technical provisions in the Czech Republic. Sales of life insurance products in the quarter under review (391 million euros) were down 8% and 15% on the level recorded in the previous and year-earlier quarters, respectively, due almost entirely to lower sales of unit-linked life insurance products. Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 57% in the quarter under review, with unit-linked products accounting for the remaining 43%.

Net fee and commission income amounted to 463 million euros, up 3% on its level in the previous quarter and down 1% compared to the level of the year-earlier quarter. Excluding the impact of the consolidation of Raiffeisenbank Bulgaria, net fee and commission income was down 2% quarter-on-quarter and 5% year-on-year. The small quarter-on-quarter organic decrease was accounted for mainly by the higher level of distribution fees paid. The 5% year-on-year organic decrease was due to the combination of a decrease in asset management-related fee income (management fees and entry fees) and higher distribution fees paid, offset partly by an increase in fees for banking services. At the end of September 2022, our total assets under management amounted to 205 billion euros, down 3% quarter-on-quarter and 11% year-on-year, due almost entirely to the negative market performance.

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 56 million euros, compared to 89 million euros in the previous quarter and a low 28 million euros in the year-earlier quarter. The quarter-on-quarter decrease was caused essentially by a significantly lower dealing room result and a less positive change in the market value of derivatives used for asset/liability management purposes, which more than offset the small positive change in market value adjustments (xVA) and the increased result related to the insurer's equity portfolio. Year-on-year, trading & fair value income doubled thanks to the combination of a positive change in the market value adjustments of derivatives used for asset/liability management purposes and a positive change in xVA, only partly offset by a lower dealing room result.

The **other remaining income items** (totalling 19 million euros) included dividend income of 22 million euros (although the bulk of dividends is traditionally received in the second quarter, dividend income in the quarter under review was at the same level as the second-quarter figure, owing to an exceptional item), a net realised result from debt instruments at fair value through other comprehensive income of -5 million euros and net other income of 2 million euros. The latter figure was significantly below the 50-million-euro normal run rate for this item, due mainly to realised losses on the sale of bonds in the quarter under review. Note that the previous quarter's net other income had benefited from a 68-million-euro gain on the sale of a real estate subsidiary.

Operating expenses 1 067 million euros	• Operating expenses excluding bank taxes and Raiffeisenbank Bulgaria were up 4% quarter-on-quarter and 2% year-on-year. • Group cost/income ratio for the first nine months of 2022 amounted to 54% when certain non-operating items are excluded and bank taxes spread evenly throughout the year.

Operating expenses in the third quarter of 2022 amounted to 1 067 million euros. They included some 23 million euros in bank taxes as opposed to 94 million euros in the previous quarter, which had included a 78-million-euro charge in the form of a new additional bank and insurance tax in Hungary.

Operating expenses excluding bank taxes were up 7% on their level in the previous quarter and 4% on their year-earlier level. When the impact of the consolidation of Raiffeisenbank Bulgaria is eliminated, operating expenses excluding bank taxes were up 4% quarter-on-quarter and 2% year-on-year, which in both cases – apart from certain one-off items – was due to a number of factors, including inflationary pressure and wage indexation, and higher facility expenses and professional fees.

The cost/income ratio for the group came to 58% for the first nine months of 2022. When bank taxes are spread evenly throughout the year and certain non-operating items excluded, the ratio amounted to 54%, compared to 55% for full-year 2021. When excluding all bank taxes, the cost-income ratio falls to 48%.

Loan loss impairment 79-million-euro net charge	• Net impairment release on the loan book more than offset by an increase in the reserve for geopolitical and emerging risks. • Credit cost ratio for the first nine months of 2022 at 0.05%.

In the quarter under review, we recorded a 79-million-euro net loan loss impairment charge, compared with a net charge of 9 million euros in the previous quarter and a net release of 66 million euros in the year-earlier quarter. The net impairment charge in the quarter under review was accounted for primarily by an additional 103-million-euro charge for geopolitical and emerging risks, which more than offset the net release of 24 million euros for our loan book. As a consequence (and when the consolidation of Raiffeisenbank Bulgaria is also taken into account), the outstanding reserve for geopolitical and emerging risks amounted to 387 million euros at the end of September 2022. A detailed calculation and background information is provided in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report.

Broken down by country, the net loan loss impairment charge breaks down into 21 million euros in Belgium, 31 million euros in the Czech Republic, 6 million euros in Slovakia, 17 million euros in Hungary, 3 million euros in Bulgaria and 0 million euros for the group Centre.

For the entire group, the credit cost ratio amounted to 0.05% in the first nine months of 2022 (-0.03% excluding the amounts recorded for geopolitical and emerging risks and the release of the remaining reserve for the coronavirus crisis), compared to -0.18% for full-year 2021 (0.09% excluding the partial release of the reserve for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of September 2022, 2% of our total loan book was classified as impaired ('Stage 3'), compared to 2.9% at year-end 2021. Impaired loans that are more than 90 days past due amounted to 1.1% of the loan book, compared to 1.5% at year-end 2021. The improvement in the impaired loans ratios was largely related to the sale of the bulk of the non-performing Irish mortgage loan book in February 2022.

Impairment on assets other than loans amounted to 23 million euros, compared to 19 million euros in the previous quarter and 21 million euros in year-earlier quarter. The figure for the quarter under review related mainly to modification losses from the extension of the interest cap regulation in Hungary.

Net result by business unit	Belgium	Czech Republic	International Markets	Group Centre
	444 million euros	197 million euros	147 million euros	-11 million euros

Belgium: the net result (444 million euros) was 21% lower quarter-on-quarter. This was due primarily to the combined effect of lower total income (owing mainly to lower trading & fair value income, net other income and net fee and commission income, while net interest income and technical insurance income increased), higher costs and a net impairment charge (as opposed to a net release in the previous quarter).

Czech Republic: the net result (197 million euros) was down 17% on its level for the previous quarter. This was attributable to a combination of lower total income (net interest income, trading & fair value income and net other income fell, while technical insurance income and net fee and commission income increased, among other factors), higher costs and higher net impairment charges.

International Markets: the 147-million-euro net result breaks down as follows: 24 million euros in Slovakia, 62 million euros in Hungary and 61 million euros in Bulgaria (25 million euros of which relating to Raiffeisenbank Bulgaria). For the business unit as a whole, the net result was almost three times higher than the previous quarter's result. When disregarding the consolidation of Raiffeisenbank Bulgaria and the fact that the previous quarter had included a new tax charge in Hungary totalling 78 million euros, the net result was virtually stable quarter-on-quarter. This was attributable to a combination of higher total income, flat costs and higher net impairment charges.

Group Centre: the net result (-11 million euros) was 30 million euros higher than the figure recorded in the previous quarter. Note that, as of 2022, the Group Centre includes the result for Ireland given the pending sale. The net result for Ireland in the quarter under review amounted to 21 million euros and included a positive 9 million euros in various one-off effects related to the ongoing sale transaction, compared to -2 and -17 million euros in the previous quarter, respectively.

	Belgium		Czech Republic		International Markets[1]	
Selected ratios by business unit	9M2022	FY2021	9M2022	FY2021	9M2022	FY2021
Cost/income ratio, group: excl. certain non-operating items and evenly spreading the banking tax throughout the year / excl. full banking tax	54%/46%	51%/45%	45%/43%	53%/50%	51%/43%	63%/61%
Combined ratio, non-life insurance	87%	90%	82%	87%	86%	86%
Credit cost ratio[2]	-0.01%	-0.26%	0.08%	-0.42%	0.28%	0.36%
Impaired loans ratio	1.8%	2.2%	1.6%	1.8%	2.1%	5.7%

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

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

Equity, solvency and liquidity	Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
	20.0 billion euros	15.0%	155%	140%

At the end of September 2022, total equity came to 20.0 billion euros, comprising 18.5 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was down 3.0 billion euros on its level at the end of 2021. This was accounted for by the combined effect of a number of items, including the profit for the first nine months (+2.0 billion euros), payment of the final dividend (7.60 euros per share) for 2021 in May 2022 and the interim dividend (1.00 euros per share) for 2022 payable in November 2022 (-3.6 billion euros in total), a decrease in the revaluation reserves (-1.5 billion euros) and a number of minor items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

On 30 September 2022, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 15%, compared to 15.5% at the end of 2021. Note that the acquisition of Raiffeisenbank Bulgaria accounted for a 0.9 percentage points decrease in the common equity ratio in the third quarter of 2022. The solvency ratio for KBC Insurance under the Solvency II framework was 227% at the end of September 2022, compared to 201% at the end of 2021. We have provided more details and additional information on solvency under 'Solvency' in the 'Additional information' section of the quarterly report.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 155% and an NSFR ratio of 140%, compared to 167% and 148%, respectively, at the end of 2021.

Analysis of the year-to-date period (9M2022)

Net profit 2 046 million euros	• Net profit up 5% on the figure for the year-earlier period. • Total income up 12% thanks mainly to net interest income, trading & fair value income and technical insurance income. • Operating expenses excluding bank taxes up 7% year-on-year. Bank taxes up by as much as 32% year-on-year. • 72-million-euro net loan loss impairment charge, compared to a large net release of 272 million euros in the year-earlier period.

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

- **Net interest income** up 14% to 3 745 million euros. This was attributable in part to the improvement in reinvestment yields in all core countries, lending and deposit volume growth (see below), increased income related to funding, the higher netted positive impact of ALM forex swaps, the consolidation of Raiffeisenbank Bulgaria since the third quarter of 2022 and a positive forex effect. That was partly offset by the negative effect of a number of factors, including pressure on loan margins in almost all core countries, the abolishment during the third quarter of the charging of negative interest rates on current accounts held by corporate entities and SMEs and no positive ECB tiering effect since the end of July 2022. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of customer lending rose by 9% and deposits excluding debt certificates rose by 6% year-on-year. The net interest margin in the first nine months of 2022 came to 1.91%, up 12 basis points year-on-year.

- **Technical insurance result** up 16% to 751 million euros. The non-life insurance technical result was up 11% on the figure for the year-earlier period, thanks to higher premium income (+8%) and a higher ceded reinsurance result, which more than offset the increase in technical charges (+7%). The non-life combined ratio for the first nine months of 2022 amounted to an excellent 86%, compared to 89% for full-year 2021. Life insurance sales were down by 4% to 1 362 million euros due to lower sales of unit-linked insurance products.

- **Net fee and commission income** up 3% to 1 396 million euros. Half of the increase was accounted for by the consolidation of Raiffeisenbank Bulgaria in the third quarter, the remainder being accounted for by organic growth of fees for asset management services and banking services, partly offset by higher distribution fees paid. At the end of September 2022, total assets under management were down 11% to 205 billion euros, due to the negative market performance.

- **Trading & fair value income** up 57% to 289 million euros. This was attributable primarily to a positive change in the market value of derivatives used for asset/liability management purposes.

- **All other income items combined** down 16% to 175 million euros. This came about mainly because of lower net other income and the lower net realised result from debt instruments at fair value through OCI.

- **Operating expenses** up 10% to 3 658 million euros. They included bank taxes of 631 million euros, up 32% compared to the reference period, partly due to an extraordinary payment to the deposit guarantee fund related to Sberbank Hungary and a new bank and insurance tax in Hungary in the period under review. Excluding bank taxes, the effect of the consolidation of Raiffeisenbank Bulgaria, forex effects and various one-off items (see further), operating expenses increased by 6%. This was mainly attributable to inflation-linked wage drift, higher ICT expenses, increased facility and marketing costs and higher professional fees. The main one-off items in the period under review were an extraordinary profit bonus for staff (compared to a smaller Covid-related bonus in the reference period), some one-off costs relating to the sale of the Irish portfolios (compared to a higher impact in the reference period) and small one-off integration costs related to Raiffeisenbank Bulgaria. The year-to-date cost/income ratio came to 58%, or an adjusted 54% when certain non-operating items are excluded and bank taxes evenly spread throughout the year (compared to 55% for full-year 2021). When bank taxes are fully excluded, the cost-income ratio for the period under review amounted to 48%.

- **Loan loss impairment**: a net charge of 72 million euros, compared to a net release of 272 million in the reference period. The first nine months of 2022 included the full release of the remainder of the previously recorded provision for the coronavirus crisis, a net release for individual loans and a new provision for geopolitical and emerging risks (which now amounts to 387 million euros). The large net release in the reference period was mainly attributable to a large partial take-back of the reserve set aside for the coronavirus crisis, partly offset by one-off impairment charges related to the sale agreements in Ireland. As a result, the credit cost ratio for the whole group amounted to 0.05%, compared to -0.18% for full-year 2021 (a negative figure implies a positive impact on the result). Impairment on assets other than loans amounted to 79 million euros, up from 27 million euros in the reference period, due to various one-off items.

- The 2 046-million-euro **net result** for the first nine months of 2022 breaks down as follows: 1 234 million euros for the Belgium Business Unit (down 277 million euros on its year-earlier level), 640 million euros for the Czech Republic Business Unit (up 141 million euros), 272 million euros for the International Markets Business Unit (down 84 million euros on a comparable basis, i.e. excluding Ireland and Raiffeisenbank Bulgaria) and -100 million euros for the Group Centre (up 291 million euros on a comparable basis, i.e. including Ireland).

Recent ESG developments

We recently published our first ever Climate Report, which sets out specific targets for reducing future greenhouse gas emissions.

In previous years, we had already set ambitious targets, the majority of which we have since met or exceeded ahead of schedule. In 2019, we signed up to the United Nations' Collective Commitment to Climate Action and undertook – in collaboration with our customers – to promote the maximum greening of the economy in an effort to limit global warming to well below 2°C and strive for 1.5°C as set out in the Paris Agreement.

Our Climate Report outlines our vision and ambitions for climate throughout the group in the years ahead. It focuses on our lending and asset management activities, as – at present – not enough recognised research and reporting methods are available for insurance activities. The report contains analyses and greenhouse gas (GHG) intensity reduction targets for the energy, real estate, transport, agriculture, construction and metals sectors, some of which have been broken down into sub-sectors. We have set specific and measurable targets for these sectors in the short term (2030) and in the longer term (2050) and the baselines have been externally assured. Each sector faces specific challenges and, therefore, not all sectors will be able to reduce their CO_2 emissions at the same rate and to the same extent, given that they each face different economic and technological challenges.

Besides targets aimed at reducing the GHG intensity of selected sectors, we also set responsible investing targets. Currently, of every 100 euros invested, more than half is invested according to responsible investment criteria. This gives KBC Asset Management plenty of financial clout to facilitate the transition to a carbon-neutral society.

Our Climate Report is available on www.kbc.com.

Risk statement, economic views and guidance

Risk statement

As we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, market risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. KBC closely monitors and manages each of these risks within a strict risk framework, but they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.

At present, a number of factors are considered to constitute the main challenges for the financial sector. These stem primarily from the impact of the war in Ukraine, not just directly, but even more so indirectly due to the resulting increase in energy and commodity prices and supply-side shortages, which were already stressed following the coronavirus pandemic. This has led to a surge in inflation, resulting in upward pressure on interest rates, reduced liquidity and volatility on financial markets, lower growth prospects (with the increased likelihood of a recession or stagflation scenario) and some concerns about the creditworthiness of counterparties in the economic sectors most exposed. These risks affect global, but especially, European economies, including KBC's home markets. Regulatory and compliance risks (including capital requirements, anti-money laundering regulations and GDPR) also remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate-related risks are becoming increasingly prevalent. Cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole. The war in Ukraine has again increased vigilance in this area. Finally, we are seeing governments across Europe either taking or contemplating additional measures to support their budgets (via increased tax contributions from the financial sector) and their citizens and corporate sector (by, for instance, implementing interest rate caps or loan repayment moratoria).

We provide risk management data in our annual reports, quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.

Our view on economic growth

After two consecutive negative quarter-on-quarter growth rates, the US economy grew again in the third quarter by 0.6% quarter-on-quarter (non-annualised), due primarily to the positive contribution made by net exports. However, the next two quarters are expected to see a mild contraction of the economy, largely driven by ongoing high inflation and a further tightening of financial conditions as a result of the Fed's monetary policy and the strong trade-weighted exchange rate of the US dollar.

Meanwhile, after strong growth in the first two quarters of 2022, third-quarter growth in the euro area also remained positive (0.2% quarter-on quarter). Leading confidence indicators, however, suggest that the euro area economy entered a technical recession in the fourth quarter of 2022, with the economy expected to shrink in that quarter and the opening quarter of 2023 due to the impact of the energy crisis and the tightening financial conditions.

In the third quarter of 2022, economic growth in both Belgium and the Czech Republic was negative (-0.1% and -0.4% quarter-on-quarter, respectively). Both economies have likely entered a technical recession in the third quarter, with real GDP expected to shrink in the fourth quarter as well.

The most important risk to our short-term European growth outlook relates to critical energy deficits, caused by the possible inability of Europe to compensate a severe disruption of Russian gas supplies. Other risks continue to include general, post-pandemic supply chain disruptions, new waves of Covid infections and vulnerability caused by high levels of debt in what are tightening financing conditions worldwide.

Our view on interest rates and foreign exchange rates

To fight increasing inflationary pressure, the Fed continued to raise its policy rate in the third quarter by 75 basis points each at the end of July and September and by another 75 basis points in November to the current target range of 3.75%-4.00%, which is above the Fed's own estimate of the longer-term neutral rate. We expect the Fed to continue raising its policy rate in the coming quarters. Moreover, the run-down of the Fed's balance sheet ('Quantitative Tightening') has been fully phased in since September and is contributing to a tightening monetary policy stance. Meanwhile, the ECB also raised all of its policy rates at the end of July by 50 basis points and by 75 basis points each in mid-September and at the end of October. We expect the ECB to continue raising these rates and to start gradually running down its APP portfolio.

After an initial moderate and temporary fall in July on the back of recession trades, both US and German 10-year yields continued their synchronous upward trend from early August on, when markets became convinced that both the Fed and the ECB were fully determined to restore price stability. On balance, both US and German 10-year bond yields rose by about 100 basis points in the period between the beginning of the third quarter and mid-October.

During the third quarter, the euro (EUR) continued to depreciate against the US dollar (USD). This was mainly a reflection of the general strength of the USD against most other currencies, a situation driven by the Fed's rate-hiking cycle. Specifically in terms of the EUR exchange rate, vulnerabilities to the ongoing energy crisis also played an important role. Since these factors are likely to persist in the coming quarters, we expect the EUR to depreciate further to around 0.95 USD per EUR before bottoming out and very gradually recovering.

The Czech koruna (CZK) remained quite volatile during the third quarter, fluctuating around its current value of 24.50 CZK per EUR in relatively wide bands. Targeted FX interventions by the Czech National Bank (CNB) supported the CZK's exchange rate. The CNB left its policy rate unchanged at 7%, which we expect to be the peak level in the current tightening cycle. This may result in some additional weakening of the CZK against the EUR over the next few quarters, before it gradually starts appreciating again. Further targeted FX interventions by the CNB, if necessary, are expected to stabilise the CZK against the EUR in the coming quarters.

To address high inflation, the National Bank of Hungary (NBH) raised its base rate in four steps from 7.75% to the current level of 13%. The NBH indicated that this would be the end of its tightening cycle with respect to the base rate. During most of the third quarter, the exchange rate of the Hungarian forint (HUF) against the EUR was volatile but generally stable. However, since the second half of September, the HUF has sharply depreciated mainly because of market concerns about the impact of the energy crisis, in particular on the current account balance, and fears of a global economic recession. After the NBH introduced special interest rate measures targeting international investors, the HUF partially recovered. Nevertheless, it has still depreciated significantly against the EUR compared to the exchange rate at the beginning of 2022.

Guidance

Based upon our latest set of macroeconomic and business assumptions (impacted by Russia's invasion of Ukraine, causing major macroeconomic and financial shocks and very volatile markets), we confirm*:

- Our full-year 2022 guidance for 'total income' of approximately 8.4 billion euros, of which approximately 5.05 billion euros net interest income.
- Our full-year 2022 guidance for 'operating expenses excluding bank taxes' of approximately 4.15 billion euros.
- This implies jaws over 2021-2022 (between y-o-y top line growth and operating expenses growth) of roughly 4.0%
- Our full-year 2022 'credit cost ratio' of between 10 and 25 basis points.

Upcoming events	• Interim dividend: ex-coupon 14 November 2022, record 15 November 2022, payment 16 November 2022 • 4Q2022 results: 9 February 2023 • Annual Report 2022: 3 April 2023 • AGM: 4 May 2023 • 1Q2023 results: 16 May 2023 • Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 3Q2022	• Quarterly report: www.kbc.com / Investor Relations / Reports • Company presentation: www.kbc.com / Investor Relations / Presentations
Detailed information on Ukraine crisis	• Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' • Company presentation
Definitions of ratios	• 'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

* Our group guidance for 2022 is based on the following assumptions:
• The consolidation of Raiffeisen Bulgaria as of mid-2022 and the consolidation of KBC Bank Ireland for the entire year 2022 (due to a delay of transaction approval)
• An additional P&L benefit from TLTRO3 of 73 million euros in 2H22 (neutralization of TLTRO3 benefit as of 23rd November 2022 taken into account)
• We took into account the CNB policy rate at 7.00% by end 2022 and further ECB rate hikes during 2022 (2.25% by end 2022)
• Volume growth estimated at roughly 8% y-o-y.

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

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