2023

Annual report
KBC Group

KBC group passport

Our area of operation

We are an integrated bank-insurance group, catering mainly for retail, private banking, SME and mid-cap clients. Our core markets are Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. We are present to a limited extent in several other countries.

Our goal and ambition

Through our activities, we want to help our clients to both realise and protect their dreams and projects.
It is our ambition to be the reference for bank-insurance in all our core markets.

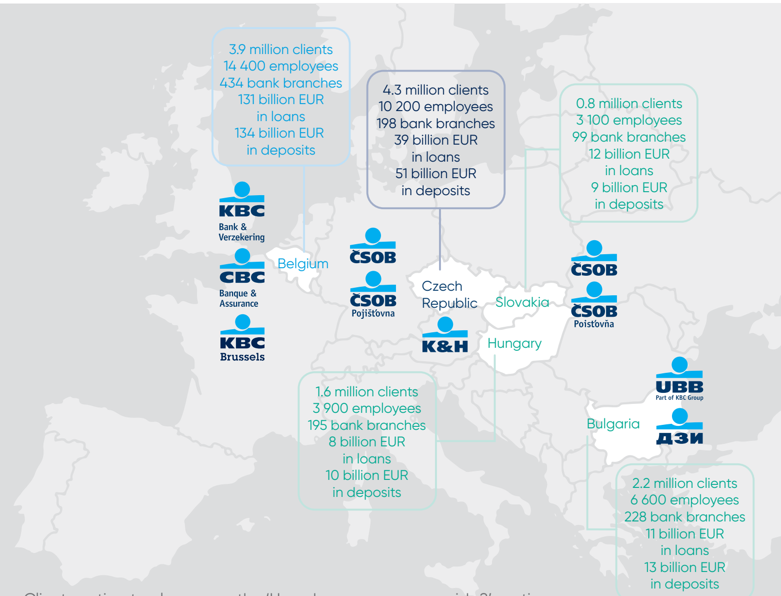
Our clients, staff and network as at 31-12-2023

Clients	13 million
Staff	41 000
Bank branches	1 166
Insurance network	292 agencies in Belgium, various distribution channels in Central and Eastern Europe

Our ratings as at 14-03-2024

Long-term debt ratings	Fitch	Moody's	S&P's
KBC Bank NV	A+	A1	A+
KBC Insurance NV	–	–	A
KBC Group NV	A	Baa1	A-

Sustainability ratings	CDP	Sustainalytics	S&P Global	MSCI	ISS ESG	FTSE 4good
KBC Group	A	9.8	64/100	AAA	C+ prime	4.7/5



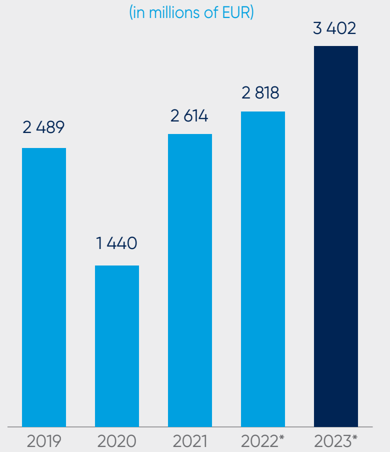
Clients: estimates; loans: see the 'How do we manage our risks?' section; deposits: deposits from customers excluding debt securities and repos.
Loans and deposits for Belgium: includes the limited network of KBC Bank branches abroad.
Employees expressed in FTEs.

KBC group in 2023

- Success and further development of Kate and Kate Coins
- 3.4 billion EUR in net profit
- Finalisation of sale of activities in Ireland
- Challenging geopolitical and economic conditions
- Sustainable Finance Programme extended from climate to other environmental areas
- Provision of more detailed insurance information under IFRS 17
- Merger of acquired Raiffeisenbank Bulgaria with UBB in Bulgaria
- Launch of 1.3-billion-euro share buyback programme in August 2023
- Advancing our strategy with Save Time and Earn Money (S.T.E.M.): the Ecosphere

Net result

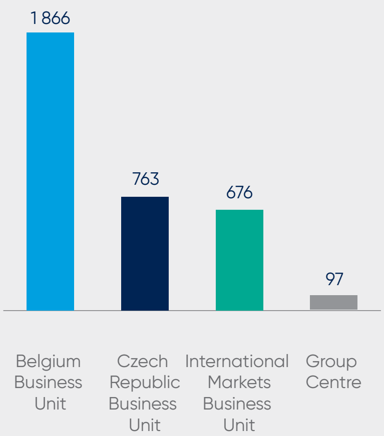
(in millions of EUR)



* IFRS 17 came into force in 2023, resulting in retroactive restatement of 2022 figures ; the figures up to and including 2021 are therefore not fully comparable.

Breakdown of net result by business unit

(2023, in millions of EUR)



Key figures	2023[1]	2022[1]	2021	2020	2019
Consolidated balance sheet (in millions of EUR)					
Total assets	346 921	354 545	340 346	320 743	290 591
Loans and advances to customers (excluding reverse repos)	183 613	178 053	159 728	159 621	155 816
Securities	73 696	67 160	67 794	71 784	65 633
Deposits from customers and debt securities (excluding repos)	216 423	224 407	199 476	190 553	173 184
Insurance contract liabilities and liabilities under investment contracts, insurance	30 245	28 184	32 571	31 442	32 170
Total equity	24 260	21 819	23 077	21 530	20 222
Consolidated income statement (in millions of EUR)					
Total income	11 224	10 035	7 558	7 195	7 629
Total operating expenses (including bank and insurance tax)	-5 125	-4 805	-4 396	-4 156	-4 303
Impairment	-215	-282	261	-1 182	-217
Net result, group share	3 402	2 818	2 614	1 440	2 489
Belgium	1 866	1 876	1 997	1 001	1 344
Czech Republic	763	653	697	375	789
International Markets	676	428	127	199	379
Group Centre	97	-139	-207	-135	-23
Sustainability and gender diversity					
Own greenhouse gas emissions (in tonnes of CO_2 per FTE)	1.5	1.5	–	–	–
Proportion of renewable energy in loans to the energy sector (%)	62%	63%	63%	61%	57%
Volume of responsible investment funds (in billions of EUR)	41	32	32	17	12
Gender diversity in the workforce (percentage of women)	57%	57%	56%	56%	57%
Gender diversity in the Board of Directors (percentage of women)	31%	38%	33%	38%	31%
KBC share					
Number of shares outstanding, end of period (in millions)	417.3	417.2	416.9	416.7	416.4
Parent shareholders' equity per share, end of period (in EUR)	53.9	48.7	51.8	48.1	45.0
Average share price for the financial year (in EUR)	61.8	58.9	68.3	52.8	60.8
Share price at year-end (in EUR)	58.7	60.1	75.5	57.3	67.1
Gross dividend per share (in EUR)[2]	4.15	4.0	8.6	2.44	1.00
Basic earnings per share (in EUR)	8.04	6.64	6.15	3.34	5.85
Equity market capitalisation, end of period (in billions of EUR)	24.5	25.1	31.5	23.9	27.9
Financial ratios					
Return on equity	16%	13%	13%	8%	14%
Cost/income ratio (excl. bank and insurance tax)	43%	45%	51%	51%	50%
Combined ratio, non-life insurance	87%	87%	89%	85%	90%
Credit cost ratio	0.00%	0.08%	-0.18%	0.60%	0.12%
Common equity ratio (Danish compromise method, fully loaded)	15.2%	15.3%	15.5%	17.6%	17.1%

For definitions and comments, see the analyses and 'Glossary of financial ratios and terms' in this report.

1 IFRS 17 (Insurance Contracts) has been in force since 2023, with retroactive restatement of the 2022 figures. As a result, the figures up to and including 2021 are not fully comparable with the 2023 and 2022 figures.

2 The dividend for 2023 is subject to the approval of the General Meeting of Shareholders.

Our key performance indicators (KPIs) for the future

Client NPS score Target: top 2 at group level by year-end 2026	**Digital sales** Target: share of digital sales ≥ 65% for bank products and ≥ 35% for insurance products by 2026	**Straight-through processing** Target: share of straight-through processing (STP) ≥ 68% by 2026	**Bank-insurance clients** Target: 83% of active clients by year-end 2026	**Stable bank-insurance clients** Target: 29% of active clients by year-end 2026	**Strategic**
Responsible Investment funds (RI) Target: share of RI funds ≥ 45% of Assets under Distribution by 2025 and 55% by 2030; new production of RI funds ≥ 65% of total annual fund production by 2030; decrease in greenhouse gas intensity of companies in responsible investment funds by 50% between 2019 and 2030	**Renewable energy loans** Target: share of renewable energy sources in the energy-sector loan portfolio ≥ 75% by 2030	**Greenhouse gas intensity** Target: decrease in the greenhouse gas intensity of various sectors in the loan portfolio by 2030 and 2050. Decrease in the greenhouse gas intensity of the shares and corporate bonds held in portfolio by KBC Insurance by 2025 and 2030.	**Own CO2e emissions** Target: -80% between 2015 and 2030 and achievement of net climate neutrality for our direct footprint from year-end 2021 by offsetting the difference.	**Own renewable energy consumption** Target: 100% green electricity by 2030	**ESG**
Net interest income Target: CAGR for 2023- 2026: ≥ 1.8% **Insurance revenues** Target: CAGR for 2023-2026: ≥ 6% **Operating expenses incl. insurance commissions paid (excl. bank and insurance tax)** Target: CAGR for 2023-2026: < 1.7%	**Credit cost ratio** Target: well below the through-the-cycle cost of credit of 25-30 basis points (excluding the reserve for geopolitical and emerging risks)	**Cost/income ratio excluding bank and insurance tax** Target: < 42% by 2026 **Combined ratio** Target: < 91%	**Dividend payout ratio** Target: ≥ 50% (see 'Our strategy')	**Surplus capital** The Board of Directors decides on payment of portion exceeding >15% of common equity ratio, (see below)	**Financial**

KPI definitions and scores are provided in the 'Our strategy' section, as are the key capital and liquidity ratios.

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Report of the Board of Directors

Consolidated financial statements

Additional information

Statutory annual report: we have incorporated the content of the annual report required by law into the 'Report of the Board of Directors', which also contains non-compulsory information. We have combined the reports for the company and consolidated financial statements. Other reports and the websites we refer to do not form part of our annual report.

Company name: 'KBC', 'we', 'the group' or 'the KBC group' refer to the consolidated entity, i.e. KBC Group NV plus all the group companies included in the scope of consolidation. 'KBC Group NV' refers solely to the parent company.

Glossary: a list of the most important financial ratios and terms used (including the alternative performance measures) can be found at the end of this report.

Sustainability statement (or non-financial information): in keeping with our pursuit of integrated reporting, we have incorporated our sustainability information in the 'Report of the Board of Directors'. The references to the sections concerned are provided under the 'Sustainability statement'. Information concerning diversity can be found in the 'Corporate governance statement'.

Translation and versions: the Annual Report is available in Dutch and English ESEF (European Single Electronic Format) versions and in Dutch, English and French PDF versions. The Dutch ESEF version is the original version; the other language translations are unofficial versions. We have made every reasonable effort to avoid discrepancies between the different language and format versions. However, should such discrepancies exist, the Dutch ESEF version will take precedence.

How we determine what is sufficiently important to mention in our annual report: we take our cue from relevant legislation and the International Financial Reporting Standards and take as much account as possible of the integrated reporting principles, which also inspired the information we provide on value creation. We base our non-financial statement primarily on the GRI (Global Reporting Initiative) Standards and prepare our reports according to the GRI Universal and GRI Topic Standards. The GRI Content Index with the GRI indicators that have the greatest impact on our company can be found in our Sustainability Report at www.kbc.com. We also map our relevant topics using the Sustainability Accounting Standards Board (SASB) standards and have incorporated the relevant standards into the GRI Content Index and SASB Disclosure. These reporting frameworks emphasise materiality and relevance in reporting. Our efforts to determine which subjects are important to our stakeholders include carrying out a materiality analysis, the results of which were validated by the Internal Sustainability Board, approved by the Executive Committee and submitted to the Board of Directors. Information on the scope of consolidation for financial information is provided in Note 6.5 of the 'Consolidated financial statements' section. Our sustainability data is collected through a group-wide process that includes strict hierarchical validation and applies as a minimum to all KBC entities in the core countries. In most cases, the data relates to the period from 1 October [t-1] – 30 September [t]. More information on the collection and processing of sustainability data is provided in our Sustainability Report at www.kbc.com. We emphasise that, when we use terminology such as 'green' and 'sustainable', these terms in no way suggest that what we describe is already fully in line with the EU Taxonomy.

Disclaimer: the expectations, forecasts and statements regarding future developments that are contained in the annual report are based on the assumptions and assessments we made when drawing up this report at the start of March 2024. By their nature, forward-looking statements involve uncertainty. Various factors could cause actual results and developments to differ (considerably) from the initial statements.

1 Report of the Board of Directors

Statement by the Chairman of the Board of Directors and the Chief Executive Officer

2023 marked KBC's 25th anniversary

Koenraad Debackere: "We celebrated a special anniversary in June 2023. Twenty-five years ago, our group was forged from the merger of Kredietbank, CERA Bank and ABB Verzekeringen. Over the years, we have evolved from a new Belgian bank-insurer to a bank-insurance group that targets five European core markets and is a pioneer in innovation and digitalisation. We simultaneously integrated the focus on sustainability into every echelon of our organisation and embedded it in our strategy, allowing us to progress on the sustainability journey together with our clients.

In short, our tale is one of courage, vision, entrepreneurship, innovation and efficiency. But, above all, it is a story of our thousands of employees giving their best each and every day to gain and retain our clients' trust, making them fundamental to our group's success, now and in the future."

Sustainability is integrated into our business model and strategy

Johan Thijs: "The path to a sustainable future is paved with changes in the way we live our lives, how we travel, manufacture and consume. In implementing our strategy, we use our bank-insurance products to support our clients in the process, as we believe that we are uniquely positioned to truly make a change in the daily lives of all our clients by combining the digital transformation with a client- and solution-oriented experience. We are convinced that this is the best way to contribute to a sustainable and resilient future.

Next to that, our loan portfolio also includes concrete climate indicators for carbon-intensive sectors, which we monitor closely, and we joined various international initiatives related to climate change and sustainability. We again took a variety of concrete initiatives in 2023, such as KBC Insurance's commitment to invest up to 200 million euros in sustainable infrastructure funds in Europe through an investment facility managed by the European Investment Fund. We also launched a second social bond in 2023, aiming to enhance our positive impact on society and improve access to education and healthcare.

Over the past few years, we made every effort to integrate sustainability into our business operations. We are proud to say that this has led several investors to include us in their sustainable investment universe. Our excellent sustainability ratings, such as the CDP A rating, and the inclusion of KBC in the Euronext BEL®ESG stock exchange index in 2023 are great tokens of recognition of our efforts. This also holds true for the excellent 'ESG negligible risk' rating we received from reputable ESG risk agency Sustainalytics. This rating entails that we are now included in the Sustainalytics 2024 ESG Top-Rated Companies List.

We invite you to read in this Annual Report, and especially in our Sustainability Report, at www.kbc.com, how KBC continues its sustainability efforts."

Innovation remains a top priority

Johan Thijs: "Our focus on innovation and flexibility allows us to cope with a changing society and, as a result, is a precondition for continued success. We have always been at the forefront of new digitality developments, which we combine with the power of human interaction. We take great pride in our personal digital assistant, Kate, who is constantly evolving and offers maximum convenience for our clients in all our core markets. One of the most prominent developments in that regard is that, as of 2023, KBC retail clients have the option to acquire Kate Coins and also spend them again.

The latter is perfectly in line with the further implementation of our strategy, as part of which we have launched a number of concepts and building blocks over the past few years, such as Digital First, Bank-insurance+, Kate and Kate Coins, which create added value when they interact. We are now bringing these components together in 'ecosystems', in which we offer our clients a new type of service, supporting them every step of the way in their search for solutions to housing, mobility, energy and other issues, using our own products and services as well as those of our partners and suppliers. This enables our clients to save and earn money in and beyond the traditional banking and insurance environment. We refer to this next step in our strategy as 'S.T.E.M., the Ecosphere', with S.T.E.M. standing for 'Save Time and Earn Money'.

We also receive external recognition for our continued successful efforts towards innovation and providing our clients with maximum convenience. In 2023, independent international consulting firm Sia Partners once again named KBC Mobile the best mobile banking and insurance app in Belgium, and it even takes third place worldwide. On top of that, Sia Partners awarded our app the title of best user experience for car and home insurance."

Focus on five core countries

Koenraad Debackere: "Our core business is and will remain bank-insurance in a clear selection of core markets. In early 2023, we finalised the sale of the remaining loan portfolio and deposits of KBC Bank Ireland, which means that we have now effectively fully withdrawn from the Irish market.

Johan Thijs

Koenraad Debackere

Consequently, our core countries are Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria.
We view our presence in these countries as a long-term commitment and want to consolidate our presence there by means of organic growth or attractive acquisitions, in line with clear and strict strategic and financial criteria. Over the past few years, our efforts to achieve this included acquisitions in Slovakia – with OTP Banka Slovensko – and in Bulgaria in particular, where we acquired NN's Bulgarian pension and life insurance business as well as Raiffeisenbank Bulgaria, allowing us to significantly strengthen our position in this home market. In 2023, this involved focusing on the further integration of Raiffeisenbank Bulgaria into our banking subsidiary UBB. This integration is being executed with due transparency, care and consideration, in the interests of our clients and staff. The legal merger became effective on 10 April 2023."

Once again an excellent result in challenging conditions

Johan Thijs: "2023 is the first year in which our financial results take into account the new IFRS 17 accounting standard for our insurance activities. We have restated the 2022 reference figures for the sake of comparison. Taking into account the new standard, in 2023 our net result amounted to 3.4 billion euros, a 21% increase on the year-earlier level. Our income benefited from factors including higher net interest income (despite the negative impact of the outflow of deposits to the one-year State Note in Belgium), higher insurance revenues and higher net fee and commission income, as well as from the 0.4-billion-euro gain we were able to record as the Irish sale transaction was finalised. Overall, impairment charges were also slightly lower. Our costs rose, especially as a result of wage indexation, higher ICT costs and higher bank and insurance tax. We maintained our very robust liquidity and solvency positions, as reflected in an NSFR of 136%, an LCR of 159% and a fully loaded common equity ratio of 15.2% at year-end 2023.
We propose to the General Meeting of Shareholders a gross total dividend of 4.15 euros per share entitled to dividend, comprising an interim dividend of 1 euro, paid in November 2023, and a final dividend of 3.15 euros, payable in May 2024.
In addition, and in line with our capital allocation plan for financial year 2023, in the first half of 2024 the Board of Directors will decide on the distribution of the surplus capital exceeding a 15% fully loaded common equity ratio.
Last but not least, we are well on schedule with the implementation of our share buyback programme, which we launched in August 2023 and which is capped at 1.3 billion euros. The programme will run until the end of July 2024 and a weekly overview of the current status can be found on our website, www.kbc.com."

The economic environment in 2023 and beyond

Koenraad Debackere: "The global economy operated at different rates of change in 2023. Economic growth dynamics slowed down in the euro area, as opposed to the far more substantial dynamics in the US driven by robust domestic demand and the first effects of an industrial policy that gives the sustainability of key value chains in the US economy a major boost. Despite the economic downturn at the end of 2023, the global economy is expected to stave off a deep recession in 2024. In 2023, inflation continued its downward trend following the 2022 energy price shock, mainly on the back of a partial normalisation of energy prices and tighter monetary policy, which also pushed up bond yields on balance. Inflation still exceeded the 2% target set by both the Fed and the ECB. That is why both central banks are likely to keep the key rates at their current peak levels for the time being, but are expected to adjust them downwards in the course of 2024. Combined with the ECB's quantitative tightening, these high interest rates mean that the funding of euro area public finances is a key point of concern for 2024. This obviously comes on top of a persistently challenging geopolitical environment, including several conflicts and wars.
Nevertheless, the results we posted in 2023 and in previous years have demonstrated that we can continue to build on our solid foundations and our strategy even in challenging circumstances. Of course, this strategy is still built entirely on the trust you, our dear client, employee, shareholder or other stakeholder, have placed in us and for which we thank you sincerely."

Johan Thijs
Chief Executive Officer

Koenraad Debackere
Chairman of the Board of Directors

Our business model

How do we create sustainable value?

Our value creation | Our model | Our environment | Our capitals

As a banker, we see to it that our clients are able to save and invest in a well-informed manner and that we actively offer them sustainable investment products. In this way, every client can grow their assets in keeping with their personal wishes and risk profile, and call on our expertise to assist them. We use the deposits our clients entrust to us to provide loans to individuals, businesses and public authorities, thus keeping the economy turning, even in more difficult conditions such as those during the coronavirus crisis. We also hold a portfolio of investments, which means we invest in the economy indirectly too. At the same time, we fund specific sectors and projects, such as the social profit sector and infrastructure projects that have a major impact on the domestic economy.

As an insurer, we enable our clients to operate free of worry and to limit their risks. We work hard every day to provide the best insurance cover at a fair price and we invest in a high-quality claims-handling service. What's more, we use our knowledge of the causes of accidents to develop accident prevention campaigns and we have a long-standing tradition of working with organisations involved in road safety, welfare and victim assistance.

We also offer our clients a variety of other services that are important to them in their everyday lives, including payments, cash management, trade finance, leasing, corporate finance, and money and capital market products. In this way too, we contribute to the economic system.

In all these activities, we seek to take account of the impact on society and the environment, which we translate into concrete targets. At the same time, we have made a conscious choice to enhance our positive impact on society – where possible – by focusing on areas where we can make a difference as a bank-insurer. The areas in question include financial literacy, environmental awareness, entrepreneurship and the issue of longevity and health. In our business operations, we also prioritise areas such as cyber risk, anti-corruption measures, climate change and, increasingly, other environmental aspects (such as biodiversity, a circular economy, water management and pollution).

In terms of climate, we as a bank-insurer have a direct influence on climate change through our own energy consumption. More important, however, is our indirect influence, through lending, holding an investment portfolio, providing investments to clients and insuring counterparties who can have a direct impact on the climate. We ourselves also feel the impact of climate change. Examples include higher levels of claims under the insurance we provide relating to consequences of extreme weather conditions and the impact on our loans or investments when relevant counterparties suffer the negative consequences of climate change or the transition to a lower-carbon society. We carefully consider these factors, not only to reduce or prevent adverse consequences, but also to contribute actively by launching sustainable products and services. We closely track our performance in this regard, to which end we apply specific targets. Since 2022, we have expanded the scope of

> The ultimate intention is to make our clients' financial lives easier in a proactive manner, through a solutions-oriented bank-insurance model, in which we actually go further than pure banking and insurance products alone.

our Sustainable Finance Programme to include other environmental aspects, such as biodiversity and circularity.

What's more, as a major player in each of our core countries, we form part of the local economic and social fabric. We make an important contribution to employment in all our core markets and, as such, recognise that we have a significant impact on the lives of our staff. We encourage responsible behaviour on the part of our employees and offer them a fair reward for their work, thereby contributing to the welfare of the countries in which we operate.

How do we create value?

	Raw materials
Financial capital	Total equity of 24.3 billion euros 259 billion euros in deposits and debt securities
Employees and brand	Approximately 41 000 employees Strong brands in all core countries, trusted partner, digital assistant Kate Capacity to innovate
Infrastructure	Various electronic distribution platforms, apps, AI and underlying ICT systems 1 166 bank branches, various distribution channels for insurance
Clients and other stakeholders	13 million clients in 5 core countries Suppliers, government, regulators and other stakeholders
Environment and society	Direct use of electricity, gas, water, paper, etc. More important indirect impact through lending, investment portfolio, funds, insurance, etc.

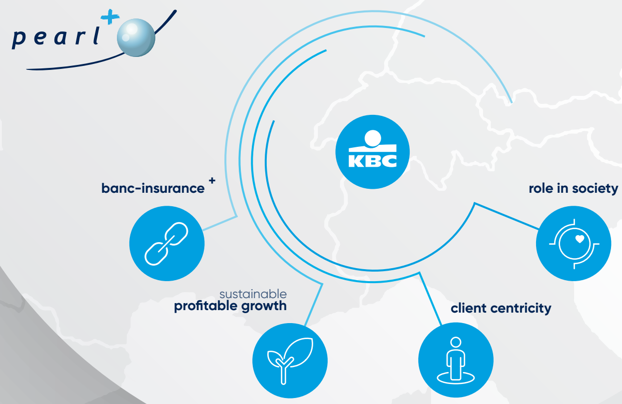
Activities

Goal and ambition

To offer proactive and data-driven solutions to meet our clients' needs.
To be the reference for bank-insurance in all our core markets

Core activities

Lending
Deposits
Insurance
Investments
Asset management
Payments
Other financial services



Most relevant SDGs for the group

	Output and outcomes (selection 2023)	Goals and term (results: see 'Our strategy')
	• Net profit of 3.4 billion euros • Solid capital and liquidity ratios • Cost/income ratio of 43% and combined ratio of 87% • 3% growth in loans and advances to customers, 19% growth in assets under management, 3% decrease in customer deposits	• Growth in net interest income and insurance revenues (2026) • Growth in operating expenses excluding bank and insurance tax (2026) • Combined ratio and Cost/income ratio (2026) • Credit cost ratio (through-the-cycle)
	• 2.7 billion euros in remuneration paid to our staff • Firmly embedded PEARL+ business culture • around 200 000 registered training days • Diversity: 43% women in junior and middle management, 25% in senior management	• Annual employee engagement surveys
	• Innovative digital, AI and data-driven approach • Success of digital assistant Kate and launch of Kate Coins • Focus on simplification and straight-through processes	• Share of digital sales (2026) • Straight-through processing score (2026)
	• Stakeholder interaction process by country • Aggregate 1.5 billion euros paid in income taxes and bank and insurance taxes • Focus on financial literacy initiatives and promoting entrepreneurship • Launch of share buyback programme in 2023-2024	• Dividend payout ratio and surplus capital payout • Client NPS score (2026) • Share of bank-insurance clients (2026)
	• Focus on environmental awareness initiatives and the issue of longevity and health care • 41 billion euros in responsible investment funds • Various environmental and sustainability targets • Own CO2 emissions, −68% compared to 2015	• Responsible investment funds (2025 and 2030) • Reduction in own CO2 emissions (2030) • Share of electricity from renewable sources (2030) • Share of renewable energy loans (2030) • Greenhouse gas intensity in the various sectors in the loan portfolio (2030 and 2050)

What makes us who we are?

Our value creation | Our model | Our environment | Our capitals

We sum up our business culture in the acronym 'PEARL+', which stands for Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness. The '+' sign in PEARL+ symbolises our focus on the joint development and smart copying of solutions, initiatives and ideas so that they are easy to utilise and deploy throughout the group, enabling us to work more efficiently, respond more quickly to change and make full use of local skills and talents group-wide. We encourage all our employees to behave in a way that is responsive, respectful and results-driven. An explanation of what we mean is given in the diagram.

PEARL+ is a mindset, a working culture, shared by all our staff. We have appointed a dedicated PEARL manager to make sure that all our employees are thoroughly imbued with these values. The PEARL manager reports to our CEO. To embed this culture across the entire group and to ensure its success, we adopt not only a top-down but also a bottom-up approach to its implementation. This includes appointing hundreds of PEARL ambassadors in the workplace, who give concrete shape to PEARL and help other colleagues to apply it.

pearl+

We focus on jointly developing solutions, initiatives and ideas within the group.

Performance
We strive for excellent results and do what we promise to do.

Results-driven
We do what we promise, we meet our objectives, we deliver quality, and we do so on time and in a cost-effective manner.

Local Embeddedness
We view the diversity of our teams and of our clients in the different core markets as a strength and we stay close to our clients.

Responsive
We anticipate and respond to suggestions and questions spontaneously and positively.

Respectful
We treat people as our equals, we are transparent, we trust them and appreciate them for what they do and who they are.

Empowerment
We offer every employee the chance to develop their creativity and talent.

Responsiveness
We anticipate and respond proactively to the questions, suggestions, contributions and efforts of our clients, colleagues and management.

Accountability
We meet our personal responsibility towards our clients, colleagues, shareholders and society.

What differentiates us from our peers?

1 Our integrated bank-insurance model

We offer an integrated response to our clients' banking and insurance needs. Our organisation is similarly integrated, with most services operating at group level and the group also managed in an integrated style. Our integrated model offers our clients the benefit of a comprehensive, one-stop, relevant and personalised financial service that allows them to choose from a wider, complementary and optimised range of products and services, which go beyond pure bank-insurance. For ourselves, it offers benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, significant cost-savings and synergies, and heightened interaction opportunities with and a more complete understanding of our clients.

2 Our digital approach

Digital interaction with clients forms the basis of our business model in our strategy, not only in terms of sales and advice, but also in process and product development. In addition to a digital product range, therefore, we also offer our clients digital advice and develop all processes and products as if they had to be sold digitally. Artificial intelligence and data analysis will play an important part in digital sales and advice. Kate, our personal digital assistant, will feature prominently in this regard. Our experts naturally remain available at our branches and call centres to answer complex questions or provide advice at key life moments. The very success of our digital strategy allows us to free up more time to improve the advice we provide to clients.

3 Our strong geographical focus and local responsiveness

We focus on our core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. This selection of countries allows us to operate in a mix of mature and growth markets, taking advantage in the latter of the catch-up potential for financial services. We have a limited presence elsewhere in the world, including to support the activities of our corporate clients in our core markets. We want to build sustainable relationships with our local clients in our core countries. The goal is to know and understand our local clients better, pick up signals effectively and respond to them proactively, offer tailored products and services, and focus on the sustainable development of the different communities in which we operate. Where relevant, we facilitate collaboration among our core countries to avoid duplicating our efforts and to offer our clients the best solutions.

Our strengths and challenges

Strengths

- Unique bank-insurance model and innovative, data-driven digital strategy, which enables us to respond immediately to our clients' needs
- Strong commercial banking and insurance franchises in all our business units
- Successful track record of underlying business results
- Solid capital position and strong liquidity
- Firmly embedded in the local economies of our core countries
- Strong focus on sustainability Ambitious climate targets that we also use to guide our clients towards a more sustainable future

4 Our approach to sustainability

As a financial institution, we have a major direct and indirect impact on society. As a company that aims to support the transition to a more sustainable and climate-proof society, we have made sustainability integral to our overall business strategy and integrated it into our day-to-day business operations and the products and services we provide. Our sustainability strategy, which is geared towards the local economy and society, consists of financial resilience and three cornerstones: encouraging responsible behaviour on the part of all our employees, increasing our positive impact on society and limiting any adverse social impact we might have.

5 Our shareholder structure

A special feature of our shareholder structure is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which together held roughly 41% of our shares at the end of 2023. These shareholders act in concert, thereby ensuring shareholder stability in our group.

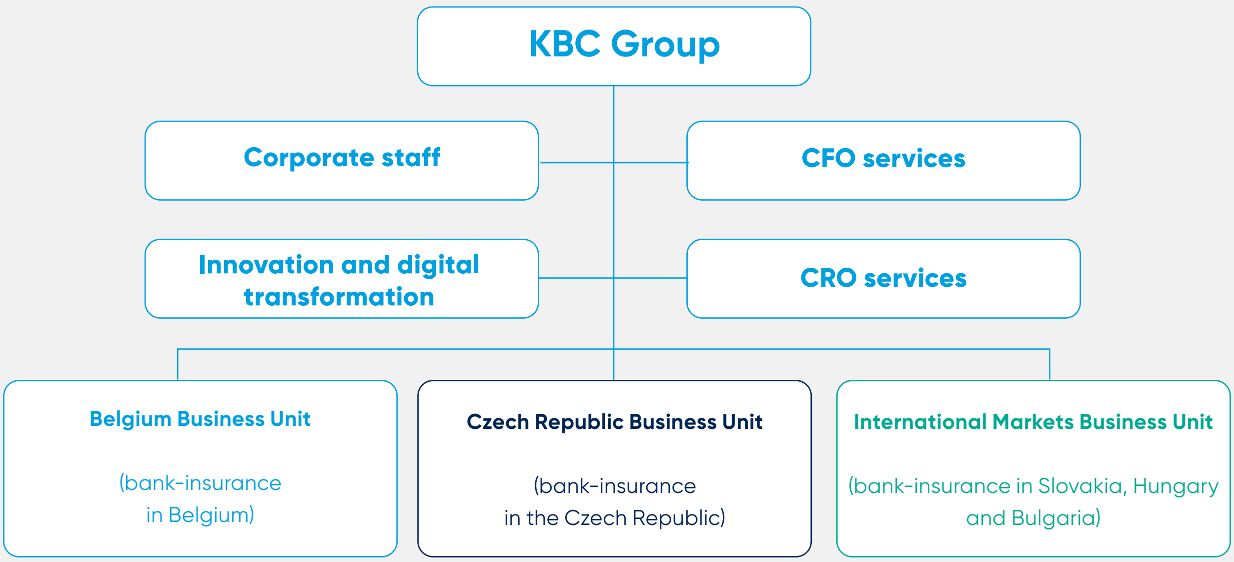
Challenges

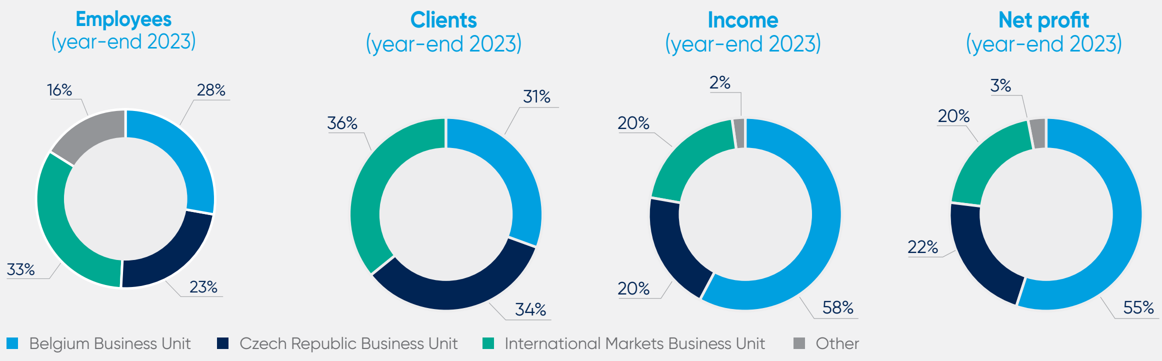
- A macroeconomic environment characterised by factors including geopolitical challenges and a changed interest-rate environment
- Impact of climate change on our and our clients' operations, and the use of opportunities related to the transition to a greener economy
- Stricter regulation in areas like client protection, solvency and the environment
- Changing client behaviour, competition and new players in the market
- New technologies and cybercrime

We have structured our group around three business units, which focus on local activities and contribute to sustainable earnings and growth. The units are Belgium, the Czech Republic and International Markets. A more detailed description is provided in the 'Our business units' section.

The Board of Directors is responsible for defining our group's strategy, general policy and risk appetite. It is supported by several specialised committees: the Audit Committee, the Risk & Compliance Committee, the Nomination Committee and the Remuneration Committee. These committees are dealt with in the 'Corporate governance statement'. The most important matters discussed by the Board in 2023 and our remuneration policy for senior management can also be found in that section.

Our Executive Committee provides the operational management of the group within the confines of the general strategy approved by the board. Besides the CEO, the Executive Committee includes the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and the Chief Innovation Officer (CIO) of the group, as well as the CEOs of the three business units.





Other' in the charts: a proportion of our employees work in other countries or in group functions; we also allocate part of our capital and earnings to the Group Centre.

In what environment do we operate?

Our value creation | Our model | Our environment | Our capitals

2023 was a year in which the large economies saw different growth rates. With the euro area still suffering from the after-effects of the 2022 energy price shock, in 2023 quarterly growth hovered around 0% (with annual average growth of 0.5%).
The US economy and US consumers in particular were affected to a far lesser extent, which translated into above-average quarterly growth up to and including the fourth quarter. Overall, this resulted in annual average growth of 2.5%. In the first quarter of 2023, growth optimism prevailed in China as the most restrictive coronavirus-related measures were lifted. However, in the next quarters a weak global economic cycle and an imbalance in domestic demand (with, among other things, a persistent crisis in the real estate sector) led to disappointing growth dynamics. Overall, annual average growth stood at 5.2%.

Inflation has peaked in both Europe and the US. The wave of disinflation in 2023 mainly arose from the fact that the high energy prices of 2022 gradually disappeared from the basis of comparison of year-on-year inflation. Towards the end of 2023, underlying core inflation (inflation excluding energy and food prices) contributed to the disinflation path. The pace at which headline inflation in the euro area and the US will reach the Fed and ECB target of 2% largely depends on whether, and to what extent, new inflation triggers emerge in 2024.

Now that inflation seems to have peaked and monetary tightening measures have yet to reveal their delayed full impact on growth and inflation, both the Fed and the ECB reached the peak of their tightening cycle in 2023. The Fed's key rate reached the range of 5.25% to 5.50% in July, after which the ECB raised its deposit rate one last time to 4% in September. To lower inflation to the 2% target within a reasonable period of time, both central banks are expected to keep their rates at this restrictive level for some time to come. This means that the ECB is not likely to cut interest rates until halfway through 2024.

In March 2023, the ECB followed the Fed's example and started its quantitative tightening by not reinvesting maturing assets from its APP portfolio. As is the case for the Fed, this tightening is expected to continue after the start of the interest rate reduction cycle in 2024. According to ECB communication, the ECB will phase out reinvestments of its current PEPP portfolio from the second half of 2024, which means that the total portfolio will be reduced by an average of 7.5 billion euros per month. The ECB will fully discontinue its reinvestments of the PEPP portfolio in 2025. After discontinuing these flexible PEPP reinvestments, the ECB will mainly rely on the Transmission Protection Mechanism (TPI) to keep intra-EMU yield spreads within acceptable limits.

Driven by rising key rates and normalising risk premiums, in 2023 US and German ten-year yields rose to around 5% and 3%, respectively, in the third quarter. However, both reference rates once again fell sharply in the fourth quarter to 4% and 2%, respectively, towards the end of 2023, followed by a moderate upward correction in January 2024.

The US dollar was volatile in 2023 as well, due to a flight to quality and (expected) interest rate and growth differentials. Overall, in 2023 the US dollar weakened slightly against the euro from roughly 1.07 to 1.10 dollars per euro.

The main policy challenge for 2024 is to strike a balance between pursuing a sufficiently restrictive (monetary) policy to reduce inflation to the 2% target on a lasting basis and avoiding a severe recession.

Information on each business unit and country can be found in the 'Our business units' section.

Market conditions in our core markets in 2023

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria
Market environment in 2023[1]					
Change in GDP (real)	1.5%	-0.4%	1.1%	-0.8%	1.9%
Inflation (average annual increase in consumer prices)	2.3%	12.1%	11.0%	17.0%	8.6%
Unemployment rate (% of the labour force at year-end; Eurostat definition)	5.7%	2.8%	5.8%	4.4%	4.3%
Government budget balance (% of GDP)	-4.6%	-3.8%	-6.1%	-6.0%	-3.0%
Public debt (% of GDP)	105.8%	43.9%	57.5%	72.5%	22.0%
Forecast growth in real GDP in years ahead					
2024	1.1%	1.4%	2.2%	2.8%	2.3%
2025	1.1%	3.1%	3.3%	3.6%	3.0%
KBC's position in each core country[2]					
Main brands	KBC, CBC, KBC Brussels	ČSOB	ČSOB	K&H	UBB, DZI
Network	434 bank branches	198 bank branches	99 bank branches	195 bank branches	228 bank branches
	292 insurance agencies	Insurance sold through various channels	Insurance sold through various channels	Insurance sold through various channels	Insurance sold through various channels
	Online channels	Online channels	Online channels	Online channels	Online channels
Recent acquisitions or disposals[3] (2021-2022-2023)	–	–	–	–	Acquisition of NN's Bulgarian pension and life insurance business (2021). Acquisition of Raiffeisenbank Bulgaria (2022)
Clients (millions, estimate)	3.9	4.3	0.8	1.6	2.2
Loan portfolio (in billions of EUR)	131	39	12	8	11
Deposits (excl. debt securities) (in billions of EUR)	134	51	9	10	13
Market share (estimate)					
- banking products	20%	21%	12%	11%	19%
- investment funds	27%	25%	7%	11%	14%
- life insurance	12%	7%	2%	3%	32%
- non-life insurance	9%	10%	5%	7%	12%
Contribution to net profit in 2023 (in millions of EUR)	1 866	763	105	285	286

1 Data based on estimates in March 2024 and hence different from year-end 2023 data in Note 3.9 of the 'Consolidated financial statements'.
2 Market shares and client numbers: based on own estimates. For bank products: average market share for loans and deposits. In Belgium, the life insurance market share is based on reserves; for the other countries, it is based on premiums. Loan portfolio: see 'How do we manage our risks?'. Deposits: deposits from customers (excluding repos). The number of bank branches excludes self-service branches and the 12 KBC Bank branches established in the rest of Europe, the US and Southeast Asia. The market shares are based on the latest available data (e.g., from the end of September 2023).
3 See Note 6.6 of the 'Consolidated financial statements' for more details.

More information on market conditions in each country is provided in the 'Our business units' section.

What are our main challenges?

Climate change, global health risks and geopolitical and economic challenges

Our financial performance is obviously impacted by the global economy, as well as by the financial markets and demographic trends. The coronavirus pandemic and the recent extreme weather conditions demonstrated that climate change and public health risks, too, can have a significant impact. And geopolitical developments, such as the war in Ukraine, can also have major implications for the economy and hence our results.

How are we addressing them?

- We ensure in our long-term planning/scenario that our capital and liquidity positions are capable of withstanding a negative scenario.
- We calculate the impact of changes in key parameters and estimate the impact of material events as effectively as possible.
- If it turns out that the models are not capturing the increased credit risk resulting from specific events, we will set aside additional reserves based on management's assessment.
- Where necessary (in response to the coronavirus crisis, for example), we take the measures needed to secure business accessibility and continuity.
- We have translated our environmental and climate change strategy into specific targets and have committed ourselves to several relevant international initiatives. This Annual Report provides a detailed report on sustainability, as does our Sustainability Report, available at www.kbc.com.
- We constantly adjust our product and service offering by, for instance, responding to demand for sustainable products. We also want to be a partner for our clients in their transformation to a more sustainable future.
- We aim to diversify our income sources to include more fee business, for example, alongside interest income.

Topics from our materiality analysis*

- Long-term resilience of our business model
- Sustainable and responsible service and product offering
- Sustainable and responsible asset management and investing
- Ethical business conduct & responsible behaviour
- Partner in the transformation to a more sustainable future
- Direct environmental impact of our activities
- Service offering stimulating the local economy
- Community engagement

Shifting client behaviour and competition

We face strong competition (from traditional players, online banks, fintechs, bigtechs, and so on), technological changes and shifting client behaviour. All this is influencing clients' expectations in terms of speed, digital interaction, proactivity, personalisation and relevance, and increasing the significance of digitalisation and innovation within our group, creating the need for a resilient, responsive organisation capable of continuously adapting its processes and systems.

How are we addressing them?

- The creative input and diversity in terms of training and background of our employees is exceptionally important when it comes to equipping ourselves to deal with competition and technological change.
- We can draw on an immense volume of data, which – subject to clients' consent –enables us to understand more clearly what clients really want. Our integrated model enables us to gain better insights and to offer our clients more comprehensive solutions than pure banks or insurers can. Meanwhile, we are closer to our clients than bigtech companies are, for instance.
- We have a process in place to ensure that the business side receives approval efficiently for new product and service launches. The process also includes a thorough examination of the potential risks. We regularly review all our existing products, so that they can be adapted to take account of evolving client needs or changing circumstances.
- Research and development have been performed at a variety of group companies as part of a programme to develop new and innovative digital solutions in a more data-driven financial organisation. Over the past few years, we have launched numerous successful innovative solutions (see 'Our business units').
- We actively monitor trends and analyse the market.
- Where possible, applications are copied across the group's different core markets. We are also open to partnerships with fintech firms and sector peers.
- In addition to innovation and digitalisation, we are working hard to simplify and automate products and processes (straight-through processing). Our digital assistant Kate is a great example of one of our solutions aimed at ensuring maximum convenience for our clients.

Topics from our materiality analysis*

- Data protection and cybersecurity
- Fair, understandable & transparent information to clients
- Diverse and inclusive business culture
- Employee development and well-being
- Long-term resilience of our business model
- Accessibility and usability of products and services
- Inclusive service offering

Regulation

The following trends and regulations will have a significant impact in the years ahead:

- Sustainability: EU measures to mobilise financial resources for sustainable growth including by means of tailored reporting (CSRD and Article 8 of the Taxonomy Regulation);
- Digitality: EU initiatives related to the impact of new technologies on the financial services sector (Digital Operational Resilience Act, Cyber Resilience Act, AMLD (virtual currencies), Markets in Crypto-Assets Regulation, proposals for Regulations concerning Financial Data Access, the digital euro and the European Digital Identity);
- Artificial Intelligence: the EU intends to regulate the sale, development and application of AI systems at the European level by means of a risk-based approach;
- Prudential supervision: transposition of Basel IV into the Capital Requirements Regulation (CRR3) and Capital Requirements Directive (CRD6); revision of Solvency II; developments related to the reform of the Crisis Management & Deposit Insurance framework; developments related to the draft Directive on recovery and resolution planning for insurance undertakings;
- Payment transactions: proposal for a Regulation for instant credit transfers in euro, revision of the legal framework for payment services and a proposal for a Directive (PSD3) that focuses on prudential aspects.
- Financial markets and products: reform of the European Market Infrastructure Regulation, proposal for a Directive on distance marketing of financial services; EU Green Bonds Standards Regulation.

How are we addressing them?

- We are making thorough preparations for the new regulations: specialised teams keep close track of the trends and rules, and propose the necessary responses in terms of the group's capital planning, for instance.
- We participate in working groups at sector organisations, where we analyse draft texts.
- A special team focuses on contacts with government and regulators.
- We produce memorandums and provide training courses for the business side.
- We study the impact of regulations on client behaviour and, where appropriate, adjust our products and processes to take account of shifts in that behaviour; we likewise study the impact on transformation and innovation projects.

Topics from our materiality analysis*

- Fair, understandable and transparent information to clients
- Long-term resilience of our business model
- Ethical business conduct & responsible behaviour
- Sustainable and responsible service and product offering
- Sustainable and responsible asset management and investing
- Data protection and cybersecurity
- Promotion of financial literacy

Cyber risks and data protection

Following trends in the digital landscape, cyberattacks pose a constant threat in a rapidly digitalising world.
Developments based on Artificial Intelligence increase the number of potential cyberattacks and introduce new ways of launching cyberattacks.
Our focus at KBC is on ensuring both our clients and our entities optimum protection against cybercrime.

How are we addressing them?

- We raise our employees' awareness of cyber risks by providing training in areas like phishing, smishing ('SMS phishing') and vishing ('voice phishing'), and cyber fraud in general. We use simulation tests to check whether employees respond appropriately to various scenarios.
- We work to achieve highly secure and reliable ICT systems and data protection procedures.
- We are making every effort to collect threat intelligence and apply several tools that allow us to anticipate and respond to different cyber threats such as DDoS attacks and ransomware as quickly and accurately as possible.
- Our group-wide Competence Centre for Information Risk Management & Business Continuity tracks all risks relating to data protection, cybercrime and operational ICT. The team informs and assists local entities, tests KBC's defence mechanisms and provides training.
- We are members of the Belgian Cyber Security Coalition – a knowledge and consultative platform consisting of around 50 public and private-sector enterprises and academics.
- We also have our entities' cyber risks and defence mechanisms evaluated by internal and external security experts.
- See also 'Non-financial risks' in 'How do we manage our risks?' and 'The client is at the centre of our business culture' in 'Privacy, data protection, communication and inclusion' as well as in our Sustainability Report at www.kbc.com.

Topics from our materiality analysis*

- Data protection and cybersecurity

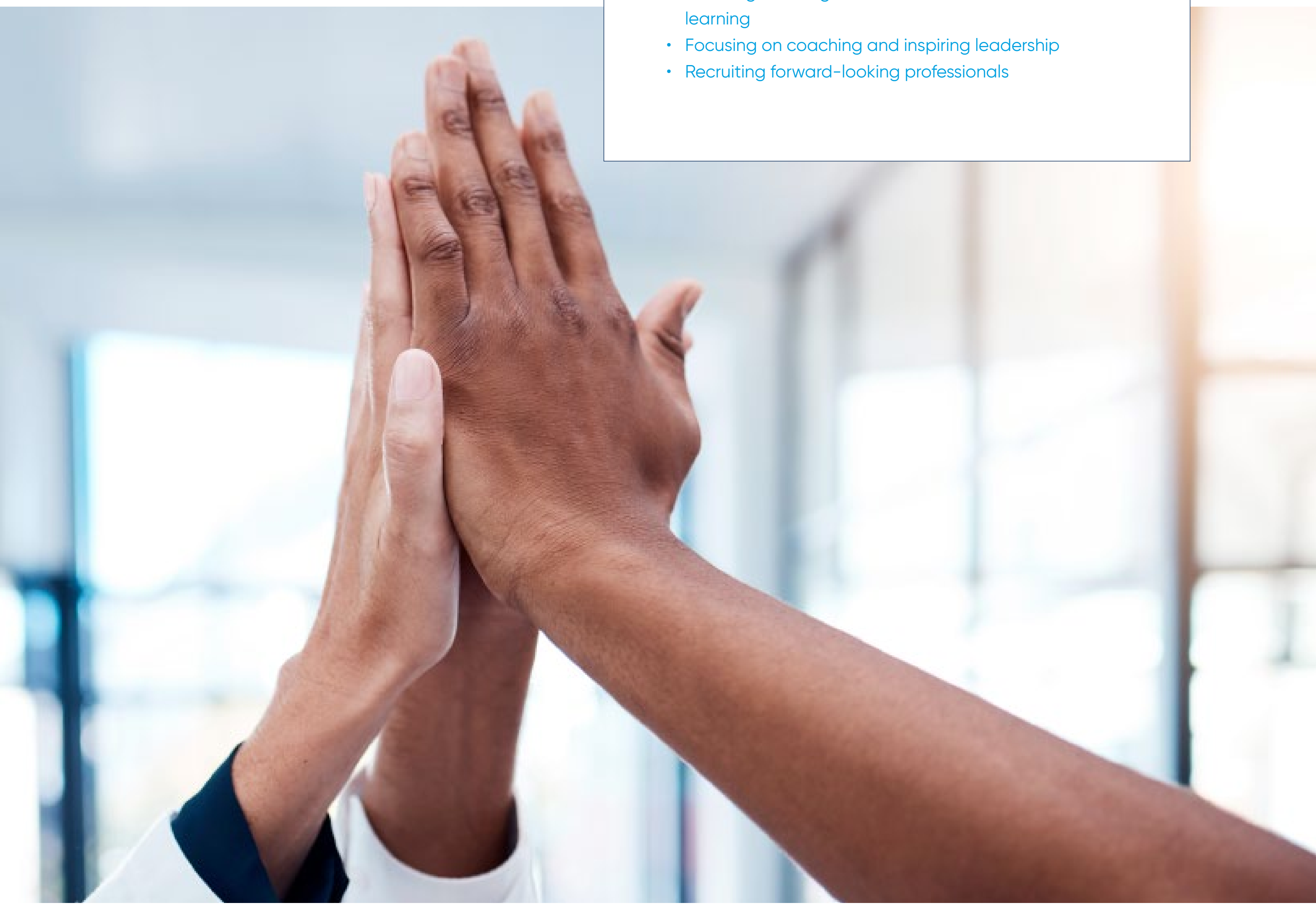
* See the 'Additional information' section.

Our employees, capital, network and relationships

Our value creation | Our model | Our environment | **Our capitals**

Main challenges

- Prioritising the well-being of our employees
- Investing in the long-term employability of our employees
- Investing in the right skills within a culture of continuous learning
- Focusing on coaching and inspiring leadership
- Recruiting forward-looking professionals



Our employees

Our values group-wide are the same and are founded on our PEARL+ business culture. The 'E' in PEARL+ stands for 'Empowerment', referring to our commitment to give every employee the space they need to develop their talent and creativity and to deploy it towards accomplishing our business strategy. The '+' in PEARL+ stands for co-creation across national borders and 'smart copying' between us. In this way, we can benefit even more from the wealth and diversity in our group.
We actively stimulate this culture amongst our employees. Through the various 'Team Blue' initiatives, such as the Team Blue Challenges and Group Inspiration Days, we aim to unite employees from different countries, to make them proud of their team and their company and enable them to draw on each other's experience.

It remains our fixed ambition to ensure our organisation and employees remain future-proof, and to keep the latter on board as much as possible and enable them to grow with KBC. We are committed to a learning culture, in which learning forms an integral part of our everyday activities. Our company is engaged in a transformation process right now (take the introduction of 'Kate', for instance) and is constantly seeking new skills. We therefore ask our staff to always keep learning and to focus on relevant skills. To achieve all this in a smart way, we use an AI-driven learning and talent platform that goes by the name of StiPPLE. This platform enables us to provide employees with the HR information they need to take their career to a higher level. The learning content they receive is tailored not only to the relevant skills but also the appropriate skill level. Through progression reviews held with the manager, StiPPLE helps them focus on the right performance and development targets. StiPPLE also serves as an integrated marketplace for internal job openings that matches available jobs with qualified internal candidates. Employees can also use the platform to gain insight into their career: which jobs correspond to their profile and which skills do they need to develop to achieve their ambitions? This year, we also introduced career counselling for employees to help them gain a better understanding of their personal talents and interests, as well as their career options within KBC. The digital learning and talent platform is now available in Belgium and a number of other countries.

Our employees can naturally also rely on a competitive and fair salary plus supplementary benefits. We take the health and well-being of our employees very seriously. As a proper balance between business performance and employee well-being is more important than ever, we are looking for creative solutions to ensure that we can all continue to work in good health and with enthusiasm. KBC has its own Medical department and Health, Safety & Security department, as well as committees focusing on health and safety at work in all core countries. A dedicated team from our new Work Life Support department at KBC Belgium develops integrated solutions for a preventive approach to burnouts and mental health issues, in order to support employees returning to work after a period of illness and for sustainable end-of-career proposals. Following the coronavirus crisis, we are also investing in the redesign of our head offices with a view to creating a more pleasant work environment that places a greater focus on the connection with colleagues and supports hybrid working more effectively.

Having recruited some 560 new employees in Belgium in 2023, we are doing well in the quest for talent, but the search is still on for people with specialist skill sets that will help KBC to grow and expand. The new AI-driven talent acquisition platform introduced in Belgium in 2022 prevents bias and friction in the recruitment procedure. Candidates complete their tests digitally wherever and whenever they choose to do so, resulting in shorter turnaround times and an excellent candidate experience. In 2023, 54% of our new employees were recruited through this platform, i.e. digitally, but with a human touch when needed. Having recruited all these new talented professionals, KBC now employs people of 50 nationalities in Belgium alone.

Good managers are key when it comes to bringing out the best in our employees and implementing the KBC strategy successfully. We therefore invest in the training and education of all our managers. We provide junior managers with intensive training and offer optional classroom training to experienced managers who wish to learn more about crucial skills and competences. We also provide intensive coaching and training to groups of managers who take on a leading role in specific transformations. In Belgium, we continue to organise 'SAMEN Werkt!' ('Working TOGETHER Works!') sessions to promote teamwork, in which we inspire formal and informal leaders and motivate them to tackle company-wide challenges. To enable them to pursue a common vision, senior managers from across the group take part in the 'KBC University', an ambitious development programme. Newly appointed senior managers complete a leadership programme in line with our PEARL+ business culture, as well as a strategy module. We are also actively working on a separate policy for top talent management, in which we identify future senior managers and fast-track them to face tomorrow's challenges. There is a special focus in this policy on gender diversity.

We keep close track of our employees' opinions by means of a group-wide 'Shape Your Future Survey'. We conducted two surveys in 2023, with a global response rate of 80% in the second half of the year. In Belgium, the survey response rate was 81% in March and 80% in October. Group-wide, 72% of our employees report feeling engaged with KBC (Belgium 77%, Czech Republic 75%, Slovakia 65%, Hungary 65%, Bulgaria 64%). Employee engagement is defined as pride in working for the company, motivation to be in the current role,

and a sense of connection with KBC. In 2023, it was precisely this sense of connection that rose to 79% in Belgium and remained unchanged at 72% at group level, as employees are proud of the stability of KBC as a company and of its innovative approach.
Apart from engagement, the Shape Your Future Survey also gauges the support for and impact of the KBC strategy among our employees, as well as other aspects of PEARL+, such as a sense of autonomy and empowerment. The outcome of the survey reveals, for example, that 75% of our employees recognise how their job helps to put the KBC strategy into practice.
The surveys have also resulted in a number of measures, including initiatives to support managers in their coaching roles. Managers can access their results and choose to implement specific measures as necessary.

On 1 January 2023, KBC Belgium implemented a new distribution model for Retail, Private Banking and Commercial Banking. The job model for Retail was adapted to the increasing digitalisation, including by the introduction of Kate. Positions were assigned a more varied range of duties and are becoming more complex than they used to be, which offers employees more growth opportunities.

We do not make any distinction on the grounds of gender, age, religion, ethnic background or sexual orientation in our HR, recruitment and promotion policies or remuneration systems. Our policy, including a number of general principles, was published on www.kbc.com; we are taking part in the Bloomberg Gender Equality Index for the third time and in the Workforce Disclosure Initiative for the second time.
Within the organisation, there are more specific guidelines in place. Our two specific focal areas are gender and people with physical disabilities. Using focus groups, surveys and other participatory methods, we actively listen to the experiences and needs of our employees. The resulting valuable insights not only contribute to a more inclusive work environment, but also enable us to take concrete steps involving adjustments that increase workplace accessibility.
Each of our entities will develop a plan containing specific improvement measures related to diversity and inclusion, and in setting up teams they do not just consider skills but also factors such as gender, age, cultural background, and so on. Since we feel this is an important issue, we maintain a zero-tolerance policy towards flagrantly disrespectful behaviour.
We also raise diversity awareness among our employees in the form of inspiration sessions. KBC boasts a diversity and inclusion network organisation called ‘Diversity Rocks’, which has established one local group in every country. In 2023, we also held the first international Group Diversity Day.
In terms of remuneration, a pay gap analysis is conducted every year. An annual study is conducted in Belgium into the role of gender, compared to other factors, in decisions concerning remuneration, the outcome of which can be found in our Sustainability Report.

Number of staff, KBC group[1]	**31-12-2023**	**31-12-2022**
Total workforce		
Absolute number	41 265	41 947
FTEs	38 678	39 288
Breakdown, in % (based on FTEs)		
Geographical		
Belgium	37%	37%
Central and Eastern Europe	61%	60%
Czech Republic	*26%*	*26%*
Slovakia	*8%*	*8%*
Hungary	*10%*	*10%*
Bulgaria	*17%*	*16%*
Rest of the world	1%	4%
By business unit		
Belgium Business Unit	28%	28%
Czech Republic Business Unit	23%	23%
International Markets Business Unit	33%	32%
Group Functions and Group Centre	16%	17%
Gender diversity (% of women, based on absolute numbers)		
In total workforce	57%	57%
In middle and junior management	43%	43%
In senior management (top 300)	25%	24%
On the Executive Committee	14%	14%
On the Board of Directors	31%	38%
By number of promotions per year	62%	59%
By age		
Younger than 30 years of age	15%	14%
30-50 years of age	55%	56%
Older than 50 years of age	30%	30%
Average age (years)	43	43
Additional information		
Proportion of part-time workers (as % of the total workforce)	16%	16%
Average seniority (years)	13	13
Number of days absent through illness per employee	8.0	9.0
Staff turnover (as % of the total workforce)[2]	13%	15%
Internal labour mobility (as % of the total workforce)	21%	15%
Number of (registered) training days ('000)	201	151
Number of training days per FTE	5.4	4.0
New acquisitions (in numbers)	5 166	5 120
Employees covered by a collective labour agreement (as % of the total workforce)	86%	77%

1 All figures starting from Gender diversity relate to the period 1 October [t-1]–30 September [t] (see the Sustainability Report for more details).
2 Includes mobility between the group's legal entities (except for the shift between KBC Group and KBC Global Services in 2022).

We invest in good social dialogue with employee representatives. This consultation covers a very wide range of themes, such as pay and employment conditions, strategy, reorganisation and well-being. It is organised primarily on an individual country and company basis to take account of the local legal and business-specific situations. Meanwhile, an annual meeting of the European Works Council has been held at group level to deal with topics of cross-border importance, so ensuring that there is a forum for discussing the impact of decision-making at group level too.

The application of our HR policy is closely monitored, not only by means of high-quality surveys, but also on the basis of accumulated HR data. The Beehive dashboard, for example, shows the key parameters for our senior and middle management at a glance. This dashboard is used, among other things, to record data and information on FTE developments, performance and progression, and skill and reward development. Other dashboards and various ad hoc HR analyses enable us to extrapolate information from HR data and implement the appropriate measures in response. We use an operational risk framework to perform an annual review of key risks in the HR process. The implementation and monitoring of legislation forms an important part of this process and we ensure that it is applied strictly in the area of HR. Examples in this regard include EBA guidelines on outsourcing, a variety of laws on remuneration policy (including the variable wage component) and privacy law. Areas we prioritise in this context include Schrems2 (data processing outside the European Economic Area) and data loss prevention. We ensure that all employees are in compliance with the legal training requirements in the various countries in which we are active, in areas such as the distribution of insurance policies, loans and investment products. We also raise our employees' awareness of risks, including cyber risks, through targeted information campaigns and training. 'People risk' is an important operational risk for human resources, which we closely track in collaboration with our risk department. In a financial sector that is changing very quickly, KBC would not be able to remain a reference in the European financial sector without the right employees with the right skills.

All our efforts translate into externally validated HR awards for the KBC Group as a whole. In 2023, not only KBC and CBC in Belgium were certified as Top Employers 2023, K&H in Hungary and our shared service centres in the Czech Republic and Bulgaria also received this recognition.

More information about our workforce can be found in our Sustainability Report.

Our capital

Our activities are only possible if we have a solid capital base. At year-end 2023, our total equity came to 24.3 billion euros and our capital was represented by 417 305 876 shares. Our shares are held by a large number of shareholders in a number of countries. A group of shareholders consisting of MRBB, Cera, KBC Ancora and the Other core shareholders constitute our core shareholders.

Dividend policy and share buyback programme: see 'We aim to achieve our ambitions within a stringent risk management framework'. Dividend for 2023: see 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section.

KBC share	2023	2022
Number of shares outstanding at year-end (in millions)	417.3	417.2
Share price for the financial year*		
Highest price (in EUR)	71.8	85.1
Lowest price (in EUR)	51.0	45.5
Average price (in EUR)	61.8	58.9
Closing price (in EUR)	58.7	60.1
Difference between closing price at financial year-end and previous financial year-end	-2%	-20%
Equity market capitalisation at year-end (in billions of EUR)	24.5	25.1
Average daily volume traded on Euronext Brussels (source: Eikon)		
In millions of shares	0.6	0.7
In millions of EUR	39	43
Equity per share (in EUR)	53.9	48.7

* Based on closing prices and rounded to one decimal place.

Shareholder structure of KBC Group NV[1] (31 December 2023)	**Number of shares at the time of disclosure**	**Percentage of the current number of shares**
KBC Ancora	77 516 380	18.6%
Cera	15 555 143	3.7%
MRBB	47 887 696	11.5%
Other core shareholders	30 945 409	7.4%
Subtotal for core shareholders	171 904 628	41.2%
Free float[2]	245 401 248	58.8%
Of which shares repurchased until 31 December 2023 under the share buyback programme launched in August 2023	*8 797 069*	*2.1%*
Total	417 305 876	100.0%

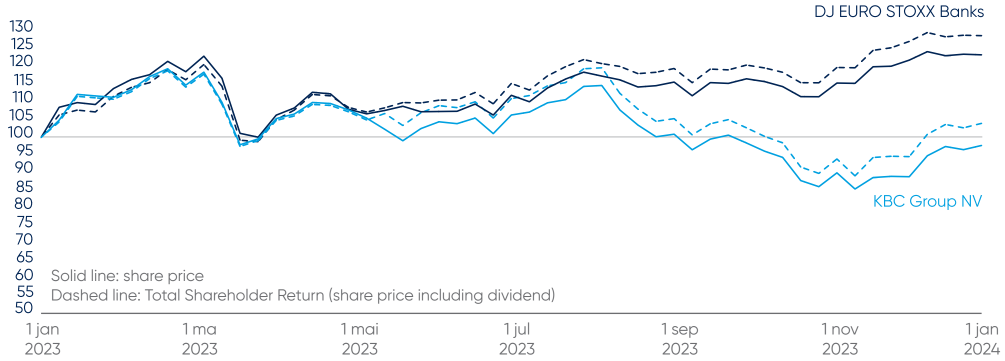
1 Based on the most recent notifications made under the transparency rules or (if they are more recent) on disclosures made under the Act on public takeover bids. MRBB reported the purchase of 79 000 additional KBC shares on 5 January 2024 (not included in this overview which reflects the situation as at 31 December 2023).

2 Rough breakdown of 'free float' by country/region, based on KBC's own estimates for September 2023: institutional shareholders: 6% in Belgium, 24% in other continental European countries, 13% in the UK & Ireland, 33% in North America and 3% in other countries; other (retail shareholders, unidentified, etc.): 21%.

A major part of our activities involves transforming deposits and other forms of funding into loans. For that reason, funding through deposits and debt securities is an important raw material for our group. We have therefore developed a strong retail/mid-cap deposit base in our core markets. We also regularly issue debt instruments, including via KBC IFIMA, KBC Bank and KBC Group NV itself.

KBC share price over one year

(31 December 2022 = 100%, end-of-week prices)



Our network and our relationships

Alongside staff and capital, our network and relationships are especially important to our activities. An overview of our network can be found under 'Market conditions in our core markets in 2023'.

Our social and relationship capital comprises all relationships with our clients, shareholders, government, regulators and other stakeholders, enabling us to remain socially relevant and to operate as a socially responsible business. This theme is dealt with in depth under 'Our role in society' in the 'Our strategy' section.

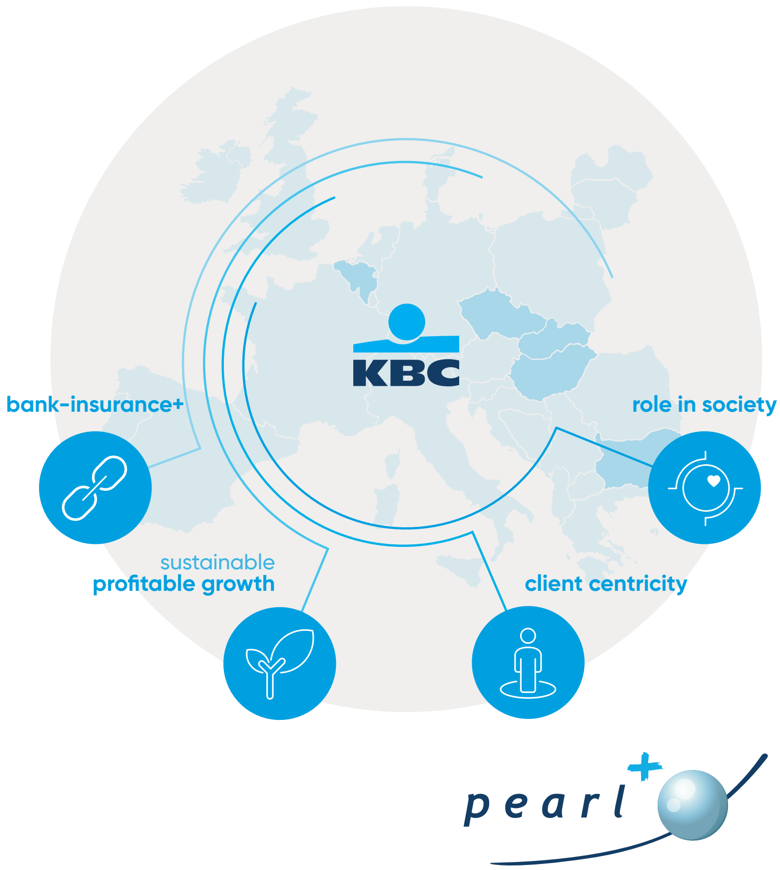
Ratings on 14 March 2024

Financial ratings for KBC group, KBC Bank and KBC Insurance[1]	Long-term debt rating	Outlook	Short-term debt rating
Fitch			
KBC Bank NV	A+	Stable	F1
KBC Group NV	A	Stable	F1
Moody's			
KBC Bank NV[2]	A1	Positive	P-1
KBC Group NV	Baa1	Positive	P-2
Standard & Poor's			
KBC Bank NV	A+	Stable	A-1
KBC Insurance NV	A	Stable	–
KBC Group NV	A-	Stable	A-2
Sustainability ratings, KBC group			**Score**
CDP			A
Sustainalytics ESG Risk Rating			9.8
S&P Global CSA Score			64/100
MSCI ESG Rating			AAA
ISS ESG Rating			C+ (Prime)
FTSE4Good ESG Rating			4.7/5

1 Please refer to the respective credit rating agencies for definitions of the different ratings. As far as financial ratings go, KBC Insurance is concerned with the financial strength rating, which indicates the likelihood of policyholders' claims being met, whereas the ratings given for KBC Bank and KBC Group indicate the likelihood of their financial obligations being met.

2 Long-term deposit rating of Aa3.

Our strategy



Our strategy rests on the following principles:

- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We assume our role in society and local economies.
- We implement our strategy within a strict risk, capital and liquidity management framework.

As part of our PEARL+ business culture, we focus on jointly developing solutions, initiatives and ideas within the group.

More information on PEARL+ is provided in the 'Our business model' section.

The client is at the centre of our business culture

client centricity	bank-insurance	sustainable profitable growth	role in society

PEARL+: jointly developing solutions, initiatives and ideas within the group.

Within a stringent risk, capital and liquidity management framework

Main challenges

- Making client experience central and focusing on operational efficiency
- Offering proactive client-friendly solutions, powered by Artificial Intelligence and qualitative data
- Paying special attention to data protection and privacy and to transparent client communication

Discai wins a place in the top 'RegTech100' innovators worldwide

FinTech Global has released the RegTech100 for 2024, featuring the world's most innovative RegTech companies that lead the way in providing groundbreaking solutions in the field of regulatory technology.
KBC's subsidiary Discai made it to the top 100 out of a longlist of 1 400 companies.

KBC Mobile named best mobile banking app in Belgium by international consulting firm Sia Partners for the third time in a row

In September 2023, independent international consulting firm Sia Partners once again named KBC Mobile the best mobile banking and insurance app in Belgium. KBC Mobile strengthened its leading position over last year and even ranks third globally. Sia Partners also named KBC's mobile app the best user experience for car and home insurance.

Access to financial services and solid financial advice for all sections of society contributes to economic development and forms the basis for financial and social integration.

As a bank-insurer, we are committed to financial literacy and by means of solid and transparent advice we aim to help our clients make the right decisions.
We take initiatives to promote financial literacy. For example, by introducing the option to receive financial and economic news through KBC Mobile we contribute to awareness-raising and financial education. We also expect our employees to communicate with our clients in an accessible, clear, understandable and transparent manner.

For a few years now, we have been designing products, services and processes from a 'digital-first' perspective. This implies that they were modified before being digitalised to make them simpler, more user-friendly and scalable and that they allow a fast and appropriate response to our clients' questions and expectations. For clients who so desire, we will use the available data in an intelligent and appropriate manner.

This is why we are transitioning from an omnichannel distribution model towards a digital-first distribution model. The human factor remains important in both models and our staff and branches are at the disposal of our clients. In a digital-first distribution model, digital interaction with clients will form the initial basis.
We therefore aim over time to provide all relevant commercial solutions via mobile applications. In addition to a digital product range, we will offer our clients digital advice and develop all processes and products as if they were sold digitally.

Kate – our personal digital assistant – plays an important role in digital sales and advisory, so that personalised and relevant solutions can be offered proactively. Clients can personally ask Kate questions regarding their basic financial transactions. They also receive regular discrete and proactive proposals at appropriate times in their mobile app to ensure maximum convenience. If the client accepts a proposal, the solution will be offered and processed completely digitally.

Employees in the branch network and contact centres continue to function as a beacon of trust for our clients. Our employees also support and encourage the use of digital processes and monitor this use, supported by artificial intelligence, data and data analysis.

To guarantee our clients maximum ease of use and to be able to offer a growing number of possibilities via Kate, we also changed our internal processes, the way we supply our products and services, and how we organise ourselves internally. At the same time, this requires a further change in mentality and in-service training for our staff.
For instance, Kate automates certain administrative acts and answers questions, enabling employees to address other issues, saving valuable time which our employees can use to connect with clients and speak with them about anything that might be on their minds.

In 2022, we launched our own BankTech, Discai, which globally markets our trailblazing artificial intelligence applications that have been developed in-house. The first application focused on the fight against the growing problem of money laundering. Discai's portfolio will gradually be expanded to include solutions developed within KBC that meet the regulatory and technological needs of the market.

Digitality in practice (2023)

- 52% of banking products and 26% of insurance products were sold through digital channels (see the targets for more information).
- The number of mobile app users increased by 13% in 2023.
- 4.2 million clients have already used Kate.
- The number of Kate use cases for retail increased to 372 in Belgium, 223 in the Czech Republic and 415 at the International Markets Business Unit. For businesses, there are already 49 use cases in Belgium, 53 in the Czech Republic and 33 at the International Markets Business Unit.
- The proportion of cases resolved fully autonomously by Kate (E2E) stood at 63% in Belgium and at 66% in the Czech Republic.

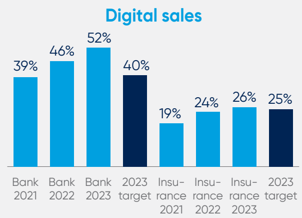
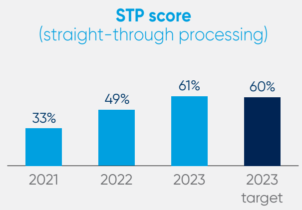
In 2022, we introduced the Kate Coin, a first in Europe. Since the start of 2023, KBC clients have been able to acquire Kate Coins when purchasing certain products or services from us, such as a home loan, home insurance or saving spare change. They can then use the Kate Coins to save money by exchanging them for additional benefits and cashbacks. For instance, KBC clients can exchange Kate Coins when purchasing an investment plan, a prepaid card, personal accident insurance or family insurance and immediately enjoy a cashback.
We significantly expanded the range of eligible products in the autumn. An entirely new feature is that Kate Coins can be acquired or spent when purchasing from one of our commercial partners. Clients receive a cashback immediately or after their next purchase with the same partner. The partners themselves determine the conditions and timing of their offer. KBC will systematically keep expanding the range of options and the collaboration with partners. In KBC Mobile, clients will be able to check out new partners where they can earn money, and in their Kate Coin Wallet they can see how many Kate Coins they have earned and spent with KBC and the various partners.

In the past three years, we have worked towards the digital transformation of our core business model. Pursuing this strategy, which we called 'Differently: the Next Level', we expanded our digital-first bank-insurance model, gave clients access to non-financial solutions, launched Kate and introduced Kate Coins.
While all these efforts clearly produced benefits from the perspective of client experience and operational efficiency, the implementation of our digital transformation strategy is not yet complete. Over the past few years, we have launched a number of concepts and building blocks such as Digital First, Bank-insurance+, Kate and Kate Coins, which create added value when they interact. We are now bringing these components together in 'ecosystems', in which we offer our clients a new type of service, supporting them every step of the way in their search for solutions to housing, mobility, energy and other issues, using our own products and services as well as those of our partners and suppliers. This enables our clients to save and earn money in and beyond the traditional banking and insurance environment. We refer to this next step in our strategy as 'S.T.E.M., the Ecosphere', with S.T.E.M. standing for 'Save Time and Earn Money'.

Digitalisation also comes with the obligation to use the available data in a responsible manner.
We therefore make sure we process data in accordance with the GDPR and all privacy rules, and that processes are in place to ensure this for each new service we launch. In doing so, we take into account the key data protection principles of purpose limitation (i.e. not using data for any purpose other than that for which it was collected), data minimisation (i.e. not collecting more data than is required for the intended purpose) and transparency (i.e. being transparent regarding the data collected and used). The latter is related to our privacy policy, which is published by each entity of our group through the appropriate channels in order to ensure that all individuals whose personal data is processed are properly informed. We make every effort to secure and protect data against unwanted or unauthorised access, loss or damage, to not retain any personal data once it is no longer required for the purpose for which it was collected, and to keep all personal data accurate and up to date. We have documented all the rights of the data subjects and protect this from any infringements on fundamental human rights resulting from our access to data.
Because privacy and data protection are not only objective concepts, defined by law, they are highly subjective ones too. We therefore want to let our clients decide how we use their data and how Kate can use this data. In the process, we aim to communicate in a transparent way and offer our clients a clear privacy overview, in which they can adjust their choices at any moment.

More information about our data governance can be found in the 'Corporate governance statement' section in this report.

Since putting the interests of our clients at the heart of everything we do is the cornerstone of our strategy, we keep a close eye on their situation. We continuously survey our clients and organise regular debates with client panels. A specific dialogue is likewise maintained with NGOs, and a stakeholder debate also organised on a regular basis. We closely monitor our reputation and communicate this analysis to all the departments and individuals concerned, so they can take appropriate action. The targets and results for client satisfaction and digital sales are set out below.

KPI	Description	Target and result	
Client NPS score	A ranking is drawn up based on Net Promoter Scores for each core country. The rankings are aggregated at group level based on active* client numbers.	Target: top 2 ranking in 2023 2023 result: top 3 New targets: see the bottom of the table	
Digital sales	Digital sales as a percentage of total sales, based on weighted average of a selection of core products.	Target: ≥ 40% for banking in 2023 and ≥ 25% for insurance in 2023 2023 result: 52% for banking 26% for insurance New targets: see the bottom of the table	
Straight-through processing (STP)	The STP score is based on analysis of commercial core products. The STP ratio measures how many services that can be offered digitally are processed without human intervention from the moment of the interaction with the client to final agreement by KBC.	Target: STP score ≥ 60% in 2023 2023 result: STP: 61% New targets: see the bottom of the table	

NEW KPIs AS FROM 2024

- Client NPS score: the new target is a top 2 ranking in 2026.
- Digital sales: the new target is ≥ 65% for banking by 2026 and ≥ 35% for insurance by 2026.
- Straight-through processing (STP): the new target is STP ratio ≥ 68% by 2026 (based on all retail processes).

* See also the KPI 'Share of bank-insurance clients'.

We offer our clients a unique bank-insurance experience

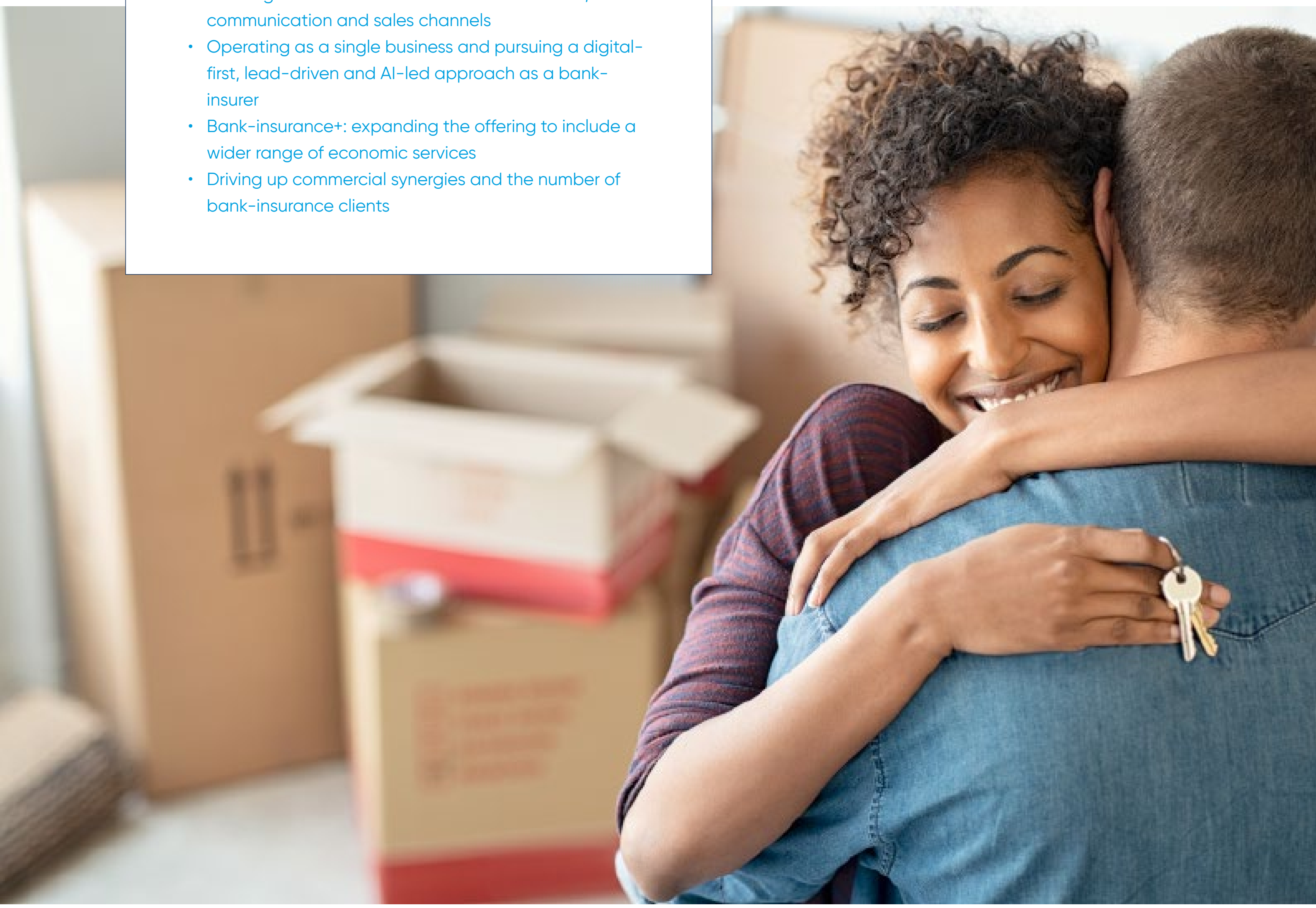
client centricity	bank-insurance	sustainable profitable growth	role in society

PEARL+: jointly developing solutions, initiatives and ideas within the group.

Within a stringent risk, capital and liquidity management framework

Main challenges

- Ensuring seamless collaboration between data, communication and sales channels
- Operating as a single business and pursuing a digital-first, lead-driven and AI-led approach as a bank-insurer
- Bank-insurance+: expanding the offering to include a wider range of economic services
- Driving up commercial synergies and the number of bank-insurance clients



As a bank-insurer, we put our clients at the heart of what we do by offering them an integrated range of products and services. Our integrated model offers the client the benefit of a comprehensive, relevant and personalised one-stop service that allows them to choose from a wider, complementary and optimised range of products and services. It offers the group benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, significant cost-savings, synergies and heightened interaction opportunities with and a more complete understanding of our clients.

As stated earlier, we do everything we can to integrate our channels (bank branches and insurance agencies, contact centres, self-service terminals, the website, our home banking application and mobile apps). Because we are both a bank and an insurer, we can commit ourselves completely to this integrated approach and seamless service.

We have developed a unique bank-insurance cooperation concept within our group, a model that goes much further than a bank that sells insurance products. It is all about complete back-office and support-service integration, which delivers operational and commercial optimisation for both the client and for KBC itself. The way we work means, for instance, that we only need one communications department, one marketing department, one risk control department, and so on. It is only the underlying product factories that operate independently, as these are specific professions.

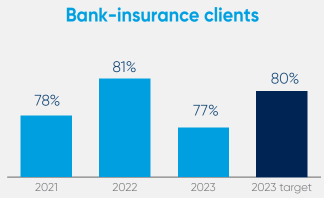
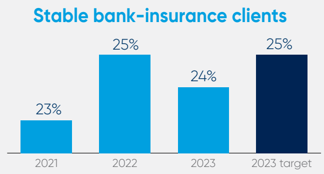
In addition to operating as a single business, we pursue a digital-first, lead-driven and AI-led organisation. This means fully integrated front and back-end applications designed according to the 'digital first' principle. We are firmly committed to becoming data and AI-led in all our core countries, at their own pace. Kate (see previous section) is the key element within a data-led organisation of this kind.

Our experts naturally remain available at our branches and call centres to answer complex questions or provide advice at key life moments.

Previously, we only offered our own bank and insurance products and services through our mobile apps. As 'bank-insurance+' has been rolled out, we are now also offering non-financial solutions alongside traditional banking and insurance solutions in our core countries. These solutions are designed to help our clients save money (e.g., suggesting that they switch to a cheaper energy supplier), earn money (e.g., discounts using Kate Coins in Belgium), making everyday payments easier (e.g., paying automatically for parking) or supporting business activities. We work with third parties to provide these solutions.

Our bank-insurance model is already enabling us to achieve various commercial synergies.
In Belgium, for instance, eight to nine out of ten clients who agreed home loans with KBC Bank in 2023 also took out mortgage protection cover with KBC Insurance, while more than nine out of ten purchased home insurance. At ČSOB in the Czech Republic, five to six out of ten clients who took out home loans in 2023 also purchased home insurance from the group.
To give another example, across the group at year-end 2023, about 77% of active clients held at least one of the group's banking products and one of its insurance products, while roughly 24% even held at least two banking and two insurance products (3-3 in Belgium). The number of bank-insurance clients of this type grew by 4% (1-1) and 7% (2-2 and 3-3 in Belgium) in 2023 respectively.

We use a number of Key Performance Indicators (KPIs) to track the success of our bank-insurance performance, the most important of which are listed in the following table.

KPI	Description	Target and result	
Share of bank-insurance clients	Share of bank-insurance clients (min.1 bank + 1 insurance product from the group) within total number of active bank clients*.	Target: ≥ 80% bank-insurance clients in 2023 2023 result: 77% New targets: see the bottom of the table The scope changed with effect from 2023 (including Raiffeisenbank Bulgaria).	
Share of stable bank-insurance clients	Share of stable bank-insurance clients (with at least 2 bank and 2 insurance products from the group [3-3 for Belgium]) within total number of active bank clients*.	Target: ≥ 25% stable bank-insurance clients in 2023 2023 result: 24% New targets: see the bottom of the table The scope changed with effect from 2023 (including Raiffeisenbank Bulgaria).	
NEW KPIs AS FROM 2024			
• Share of bank-insurance clients: the new target is ≥ 83% of active clients by 2026 • Share of stable bank-insurance clients: the new target is ≥ 29% of active clients by 2026			

* An active bank client is defined as one holding at least a current account into which income is regularly paid (salary, pension, money transfers, etc.).

We focus on sustainable and profitable growth

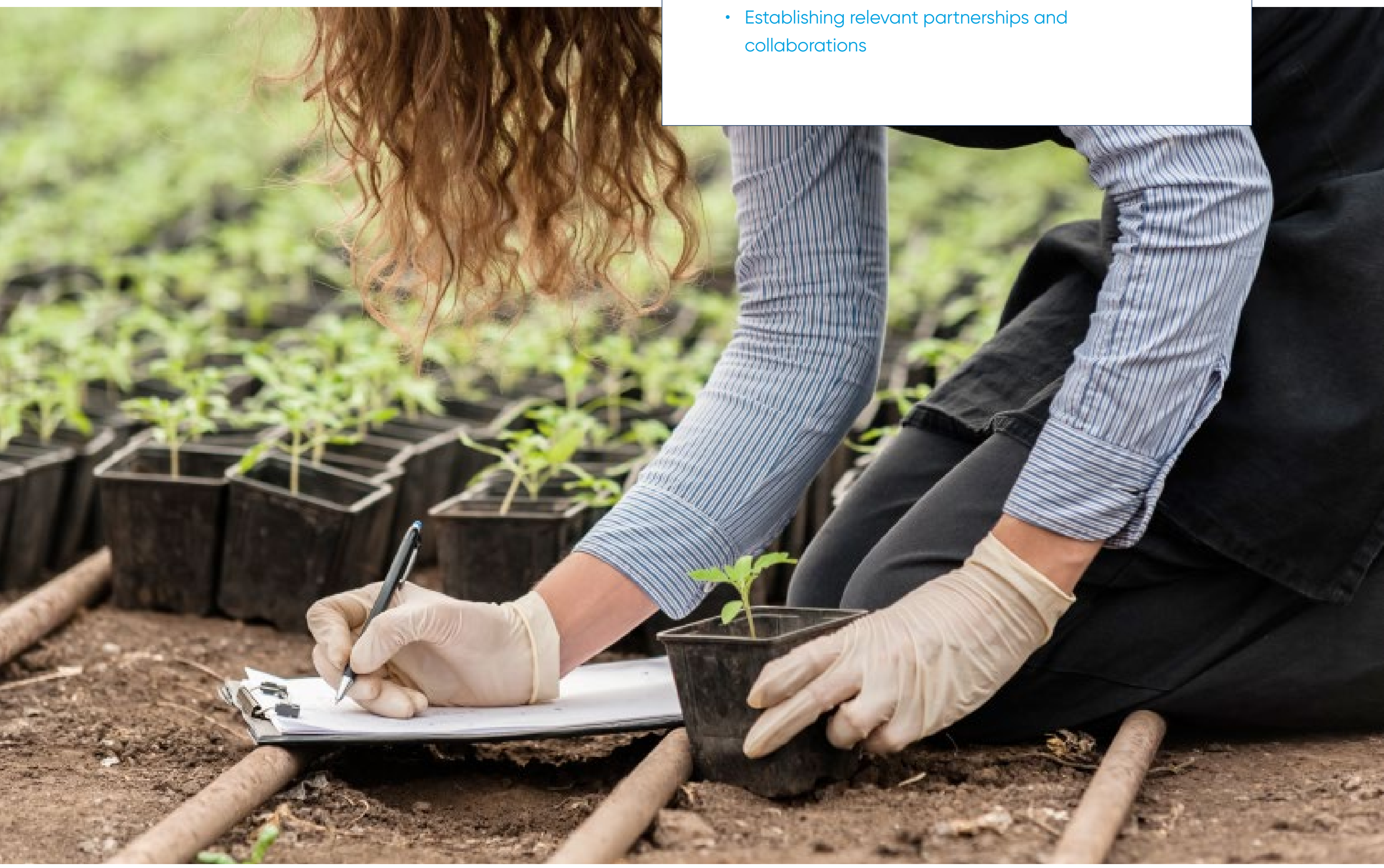
client centricity	bank-insurance	sustainable profitable growth	role in society

PEARL+: jointly developing solutions, initiatives and ideas within the group.

Within a stringent risk, capital and liquidity management framework

Main challenges

- Developing long-term relationships with clients
- Further optimising presence in core countries and integrating businesses acquired
- Diversifying income base
- Establishing relevant partnerships and collaborations



> We want to generate more revenue from the fee business and insurance activities, alongside our interest income, as a diversified income base fosters sustainable and profitable growth.

Developing long-term relationships with our clients is crucial if we are to secure our long-term future. We do not pursue high short-term returns that come with excessive risks but rather focus on sustainable and profitable growth in the long run.

Sustainable and long-term thinking also means concentrating on the local economies of our core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. We view our presence in these countries as a long-term commitment and want to consolidate our presence there by means of organic growth or attractive acquisitions, in line with clear and strict strategic and financial criteria.

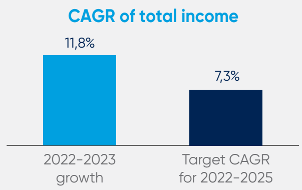
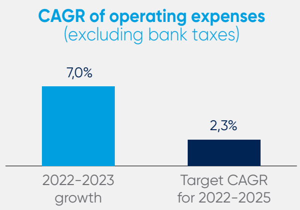
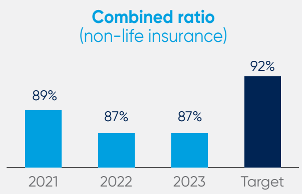
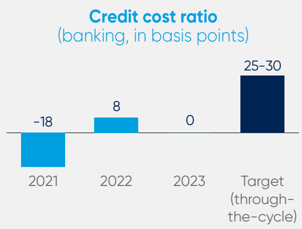
As a result of the withdrawal from Ireland, arising merger and acquisition opportunities beyond our core markets may be assessed (for approval of the Board of Directors) taking into account very strict strategic, financial, operational and risk criteria.

Recent examples (more details are provided in the 'Our business units' section and in Note 6.6 of the 'Consolidated financial statements'):

- In February 2022, we sold virtually the entire portfolio of non-performing mortgage loans of KBC Bank Ireland, and in February 2023 we sold the loan assets (mainly performing loans) and the deposit book to Bank of Ireland.
- In July 2022, we finalised the agreement with Raiffeisen Bank International on the acquisition of Raiffeisenbank Bulgaria, a universal bank in Bulgaria offering private individuals, SMEs and business clients a full range of banking, asset management, leasing and insurance services. The legal merger of Raiffeisenbank Bulgaria and existing banking subsidiary UBB was registered on 10 April 2023. The new entity is named UBB and will bolster our position in the Bulgarian banking market even further. This acquisition will also create ample opportunity for insurance cross-selling with DZI.

We want to be in a position to deliver all our products and services in a top class manner. In the case of our core activities, we will retain production in-house. But for peripheral activities, we will mostly look to outsourcing or partnerships with (or in some cases acquisition of) specialists, including start-ups. In Belgium, for instance, we collaborate with a start-up that makes renovation estimates of buildings for our clients and that refers clients to the allowances and grants available to them. This is plainly not a core business of ours, but – besides advancing the level of client satisfaction and ensuring maximum convenience for our clients – it does help us to gain an understanding of our clients in order to improve our core business. If we have access to the details of these transactions – and subject to clients' consent – we can generate added value for our clients by proposing better solutions based on analysis, thereby saving them money or making their lives easier.

Stringent risk management in everything we do is an absolute precondition in terms of guaranteeing sustainability. For more information on this, see 'We aim to achieve our ambitions within a stringent risk management framework'. We monitor our long-term performance and our focus on the real economy and sustainability via a number of Key Performance Indicators (KPIs), the most important of which are listed in the following table.

KPI	Description	Target and result	
CAGR of total income	Compound annual growth rate (CAGR) of total income.	Previous target: CAGR for 2022-2025: around +7.3% 2022-2023 result: +11.8% New targets: see the bottom of the table	
CAGR of operating expenses	Compound annual growth rate (CAGR) of operating expenses, including insurance commissions paid but excluding bank and insurance tax	Previous target: CAGR for 2022-2025: around +2.3% 2022-2023 result: +7.0% New targets: see the bottom of the table	
Combined ratio	See the 'Glossary of financial ratios and terms' at the back of this report.	Previous target: ≤ 92% 2023 result: 87% New targets: see the bottom of the table	
Credit cost ratio	See the 'Glossary of financial ratios and terms' at the back of this report.	Previous target: 25-30 basis points for the through-the-cycle credit cost ratio 2023 result: 0.00% (excluding the reserve set aside for geopolitical and emerging risks: 0.07%) New targets: see the bottom of the table	

NEW KPIs AS FROM 2024

- Net interest income: the new target CAGR for 2023-2026 is ≥ 1.8%
- Insurance revenues: the new target CAGR for 2023-2026 is ≥ 6%
- Operating expenses and insurance commissions paid (excluding bank and insurance tax): the new target CAGR for 2023-2026 is < 1.7%
- Cost/income ratio excluding bank and insurance tax: the new target is < 42% by 2026
- Combined ratio: the new target is < 91%
- Credit cost ratio: the new target is 'well below the through-the-cycle cost of credit of 25-30 basis points' (excluding changes in the reserve for geopolitical and emerging risks, which was still outstanding at year-end 2023)

Our role in society

client centricity	bank-insurance	sustainable profitable growth	role in society

PEARL+: jointly developing solutions, initiatives and ideas within the group.

Within a stringent risk, capital and liquidity management framework

Main challenges

- Integrating sustainability in key processes and business activities
- Setting targets to reduce the impact of our activities and implementing actions to reach those targets
- Consistently generating value for all our stakeholders in an uncertain environment
- Managing the risks that climate change poses to us and the companies we finance, insure or in which we invest
- Taking into account other environmental considerations when determining our strategy (biodiversity, circularity)
- Complying with new and amended sustainability legislation
- Focus on responsible behaviour at all levels of our business

More detailed information about our role in society is provided in our Sustainability Report, which is available at www.kbc.com.

More information on how we engage with stakeholders and how we select the topics on which we report can be found under 'Stakeholder interaction and materiality analysis' in this Annual Report.

Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals (SDGs) have had a significant impact on the design of our sustainability strategy. We believe we can have a greater impact by focusing on a limited number of SDG topics that are directly linked to our activities as a bank-insurer and have therefore opted to select five goals.

Good health and well-being

We aim to develop banking and insurance products that focus on health, health care and improving quality of life. We promote a good work-life balance among our employees.

Affordable and clean energy

We actively contribute to raising the share of renewables in the energy mix through our banking and insurance activities. We have drawn up a gradual exit programme for the financing of non-sustainable energy solutions, including thermal coal and oil and gas.

Decent work and economic growth

Our banking and insurance business supports entrepreneurship and job creation and contributes to sustainable economic growth. We support new businesses and invest in innovation and technology through alliances with start-ups and fintechs. In association with BRS, we also offer microfinancing and microinsurance activities, thereby supporting sustainable local development and contributing to financial inclusion.

Responsible consumption and production

We develop sustainable banking and insurance products and services that meet a range of social and environmental challenges. We advise all our clients to choose responsible investment funds.

Climate action

We apply a strict environmental policy to our loan, investment and insurance portfolios. We have also defined ambitious climate targets for the most important sectors and products in our loan portfolio. We work together with our clients to achieve these targets, and we actively collaborate with the companies in which we invest in order to reduce their climate impact. On top of this, we have defined ambitious targets for our direct emissions and are making every effort to achieve them.

Aiming to encourage responsible behaviour on the part of all our employees

Our stakeholders' trust depends entirely on responsible behaviour on the part of every employee. We therefore expect all our employees to behave responsibly, which means this theme comes high on our agenda every year.

The basis of responsible behaviour is integrity, which requires honesty, fairness, transparency and confidentiality, as well as a healthy awareness of risk. Integrity and ethical values are also reflected in our 'Code of Conduct for KBC Group Employees'. More information in this regard is provided in the 'Corporate governance statement' section.

Given the difficulty of defining responsible behaviour, rather than drawing up guidelines for such behaviour we set out the underlying principles. These are presented in the 'Compass for Responsible Behaviour' section. Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. We pay particular attention, therefore, to training (including testing) and awareness. We developed an online training course to clarify the importance of responsible behaviour and provide a framework to help our employees take difficult decisions when faced with dilemmas. The online training course has also been incorporated into the onboarding programme for new staff.

In 2023, a new initiative in the form of a mandatory webinar was launched to raise awareness of responsible behaviour.

We communicate transparently on our rules and policy guidelines, which are published at www.kbc.com. More information on our Integrity Policy and its application is provided in the 'Corporate governance statement' section.

Aiming to enhance our positive impact on society

We want to enhance our positive impact on society to which end we are focusing on four areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and longevity and/or health. Specific examples of initiatives in every area are provided in the 'Our business units' section.

Environmental awareness

We reduce our direct and indirect ecological footprint through a diverse range of initiatives and objectives.
We develop products and services that can make a positive contribution to the environment.

Financial literacy

We help clients make the right choices through sound and transparent advice, and clear communication.
We improve general public knowledge of financial concepts and products.
We aim to promote financial literacy among young people to enhance their knowledge of more complex financial products such as home loans.

Entrepreneurship

We contribute to economic growth by supporting innovative ideas and projects.

Longevity and health

We focus on longevity in Belgium and the Czech Republic, adapting our range of products and services to the fact that people live longer. We focus on health in Bulgaria, Slovakia and Hungary, developing products, services and projects geared towards improving health, healthcare and quality of life.

Limiting any negative impact we might have on society

We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review our sustainability policies at least every two years. A complete list of our sustainability policies – including for specific sectors such as coal and themes like biodiversity – can be found in our Sustainability Report and our Sustainability Framework at www.kbc.com.

Important KBC sustainability policies

Blacklist of companies and activities	We place stringent ethical restrictions on businesses involved with controversial weapons systems (including nuclear and white phosphorous weapons) and on businesses viewed as 'serious' infringers of UN Global Compact Principles.
Human rights	Our human rights policy is based on the UN Guiding Principles on Business and Human Rights and UN Global Compact Principles. See also the separate section below.
Controversial regimes	We do not wish to be involved in financial activities with controversial regimes that fundamentally violate human rights and lack any form of good governance, rule of law or economic freedom. We do, however, make an exception for strictly humanitarian goods. Based on reputable external sources, we decide each year what countries are to be included on our list of controversial regimes.
Sustainable and responsible banking, advisory and insurance policy	We have imposed restrictions on providing loans, advice and insurance to controversial and socially sensitive sectors and activities such as: the energy sector, project finance, arms-related activities, tobacco, gambling, sectors with a substantial impact on biodiversity (palm oil production, mining, etc.), land acquisition and involuntary resettlement of indigenous populations, animal welfare (including fur) and prostitution.
KBC Asset Management, fund exclusions	For all funds (conventional as well as responsible investment funds) and our own investments, we apply the minimum exclusions based on the blacklist of businesses that are involved with controversial weapons systems or which commit serious breaches of UN Global Compact Principles, and the policies on controversial regimes. What's more, investment products involving food-price speculation are entirely excluded. We have additionally decided to exclude the tobacco industry from KBC Asset Management's investment funds and from KBC's own investment portfolio, while coal mining companies and utility companies that generate their energy production from coal are excluded from all investment funds and from our own investments. For responsible investment, we go even further in the exclusion and restriction of controversial activities like all fossil fuels, gambling, defence and fur.

We monitor compliance with our sustainability policy in a number of ways:

- active internal screening of the application of our sustainability policy to our lending, insurance and investment operations;
- a general ESG assessment of the sustainability performance of the relevant companies by external parties, with the emphasis on sustainability strategy and companies' public sustainability strategy and on any recent controversies in which they have been involved.

Examples of measures in the event that infringements are detected:

- zero tolerance across all our business activities for companies on the blacklist;
- exclusion of companies that do not comply with the UN Global Compact Principles, as assessed by an external ESG evaluator, for loans, insurance, advice and own assets;
- enforcement, in consultation with the relevant parties, of an exit strategy or specific conditions on existing credit or insurance relationships and advisory services, and the rejection of new applications.

Sustainability governance

Board of Directors: is regularly briefed by the Executive Committee on the sustainability strategy, including its policy on climate change, as well as other relevant sustainability issues such as gender diversity. Since climate-related and environmental risks have been classified as a top risk, the Risk and Compliance Committee monitors sustainability risks closely. The Board evaluates the implementation of the sustainability strategy using a Sustainability Dashboard and expresses its opinion on major changes to sustainability policies.

Executive Committee: the highest level with direct responsibility for sustainability, including policy on climate change. It ratifies the decisions of the Internal Sustainability Board and the Sustainable Finance Steering Committee.

Internal Sustainability Board (ISB): chaired by the CEO and comprises the CFO as Deputy Chair, senior managers from all business units and core countries, and the senior general manager of Group Corporate Sustainability. It is the most important platform for managing sustainability at group level and takes decisions on all matters relating to sustainability.

Group Corporate Sustainability: responsible for developing, implementing and supervising the sustainability strategy. The team reports to the Internal Sustainability Board on the implementation of the strategy and prepares the KBC Sustainability Dashboard. The department is led by the Senior General Manager of Group Corporate Sustainability, who reports directly to the Group CEO.

Sustainable Finance Steering Committee: supervises the Sustainable Finance Programme and is chaired by the CFO. It reports to the Executive Committee and the Board and maintains contact with the ISB.

CSRD Steering Committee: supervises the conceptualisation and implementation of our CSRD programme.

Data and Metrics Steering Committee: manages the challenges relating to climate-related data collection and reporting.

General Managers of Sustainability in every core country: bear ultimate responsibility for all matters pertaining to sustainability in their country. They are part of senior management. They are responsible for communication on sustainability in every country and for the integration of the sustainability strategy. They are part of the local country organisation and, therefore, are subject to hierarchical reporting. As they work closely with both the local ISB representative and Group Corporate Sustainability, they also come under the functional direction of the Senior General Manager of Group Corporate Sustainability.

The Sustainability departments and committees in each core country: are organised in such a way as to support their senior managers, who sit on the Internal Sustainability Board, and the General Manager Corporate Sustainability in integrating our sustainability strategy and organising and communicating local sustainability initiatives. Among other things, the employees and committees involved also supply and validate non-financial information.

External Sustainability Board: consists chiefly of sustainability experts from the academic world and advises Group Corporate Sustainability on sustainability policy and strategy.

Focus on the climate and the environment

More extensive and in-depth information on the climate scenarios used, the determination of the most relevant sectors, the scope and boundaries of our climate standards, data and goals, and our approach to biodiversity, pollution, water management and circularity can be found in our Climate Report and our Sustainability Report at www.kbc.com.

The climate and the environment in our business model

As a bank-insurer, we have an influence on climate change and the environment in two ways. Firstly, through our own direct impact, including through our energy consumption. Our dependence on natural resources is relatively limited, but we nevertheless manage our direct greenhouse gas emissions with the goal of steadily reducing them in line with fixed targets.

More important is our indirect influence, through lending, holding an investment portfolio, providing investments to clients and insuring other parties who could have a significant impact on the climate and the environment. We limit this indirect negative impact through clear policies, which also entail restrictions on the most polluting activities, and we enhance our positive impact through actions relating to the most climate- and environmentally-sensitive sector portfolios, by engaging in a sustainability dialogue with our clients, by supporting companies that take account in their investment decisions of environmental, social and governance aspects, and by developing new, innovative business solutions in all our core countries to stimulate a low-carbon and circular economy.

We ourselves also feel the impact of climate change as a bank-insurer. Examples include potential risks due to acutely or chronically changing weather patterns, which can lead to higher levels of claims under the insurance we provide, or the impact on our loans or investments when relevant counterparties suffer the negative consequences of climate change or the transition to a lower-carbon society (which can lead to repayment problems). It also relates to the influence we experience from possible changes to the relevant legislation and capital requirements, litigation, changes in client behaviour (including the risk of missed opportunities), the impact of rising market prices on greenhouse gas emissions, and technological innovations.

We actively modify our business model as needed, adjusting it both for the purpose of reducing or avoiding any negative impact and to contribute to reducing global warming within the targets set in the Paris Agreement. We obviously also intend to capitalise on the many opportunities presented by the transition to a greener and more sustainable economy. This entails both further expanding our sustainable product and service offering in the field of investment, insurance, leasing and so on, and actively supporting clients in their transition to lower-carbon operations and minimising the impact on the environment.

The aim is to chart the resilience of our business model going forward, taking account of different climate scenarios and time horizons, using specific measuring and reporting instruments (see below).

Climate and environmental governance

Climate and environmental governance forms part of our general sustainability governance. A Sustainable Finance programme has been set up within the group as part of the sustainability policy to focus on integrating the climate and environmental approach in the group.

- The Sustainable Finance programme is directed by a programme manager from Group Corporate Sustainability, together with a core team comprising representatives of the most relevant departments. The Core Team is in contact with other departments and works closely with the sustainability teams in all core countries.
- A steering committee, chaired by the group CFO, oversees the progress and the implementation of the measures implemented under the Sustainable Finance programme. However, the main strategic decisions are taken by the Internal Sustainability Board (ISB), which is chaired by the group CEO and comprises representatives of all core countries.
- The programme's progress is also regularly discussed in the Executive Committee and the Board of Directors, with reference, among other things, to the KBC Sustainability Dashboard.
- An External Sustainability Board advises Group Corporate Sustainability on all sustainability themes, including our climate and environmental policy.

> We are proud that Euronext included the KBC share in the new BEL®ESG stock exchange index in 2023. This new index identifies and tracks the BEL®20 and BEL®Mid companies whose concrete operations and policies earn them an excellent ESG score through a respected external assessment.

The most important environmental and climate aspects of our sustainability policy

- Application and regular revision of a strict policy to limit the negative ecological impact of our activities through measures such as specific policies on energy and other socially sensitive sectors, abiding by the Equator Principles on project funding and the KBC Blacklist;
- Developing specific banking, insurance and investment products and services to support a sustainable, low-carbon and climate-resilient society (see table);
- Creating awareness of environmental responsibility amongst our internal (employees) and external (clients, suppliers, etc.) stakeholders;
- Supporting our clients in their transition towards more sustainable business models, including through partnerships that provide them with advice and effective support in improving their energy performance;
- Adjusting our activities to limit the global temperature increase in line with the Paris Agreement and joining the UN's Collective Commitment to Climate Action;
- Tracking TCFD (Taskforce on Climate-related Financial Disclosures) recommendations: we catalogue our climate risks while also responding to the opportunities offered by the green transition. We contribute to the development of methods to measure the impact of the climate on our business model with a view to setting evidence-based targets. We report on this in a transparent manner (also see our Sustainability Report).
- At the end of 2023, KBC Group also committed to reporting on its impact on nature in compliance with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). The first publication that is fully in line with the TNFD recommendations is expected in financial year 2025. In the meantime, the relevant actions we are taking in this regard will be described in our Sustainability Report.

Integrating climate-related risks, opportunities and targets into our sector approach remains a key challenge. The same holds true for other environmental aspects.

- We started out by analysing our credit portfolio, and have now also included our insurance portfolios in the internal analyses. Based on a materiality assessment, we focused on the sectors representing more than 5% of industrial loans designated as climate-sensitive and carbon-intensive. These analyses form the basis for determining a strategy and targets that must help us to effectively honour our climate commitment as part of the Paris Agreement. We use the term 'white paper' to reflect the open mind with which we embarked on the exercise.
- We have drawn up white papers for the energy, commercial real estate, agriculture, food production, building and construction, chemicals, transportation (including aviation and the maritime sector) and metals sectors, as well as for three retail product lines: home loans, car loans and car leasing. The white papers also consistently analysed the local context of all core countries, so that policy decisions can be taken for the entire group portfolio. The white papers are regularly updated. Cross-sector white papers are also being drawn up on specific environmental themes.
- In 2022, these white papers formed the basis for our first Climate Report. The report contains a clear overview of our baseline measurement and the reduction targets for 2030 and 2050 we have set for the most relevant carbon-intensive industrial sectors and product lines in our lending activities, as well as the corresponding policy decisions taken to reach those targets. In our Sustainability Report, we annually report on the progress we have made on these targets.

We report on our approach in the area of the environment through channels such as our Climate Report, Sustainability Report, this Annual Report and via sustainability

questionnaires. We regularly tighten up our approach, taking account of scientific and technological developments, social trends and the changing views of our stakeholders and also invite regular challenges by our External Sustainability Board.

We want to be a partner for our clients in their transformation to a more sustainable future. KBC and its partner Encon have held meetings with large corporate clients in Belgium to help them make their business processes more sustainable, which resulted in more than 130 consultancy contracts in 2023. Similar to the Encon partnership for larger companies, SMEs will also be able to request climate advice from specialist KBC subsidiary ecoWise. So far, this has resulted in more than 200 contracts. ČSOB in the Czech Republic also supports its corporate clients through Green0meter, a platform that calculates carbon footprints, facilitates the collection of ESG data and provides personalised reports and advice.

Our suppliers are important stakeholders too and we want them to also integrate social, ethical and environmental criteria into their policies. Information on our code of conduct for suppliers and our internal procedure for screening suppliers can be found in the 'Focus on human rights' section. Product-related environmental requirements have also been embedded in the process, including the duty to notify KBC about new environmentally friendly products and the use of environmentally friendly packaging. We also involve our suppliers in the setting up of circular procurement models.

One of the pillars of our sustainability and climate policy is the focus on responsible investment. Our expanded product range enables clients to stock their portfolios exclusively with responsible products, and in our digital sales process we recommend the responsible option. If both the traditional option and its responsible counterpart are available, our employees in the regular sales channel will first offer clients the responsible investment. All of KBC's responsible investment funds in Belgium comply with the 'Towards Sustainability' quality standard developed at the instigation of and monitored by the Central Labelling Agency.

We meet our responsibility through various international organisations and initiatives:

- We endorsed the TCFD recommendations in December 2017. At the end of 2023, we also committed to reporting on our nature-related approach in compliance with the TNFD recommendations as from financial year 2025.

- We follow and implement the different actions ensuing from the EU Action Plan for Sustainable Finance.
- We are a member of the UN Environment Programme Finance Initiative (UNEP FI) and a Founding Signatory of the UNEP FI Principles for Responsible Banking (PRBs). We also endorse the Collective Commitment to Climate Action (CCCA).
- We endorse the UNEP FI Principles for Sustainable Insurance and the Principles for Responsible Investment.
- As a board member of the International Capital Markets Association, we are playing our part in developing green bonds in the EU.
- We have been a signatory to the Equator Principles since 2004 and have integrated them in our lending policy.

Some examples of recent sustainability- and/or environment-related products and initiatives (KBC group)*

In August 2022, KBC became the first financial institution in Belgium to issue a 750-million-euro social bond, which is used to finance or refinance projects in the hospital sector. A second 750-million-euro social bond followed in June 2023, which is used in the education and healthcare sectors.
We offer a diverse range of responsible investment funds, including ECO-thematic funds and Impact Investing funds. Thorough screening is applied to determine which companies and countries belong to the investment universe for responsible investment solutions. Moreover, all companies that can be linked to fossil fuels have been excluded from all our responsible investment funds.
We are actively involved in financing renewable energy projects in all core countries and in our neighbouring countries. Last year, the Project Finance Team funded renewable energy with an installed capacity of 97.1 MWp. We concluded successful transactions in onshore and offshore wind energy in France, the Netherlands and the United Kingdom.
We offer several products to financially support the most energy-efficient homes and energy renovation, and to encourage this development. For example, KBC offers rate discounts on the basis of the energy efficiency of homes (based on the EPC) or on loans intended specifically for energy-efficient renovations, and offers clients the Flemish renovation loan with an interest rate discount. We support the transition to energy-efficient homes in our other core countries, too, by providing mortgage loans and renovation loans under favourable conditions. In addition to giving financial incentives, KBC wants to provide practical support to clients seeking to make home energy upgrades, for example through its investment in start-up Setle. Setle enables clients to draw up a renovation plan in the simplest possible way, including an estimate of the cost of renovation and any available allowances and grants. In collaboration with third parties, KBC also offers clients the option to have solar panels installed (with or without a home battery) or to have their homes insulated.
Around 39% of the new vehicles in the KBC Autolease fleet are currently all-electric vehicles. Having 30 500 bicycles in its portfolio, KBC Autolease is also a market leader in bicycle leasing. We have partnered with the Flemish government to offer its employees bicycle leasing as a sustainable mobility alternative. In Slovakia, ČSOB Leasing works with its partners to actively promote the use of no-emission and low-emission vehicles.
In Belgium and Slovakia, our car insurance offers comprehensive cover and adequate support for electric and hybrid vehicles. For clients installing their own charging stations, this is automatically included in the home insurance policy in Belgium, which also covers other green investments such as solar panels and home batteries. We also offer our own multi-risk climate insurance for farmers and growers cultivating open-air crops, including fruit growers and arable farmers, to protect them from crop damage caused by extreme and rough weather conditions such as storm, hail, frost, ice, precipitation and drought.

KBC Asset Management lives up to its responsibility to represent clients who invest in companies via our equity funds at shareholders' meetings. For quite some time, KBC Asset Management has been a signatory to Climate Action 100+, an investors' initiative intended to ensure that the world's largest companies that emit greenhouse gases take the action needed to combat climate change. In late 2023, KBC Asset Management also joined the Nature Action 100 initiative, which aims to urge companies to step up their ambitions and efforts towards addressing the impact of their activities on nature and biodiversity degradation.

KBC is promoting sustainable financial solutions amongst its corporate clients in all core countries, including by means of green and sustainability bonds and green and sustainability-linked loans. We also operate in the syndicated market of sustainability-linked loans and frequently arranged such loans on a bilateral basis last year. KBC also acts as a sustainability coordinator, assisting companies in integrating sustainability features into their long-term bank credit facilities.

* The use of terms such as 'green' and 'sustainable' here and elsewhere in this report should not in any way be taken to mean that the measures and policies described are already fully aligned with the EU Taxonomy.

Our benchmarks, data and targets

Our indirect impact

We use state-of-the-art methods such as PCAF and PACTA to measure the climate impact of certain sectors and the transition process in the loan portfolio. More information in this regard can be found in our Climate Report at www.kbc.com. For four years now, KBC Asset Management has been using this method to map the climate impact of all investment funds in its portfolio. This analysis, based on the TRUCOST data and approach, was applied for the third time in 2023 to KBC Insurance's proprietary investment portfolio and to the investments of the KBC Pension Fund.

We report on the estimated greenhouse gas emissions associated with our lending activities using the measurement methodology of the Partnership for Carbon Accounting Financials (PCAF). The table below provides an overview of the results. We also refer to our Sustainability Report, which contains detailed information on the PCAF measurement method and the limitations that must be considered when interpreting the results. This report also contains information on how we want to gradually improve our reporting on these emissions by gathering more adequate and more refined data.

Scope 3 financed emissions associated with our lending activities (estimated Scope 1, 2 and 3 greenhouse gas emissions of our clients)

	30-09-2023			30-09-2022		
	million tonnes CO_2e	% of financed emissions	% of loans outstan-ding	million tonnes CO_2e	% of financed emissions	% of loans outstan-ding
White paper on sectors and products	33.4	59%	65%	34.0	61%	64%
Agriculture, farming, fishing[1]	9.5	17%	3%	9.1	16%	3%
Real estate and home loans[1]	3.2	6%	44%	3.5	6%	45%
Energy[1]	3.5	6%	3%	4.0	7%	2%
Building and construction[1]	4.8	8%	4%	4.6	8%	4%
Food and beverage production	3.3	6%	2%	3.5	6%	2%
Automotive industry and vehicle funding[1]	3.4	6%	6%	3.4	6%	5%
Metals[1]	3.3	6%	2%	3.5	6%	2%
Chemicals	2.3	4%	1%	2.4	4%	1%
Other sectors[2]	22.7	41%	34%	22.2	39%	36%
Total	56.1	100%	100%	56.2	100%	100%

1 Targets are being defined for these sectors or their sub-sectors (see below and see the Climate Report at www.kbc.com). Vehicle operating leases are not included in the 'Automotive industry and vehicle funding' figures (the calculations of financed amounts are based on the net carrying value of the leased vehicles).

2 Also includes emissions associated with shipping and aviation (2.0 and 0.5 million tonnes of CO2e) with relatively limited loans outstanding (0.8% and 0.2%, respectively, of the total outstanding portfolio). In 2023, we initiated White Paper exercises for these industries, too.

How did we define our sector climate targets? Based on climate science aligned with targets from the Paris Agreement and taking into account the local context, all KBC entities engaged in lending or leasing activities prepared projections for the expected portfolio-specific and sector-specific decarbonisation development, ultimately resulting in company targets. All targets were aggregated into a single projection at KBC group level, which is compared with climate benchmarks derived from climate scenarios with a 'less than 2°C global warming' target, i.e. courses of action that are in line with our CCCA commitment. More information in this regard can be found in our Climate Report. Seeking to have the climate targets verified by an independent party, KBC Bank and its consolidated entities signed a commitment letter with the Science Based Targets initiative (SBTi) at the end of 2022 to commit themselves to having their climate targets validated by SBTi within two years of signing.

Still closely monitoring the ongoing net-zero initiatives, we also opted to focus on the diligent pursuit of the objectives stated in this report in all our lending activities and in all core countries before assuming new obligations. See the Sustainability Report for further details.

We also tightened the targets for our asset management activities, including for the importance of responsible investment funds and the carbon intensity of corporate investments in these funds.
Recently, we also set a target for reducing the carbon intensity of KBC Insurance's own investments in shares and corporate bonds (-25% by 2025 and -40% by 2030, both relative to 2019; see the Sustainability Report). This target is not yet included in the table below.

The Internal Sustainability Board, the Executive Committee and the Board of Directors have discussed and approved the climate targets.

Specifically for the risk underwriting of the non-life insurance business, in 2023 we made the first calculations of insurance-related emissions for a few classes of insurance (using the PCAF methodology published in 2023). As the PCAF guidelines for the other classes are not yet available, no climate targets have been set for those activities.

The targets are presented in the table below.

Own direct impact
The impact of our own activities as a bank-insurer is very limited, especially when compared to industrial companies and our indirect impact through lending and other activities. We nevertheless also calculate our own direct greenhouse gas impact (including from our own buildings and our own fleet) and apply certain targets in that regard.

Data on our own environmental footprint are set out below. The data and calculations of the greenhouse gas emissions have been verified by Vinçotte in accordance with ISO 14064-3. Furthermore, since 2021 we have invested in climate projects to offset the portion of our emissions that we are currently unable to reduce, thereby aiming for carbon neutrality. The projects selected also contribute to biodiversity enhancement and protection and to local communities.

For further information on our environmental footprint, including more detailed descriptions, the methodology and scope of the calculations and compensation projects, see our Sustainability Report. The targets are presented in the table below.

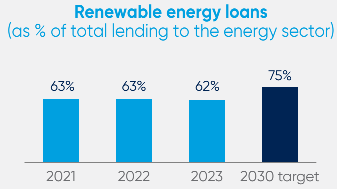
Own environmental footprint – greenhouse gas emissions in tonnes of CO_2 – KBC group[1,2]	2023	2022
Scope 1 emissions are those from direct energy consumption, coolant emissions and own-fleet emissions from business and commuter travel as well as travel for private purposes.	29 047	33 257
Scope 2 emissions (market-based) are those from indirect energy consumption (electricity, district heating, cooling and steam).	3 995	3 484
Scope 3 emissions as listed here are those from business and commuter travel (excluding those from our own fleet, which are counted under Scope 1 emissions), emissions relating to paper and water consumption and to waste-processing.	22 336	18 677
Total	55 377	55 417
Total per FTE	1.5	1.5

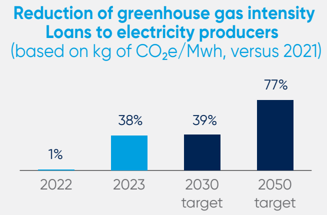
1 All figures relate to the period 1 October [t-1]–30 September [t]. The 2022 figures have been recalculated (more information can be found in the Sustainability Report). Scope: see the Sustainability Report.

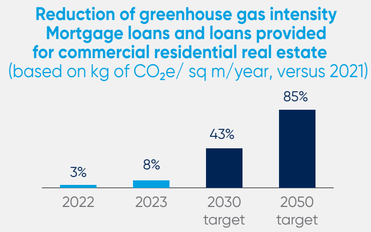
2 For 2023, CO2 emissions break down as follows (in thousands of tonnes): 26 in Belgium, 14 in the Czech Republic, 4 in Slovakia, 6 in Hungary, 5 in Bulgaria and 1 in the rest of the world.

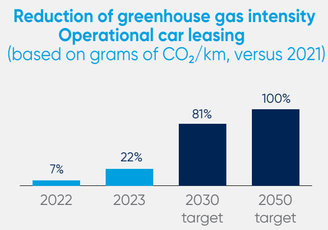
Overview of our main targets

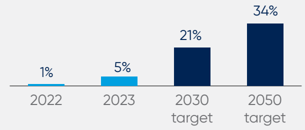
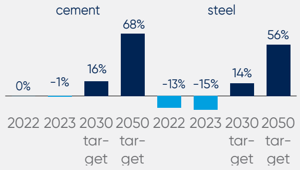
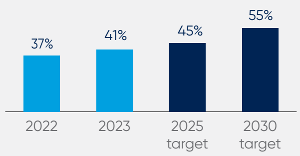
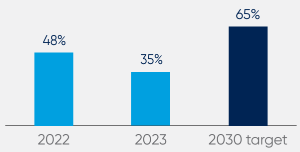
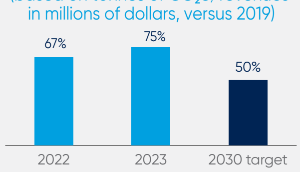
KPI	Description	Target and result
TARGETS FOR OUR INDIRECT IMPACT (this is a selection; a complete overview can be found in our Sustainability Report)		
Renewable energy loans	[Amount of loans to businesses in the renewable energy sectors] / [total energy-sector loan portfolio]	Target: 75% in 2030 2023 result: 62%
Greenhouse gas intensity Loans to electricity producers	Percentage difference [kg of CO_2e / MWh] in the relevant period	Target: -39% by 2030 (and -77% by 2050) from 2021 2023 result: -38% from 2021
Greenhouse gas intensity Mortgage loans and loans provided for commercial residential real estate (mortgage loans and business loans for commercial residential real estate, excl. property development)	Percentage difference [kg of CO_2e / sq m] in the relevant period	Target: -43% by 2030 (and -85% by 2050) from 2021 2023 result: -8% from 2021
Greenhouse gas intensity Operational car leasing	Percentage difference [grams of CO_2 / km] in the relevant period	Target for passenger cars: -81% by 2030 (and -100% by 2050) 2023 result: passenger cars -22%



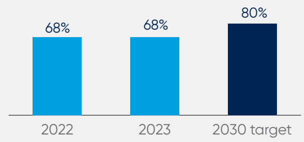
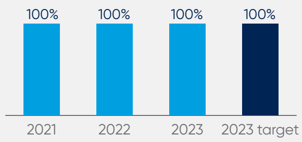






KPI	Description	Target and result	
Greenhouse gas intensity **Loans to the agricultural sector**	Percentage difference [tonnes of CO_2e / loan amounts in millions of EUR] in the relevant period	Target: -21% by 2030 (and -34% by 2050) from 2021 2023 result: -5% from 2021	**Reduction of greenhouse gas intensity** **Loans to the agricultural sector** (based on tonnes of CO_2e/outstanding loan amounts in millions of EUR, versus 2021) 
Greenhouse gas intensity **Loans to cement and steel producers**	Percentage difference [tonnes of CO_2e / tonnes of cement/ steel] in the relevant period	Target: cement -16% by 2030 (and -68% by 2050) and steel -14% by 2030 (and -56% by 2050) from 2021 2023 result: cement up 1% and steel up 15% from 2021 *	**Reduction of greenhouse gas intensity** **Cement and steel producers** (based on tonnes of CO_2 / tonnes of cement or steel, versus 2021) 
Responsible Investment funds (RI)	[Volume of RI funds] / [Assets under Distribution (AUD, or 'direct client money')] [New annual production of RI funds] / [Total production of new funds] Percentage difference [tonnes of CO_2e / turnover in millions of USD] of companies in the Responsible funds in the relevant period	Target: • 45% of AUD by 2025 and 55% by 2030. • new production of RI funds at least 65% of total annual production by 2030 • decrease in greenhouse gas intensity of companies in the Responsible funds by 50% by 2030 from 2019 2023 result: • 41% of AUD in total • 35% of new production • greenhouse gas intensity of companies: -75%	**Responsible Investment funds** (in % of total AUD)  **Annual Responsible Investment fund production** (in % of total new fund production)  **Reduction of greenhouse gas intensity** **Responsible Investment fund companies** (based on tonnes of CO_2e/revenues in millions of dollars, versus 2019) 

* The increase in greenhouse gas emissions is due to a change in the emission intensity of a single business group, which has a net-zero action plan in place that is used in engagement meetings with the group to support its transition path.

KPI	Description	Target and result	
TARGETS FOR OUR OWN DIRECT IMPACT			
Own CO^2e emissions	Reduction in own greenhouse-gas emissions; compared to 2015	Target: 80% reduction between 2015 and 2030 and achievement of complete climate neutrality for our own footprint from year-end 2021 by offsetting the difference 2015-2023 result: -68% including commuting As in previous years, we already achieved net climate neutrality in 2023 by offsetting our remaining direct emissions through the purchase of carbon credits of high-quality climate projects. The 2022 figures have been recalculated (more information can be found in the Sustainability Report).	**Reduction in own greenhouse gas emissions** (% relative to 2015, incl. commuting) 
Own renewable energy consumption	[Electricity from renewable sources] / [total electricity consumption]	Target: 100% green electricity by 2030 2023 result: 100%	**Own renewable energy consumption** (as % of own electricity consumption) 

Please note that our climate targets should converge with the 2030 and 2050 targets. Interim and short-term fluctuations in our progress or progress measurements cannot be ruled out given the numerous uncertainties surrounding the climate transition and developments in the portfolios.
See our Sustainability Report for the 2021 baseline values. All figures relate to the period 1 October [t-1]–30 September [t].

How do we intend to achieve our targets?

Energy: we aim to support the decarbonisation of the energy system in all segments by financing additional renewable energy production capacity and encouraging energy efficiency. In this respect, we endorse the energy plans of local authorities in our core countries, which must comply with the rules of the European 'Fit for 55' package and the Green Deal ambitions. We are the leading bank in terms of funding offshore wind energy projects in Belgium and operate in this market in the United Kingdom, Germany and the Netherlands.

Real estate: we offer several products to financially support the most energy-efficient homes and energy renovation, and to encourage this development. For example, KBC offers rate discounts on the basis of the energy efficiency of homes (based on the EPC) or on loans intended specifically for energy-efficient renovations, and offers clients the Flemish renovation loan with an interest rate discount. We support the transition to energy-efficient homes in our other core countries, too, by providing mortgage loans and renovation loans under favourable conditions. In addition to giving financial incentives, KBC wants to provide practical support to clients seeking to make home energy upgrades, for example through its investment in start-up Setle. Setle enables clients to draw up a renovation plan in the simplest possible way, including an estimate of the cost of renovation and any available allowances and grants. In collaboration with third parties, KBC also offers clients the option to have solar panels installed (with or without a home battery) or to have their homes insulated.

Mobility: we encourage clients to choose greener means of transport, such as electric vehicles, public transport, bicycles or a combination of all of the above. KBC already offers bicycle leasing and bicycle insurance in some countries. New services and targeted pricing should enhance the appeal of using alternative forms of transport.

Agriculture: we inform, inspire and support our clients in reducing their emission of greenhouse gases (methane, nitrous oxide and CO_2). We encourage efficiency improvements and investments in renewable energy, and in Bulgaria and Hungary, for instance, we offer a carbon footprint calculator to give clients insight into their emissions.

Cement, steel, aluminium: for these sectors, we expect new clients to have transition plans in place for CO_2 reduction that meet the 2030 targets KBC has set. We will also actively monitor our clients' progress with their decarbonisation strategies.

Responsible investment funds: we ask investors to state their sustainability preferences and take these into account when providing investment advice. KBC Asset Management has signed up to Climate Action 100+. The purpose of this initiative is to reach out to companies that have significant potential to contribute to the transition to clean energy. Our responsible investment policy is supervised by the independent Responsible Investing Advisory Board, consisting of academics.

Own CO_2e emissions: the main sources of our direct CO_2 emissions are our direct energy consumption and transport. Examples of initiatives intended to reduce our own environmental footprint are the switch to 100% electricity from renewable sources, the installation of photovoltaic panels on our own buildings, and the reorientation of the mobility policy for our employees towards public transport, bicycles and electric vehicles.

More information can be found in our Sustainability Report at www.kbc.com.

Sustainability integrated into our remuneration policy

- The variable remuneration of Executive Committee members is linked to factors including the achievement of a number of collective targets. Aspects such as sustainability are an increasingly important factor and currently determine at least 30% of the collective result-related variable remuneration. Progress in the area of sustainability is evaluated, for example, via the KBC Sustainability Dashboard report every six months. The Board of Directors evaluates, via the Remuneration Committee, the criteria by which Executive Committee members are assessed in this regard. More information is provided under 'Remuneration report' in the 'Corporate governance statement' section.
- Sustainability is also integrated into management's variable remuneration. At least 10% of the variable remuneration received by senior management depends on the achievement of individual targets agreed in advance as part of the group's sustainability policy, including climate policy.
- The non-recurrent results-based bonus paid to employees in Belgium has been partially linked to environmental targets (the ratio between the number of green kilometres and the number of commuting kilometres, for instance).

Our climate risk management

More information on how we address climate-related risks can be found in the 'How do we manage our risks?' section.

EU Taxonomy

The Taxonomy Regulation establishes an EU-wide framework according to which investors and businesses can assess whether certain economic activities are environmentally sustainable.

There are four checks to be performed in order to label an economic activity as environmentally sustainable. The activity must:

- be a relevant activity, i.e. the activity is on the list of activities which are considered as most relevant for achieving the environmental goals defined by Europe. The relevant activities are called taxonomy-eligible activities and are described in Delegated Acts;
- contribute substantially to at least one of the environmental objectives and comply with the Technical Screening Criteria for substantial contribution as described in the Delegated Acts;
- do no significant harm to any of the other environmental objectives and comply with the Technical Screening Criteria for 'do no significant harm' as described in the Delegated Acts;
- be carried out in compliance with minimum social and governance safeguards.

An economic activity which passes the four checks, is called a taxonomy-aligned economic activity.

Six environmental objectives are laid out in the Taxonomy Regulation:

- climate change mitigation (CCM);
- climate change adaptation (CCA);
- sustainable use and protection of water and marine resources (WTR);
- transition to a circular economy (CE);
- pollution prevention and control (PPC);
- protection and restoration of biodiversity and ecosystems (BIO).

Article 8 of the Taxonomy Regulation requires undertakings covered by the Non-Financial Reporting Directive (NFRD) to include information in their non-financial information statements on how, and to what extent, their activities are associated with environmentally sustainable economic activities. The Disclosure Delegated Act specifies the content and presentation of the information to be disclosed. In this Disclosure Delegated Act (hereinafter 'DDA') a phased approach is introduced. From 1 January 2022 on, until 31 December 2023, the disclosures of financial undertakings in scope of the NFRD were limited to eligibility for climate change mitigation and climate change adaptation taxonomy. As of 1 January 2024, these undertakings are required to disclose taxonomy alignment regarding these objectives and taxonomy eligibility for the other four environmental objectives.

KBC Group NV is a large undertaking that is required to publish non-financial information under the NFRD, and is as such also subject to the disclosure obligations described in the Disclosure Delegated Act. Although the Disclosure Delegated Act does not specify how to deal with the reporting of a group containing different types of financial undertakings, the European Commission has indicated that if the parent company is a credit institution all prudentially consolidated entities must be included in the relevant credit institution's taxonomy reporting. As we also apply this principle to our insurance activities, we will report on our activities as credit institution and as insurer and reinsurer. Given the differences in reporting requirements, no consolidated view can be presented at KBC Group NV level.

We discussed the taxonomy criteria in various working groups with representatives from the different KBC core countries and have included the criteria for a substantial contribution to environmental objectives in our annual planning process. The working groups address different themes, such as various forms of green lending and non-life insurance aimed at promoting climate change adaptation. We not only focus on the EU Taxonomy, but also closely monitor other environmental initiatives. When developing banking or insurance products, we evaluate their green or sustainable nature based on the taxonomy or, if applicable, other initiatives. Individual taxonomy-eligible credit applications are also thoroughly screened to verify compliance with the technical criteria and social minimum safeguards.

In this third reporting, data availability remains a challenge.

- For loans and advances to and debt securities and equity instruments of companies subject to the NFRD, it is prescribed in Article 8(4) of the DDA that financial undertakings shall use the most recently available data of their counterparties. In order to define whether a counterparty is subject to NFRD disclosure obligations or not, we look at criteria as defined in the NFRD: listed or unlisted, number of FTE, balance sheet total and turnover of our counterparty. Non-financial counterparties have disclosed alignment data on climate change mitigation and climate change adaptation for the first time in their publications for 2022, as their disclosure obligation entered into force a year before that of financial undertakings. No alignment information is available for financial counterparties at this time. As the European Single Access Point (ESAP) database is not yet operational, finding all the relevant counterparty information in the published reports is a major challenge. Although a number of data providers do provide sustainability data, collecting all the data is a challenge for them, too.
- Many of our corporate counterparties are not subject to the NFRD. As a result, these companies are not required to report on taxonomy and we cannot include these counterparties in eligible and/or aligned assets. We are therefore currently unable to include the financing of renewable energy projects, as these companies generally use structured entities (SPVs).
- We are currently unable to carry out a full alignment assessment for loans to households (real estate and motor vehicles) due to a lack of individual data on the underlying assets. For instance, we do not have all individual data on the houses being financed, and for many financed electric vehicles we lack information on car tyres and the circular use of materials.

We therefore choose (as suggested by the Platform on Sustainable Finance) to also disclose voluntary taxonomy percentages in our 2023 Sustainability Report (at www.kbc.com), which are based on approximations and information available in the group. Where appropriate, this is transparently explained. The rest of the discussion in this annual report mainly focuses on mandatory disclosures.

Data availability and data quality are continuously monitored and appropriate action is taken to make progress on this level – see our initiatives described in our Sustainability Report. We specifically note that, when we use terminology such as 'green' and 'sustainable' elsewhere in this annual report, these terms do not suggest in any way that what is described is already (fully) aligned with the EU Taxonomy.

KBC as a credit institution

In this section, all assets are considered from the credit institutions in the group, i.e. those entities defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council (prudential requirements for credit institutions). As defined in the DDA, disclosures are to be based on the scope of KBC Group's prudential consolidation. Note that this scope is slightly different from the accounting scope (as presented in Note 6.5 of the 'Consolidated financial statements').

The DDA prescribes a number of detailed tables for credit institutions. We have included them in the 'EU Taxonomy – detailed tables' section in 'Additional information' in this annual report:

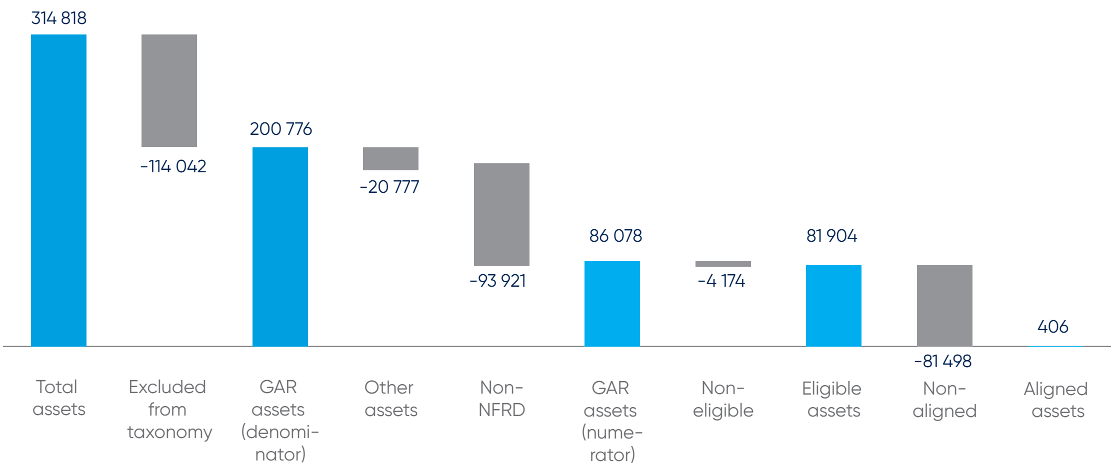
- Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation
- Assets for the calculation of GAR (green asset ratio)
- GAR sector information
- GAR KPI stock
- GAR KPI flow
- KPI off-balance sheet exposures
- Additional information on assets linked to nuclear energy and fossil gas

As the DDA prescribes that calculations must be made on the basis of both turnover and CapEx data of the counterparties, these tables must always be presented in two ways. The discussion below is limited to the data based on the counterparty's turnover KPIs.

The mandatory eligibility percentage for the assets of our credit institutions is 40.8%. This figure includes mortgage loans and car loans to households, as well as the eligible exposure to financial and non-financial counterparties (including those subject to the NFRD), based on available client information. The alignment percentage (GAR, green asset ratio) is 0.2%. This percentage is low due to the limited availability of data and the asymmetric definitions of the GAR numerator and denominator. For instance, in the numerator corporate counterparties are limited to companies subject to the NFRD, whereas the denominator must also include counterparties that are not subject to the NFRD. The denominator also contains a number of other assets that are not eligible for alignment, such as derivatives, cash and goodwill.

In the chart, we reconcile total assets (without impairment) with aligned assets (based on the counterparties' turnover KPIs). The trade portfolio and amounts involving central banks and central governments are excluded. Additional information regarding the voluntary GAR is provided in our Sustainability Report, which – in addition to the above-

EU Taxonomy – KBC as a credit institution
Reconciliation of Total assets – Aligned assets
(2023, in millions of EUR)



mentioned mandatory alignment – also includes taxonomy alignment data on companies and SPVs not subject to the NFRD, and estimated alignment data on our mortgage loans to households. Our voluntary GAR is 2.1% (same denominator as the mandatory GAR).

The alignment percentages for off-balance sheet exposures are 0.4% for financial guarantees (relative to total financial guarantees) and 0.9% for assets under management. These assets under management include Direct client money (see 'Total assets under management' in the 'Glossary of financial ratios and terms') excluding government bonds; we work with an ESG data provider for the taxonomy data on the NFRD counterparties. Given the limited availability of data on our counterparties, the percentages are limited here, too.

KBC as (re)insurer

In this section, all activities from the insurance undertakings in the group are considered, i.e. those entities as defined in Article 13, point (1), of Directive 2009/138/EC, and from the reinsurance undertakings in the group, i.e. those entities as defined in Article 13, point (4) of the same Directive. The figures below are based on the insurance accounting scope of KBC.

For (re)insurance, two KPIs are required: one related to investments, and one related to underwriting activities. The DDA determines which reporting tables are required. We have included the tables in the 'EU Taxonomy – detailed tables' section in 'Additional information' in this annual report:

- KPI related to underwriting activities
- KPI related to investments
- Additional information on investments linked to nuclear energy and fossil gas

As the DDA prescribes that calculations must be made on the basis of both turnover and CapEx data of the counterparties, the tables regarding investments must always be presented in two ways. The discussion below is limited to the data based on the counterparty's turnover KPIs.

Underwriting activities

The percentages related to underwriting activities are expressed relative to the gross premiums of non-life insurance and do not depend on information to be received from our counterparties, but have been entirely defined based on the perils covered, as prescribed in the Climate Delegated Act. The eligible premiums reflect the portion of the gross premiums that is linked to climate risk (non-life insurance activities 'other motor insurance' and 'fire and other damage to property insurance') as provided in the DDA. The eligibility percentage is substantially lower than the percentage published in previous years, as we recognised the full gross premiums of these two non-life insurance activities at that time (in line with the recommendations of Insurance Europe); the mandatory eligibility percentage related to underwriting activities is 14.3% (13.8% in 2022, recalculated according to the current methodology). The alignment percentage is 6.6% and is solely linked to fire insurance and other property damage insurance in Belgium. In the years to come, we will continue to align our range of insurance products with the taxonomy criteria in all our other core countries.

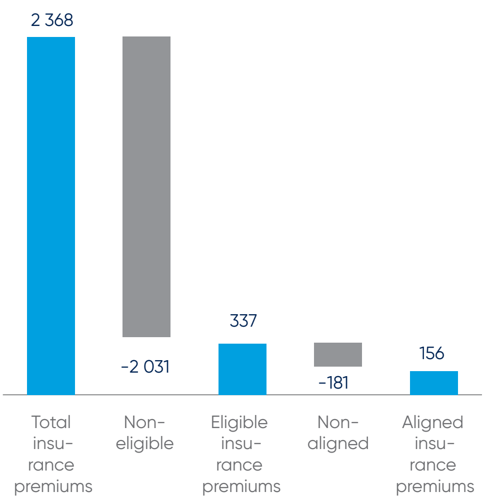
In the chart, we reconcile total insurance premiums with aligned premiums.

Investments

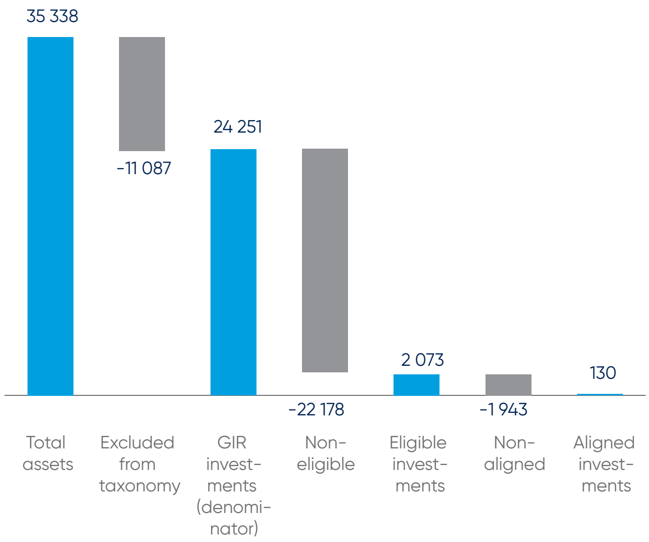
Investments comprise all direct and indirect investments of the insurers, with the inclusion of loans, advances and buildings. The mandatory eligibility percentage related to investments is 8.5%. It includes the eligible exposure to financial and non-financial counterparties (including those subject to the NFRD) and a number of loans (including a mortgage loan portfolio acquired from KBC Bank). The alignment percentage (GIR, green investment ratio) is 0.5%. Investments are mainly managed by KBC Asset Management, which has engaged an external data provider to provide the taxonomy data.

In the chart, we reconcile total assets with aligned investments. Amounts involving central banks and central governments are excluded.

EU Taxonomy – KBC as (re)insurer Reconciliation of Total insurance premiums – Aligned insurance premiums
(2023, in millions of EUR)



EU Taxonomy – KBC as (re)insurer Reconciliation of Total assets – Aligned investments
(2023, in millions of EUR)



Focus on human rights

We meet our responsibility to respect human rights, social justice and labour rights throughout the group, and we undertake to respect the letter and the spirit of: (i) the Universal Declaration of Human Rights; (ii) the principles concerning fundamental rights in the eight International Labour Organisation core conventions as set out in the Declaration on Fundamental Principles and Rights at Work; (iii) the UN Declaration on the Rights of Indigenous Peoples; (iv) the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and (v) the UK Modern Slavery Act, to which end KBC has published a Modern Slavery Statement since 2017. In addition, we have been UN Global Compact signatories since 2006 and have incorporated the ten principles on human rights, labour, environment and anti-corruption in our policies, so that they are applied throughout our activities. We publish reports in order to be transparent about the progress we have made in implementing these principles. This information is available on the UN Global Compact website. It goes without saying that we comply with local laws, rules and regulations in the countries where we operate and with international and regional human rights treaties containing internationally recognised standards by which the business sector must abide.

We use the UN Guiding Principles Reporting Framework to monitor our human rights policy, as described in the KBC Group Policy on Human Rights. Our human rights policy applies to our business activities (clients and suppliers) and also to our own internal operations (employees).

KBC views its employees' rights to freedom of association, collective bargaining, a healthy and safe workplace, and freedom from discrimination as fundamental. We are thus fully committed to respecting and upholding our employees' human rights. We likewise expect our employees to apply and respect human rights in the performance of their duties. These principles are dealt with in more detail in the 'Code of Conduct for KBC Group Employees' and the 'KBC Diversity & Inclusion Policy' (see www.kbc.com). Strict national and international laws and regulations are in place in all our core countries to protect human rights. We expect our employees to act in accordance with the regulations and to behave responsibly in everything they do. We also have specific procedures in place to guarantee compliance and to deal with complaints, including the 'Policy for the Protection of Whistleblowers'.

Our suppliers are an important stakeholder in our value chain and so we work closely with them too. Our stringent rules and frameworks for procurement, sale and subcontracting activities with suppliers are summarised in the 'KBC Code of Conduct for Suppliers' and apply in all our core countries. We have translated our Code of Conduct for Suppliers into an internal procedure in the shape of a step-by-step plan that our procurement department can use. Suppliers we work with are screened against the KBC Blacklist of controversial firms with which KBC does not wish to do business. We also refer to World-Check and apply a standard questionnaire (on human rights, labour, environment and anti-corruption) when screening key suppliers. Suppliers that meet our expectations receive a positive evaluation and sign the KBC Sustainability Code of Conduct for Suppliers. If any infringements are detected within the contract period that cannot be put right fundamentally within an appropriate amount of time, we terminate the agreement.

We expect our clients to at least comply with local and international laws and regulations, and our Compliance department ensures that this is the case. Our day-to-day operations are all performed subject to the KBC Group Policy on Blacklisted Companies, the KBC Group Human Rights Policy and the KBC Group Policy on Controversial Regimes. These fully or partially exclude companies or countries that are involved in, for instance, a serious infringement of human rights or with controversial weapons systems. We also pay considerable attention to privacy and data protection and closely monitor compliance with them. Where relevant, we ask our clients to demonstrate their compliance with certain policies and the standards for their sector, in which regard respect for human rights is an important aspect. We have developed a specific due diligence process for lending, insurance activities and advice. This likewise incorporates procedures to deal with any infringements that are detected. For instance, businesses can be excluded from all our activities, an exit strategy can be launched or special conditions imposed on existing loans and insurance cover. In the event of doubt, the advice is sought of the Group Corporate Sustainability department or of experts in the core countries. Our investment activities (asset management and own investments) are also subject to internal screening. Responsible investment funds, moreover, have to meet additional controls and standards.

The Equator Principles apply in the case of international project finance. These are applied by participating financial institutions when defining, assessing and managing the environmental and social risks related to project financing.

Strict application of these sustainability rules enables us to oversee the reputational and financial risks arising from potential breaches of human rights and other controversial developments in our core activities. For more information, see 'Business and strategic risks' in the 'How do we manage our risks?' section. Our human rights guidelines, blacklists and other relevant documentation are available at www.kbc.com.

Indicators relating to human rights, KBC group	2023	2022
Clients		
Project finance (and project-related corporate loans) subject to Equator Principles (Category A/B/C)[1]	0/6/15	0/3/21
Number of recommendations from the experts in the core countries and from the Corporate Sustainability department on ESG cases (positive recommendation/positive under strict conditions/negative recommendation)	221/42/55	177/45/48
Suppliers		
Share of suppliers that have signed the Code of Conduct for Suppliers[2]	75%	–

1 Category A: projects with potential significant adverse environmental and social impact and/or severe consequences; Category B: projects with potential limited adverse environmental and social impact and/or consequences that are less severe; Category C: risks considered minimal and projects in legal compliance in the country of execution.
2 New methodology as from 2023: see the Sustainability Report at www.kbc.com.

We aim to achieve our ambitions within a stringent risk management framework

client centricity	bank-insurance	sustainable profitable growth	role in society

PEARL+: jointly developing solutions, initiatives and ideas within the group.

Within a stringent risk, capital and liquidity management framework

Risk management is an integral part of our strategy and our decision-making process.

- We perform risk scans to identify all key risks.
- We define our risk appetite in a clear manner.
- We translate that into strict limit tracking per activity and business unit.
- We monitor the risk profile of existing and new products via a product approval process.
- We challenge the results of the periodic planning process via stress tests.
- We have installed independent chief risk officers in all relevant parts of our organisation.

Although the activities of a large financial group are exposed to risks that only become apparent in retrospect, we can currently identify a number of major challenges for our group. These are set out under 'In what environment do we operate?' in the 'Our business model' section. As a bank-insurer, we are also exposed to the typical risks for the sector, which are listed in the following table. A description of each type of risk can be found in the 'How do we manage our risks?' section.

Sector-specific risks	How are we addressing them?
Credit risk	• Existence of a robust management framework • Recording impairment charges, taking risk-mitigating measures, optimising the overall credit risk profile, reporting, stress testing, etc. • Limit systems to manage concentration risk in the loan portfolio, etc.
Market risk in non-trading activities	• Existence of a robust management framework • Basis Point Value (BPV), sensitivity of net interest income, sensitivity per risk type, stress tests, limit tracking for crucial indicators, etc.
Non-financial risk (operational risk, compliance risk, reputational risk, business risk, strategic risk)	• Existence of a robust management framework • Group key controls, risk scans, Key Risk Indicators (KRIs), etc. • Risk scans and monitoring of risk signals • Strict acceptance policy, stress tests, monitoring, etc.
Market risk in trading activities	• Existence of a robust management framework • Historical VaR method, BPV and basis risk limits, 'greeks' and scenario limits for products with options, stress tests, etc.
Liquidity risk	• Existence of a robust management framework • Drawing up and testing emergency plans for managing a liquidity crisis • Liquidity stress tests, management of funding structure, etc.
Technical insurance risks	• Existence of a robust management framework • Underwriting, pricing, claims reserving, reinsurance and claims handling policies, etc.
Climate-related and other ESG risks	• These risks have been integrated into the existing risk management frameworks (see above).

In addition to the comprehensive monitoring of risk indicators (see the 'How do we manage our risks?' section), we monitor our solvency and liquidity performance using a number of ratios, the most important of which are listed in the following table.

Dividend policy

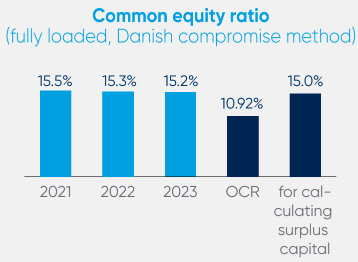
Our dividend policy comprises:

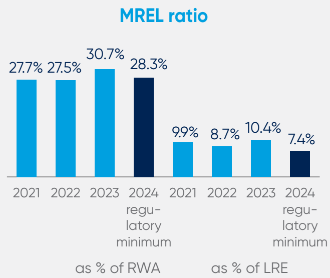
- a payout ratio (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit for the financial year;
- an interim dividend of 1 euro per share (payable in November of the financial year) as an advance on the total dividend for the financial year.
- in addition to the payment ratio of 50% of the consolidated profit, the Board of Directors decides every year at its own discretion on the payment made to the shareholders of the capital exceeding a 15% fully loaded common equity ratio (surplus capital).

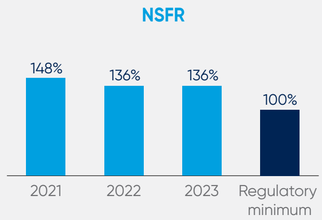
Share buyback programme 2023-2024: see Note 5.10 in the 'Consolidated financial statements' section.

Dividend payout ratio: see 'Additional information' in the 'Abridged company annual accounts and additional information' section.

<table>
<tr><th>Regulatory and own ratios</th><th>Description</th><th>Target and result</th><th></th></tr>
<tr><td>Common equity ratio</td><td>[common equity tier-1 capital] / [total weighted risks]. The calculation is fully-loaded and according to the Danish compromise method.</td><td>Overall capital requirement: 10.92% (see the ‘How do we manage our capital?’ section)

Every year, the Board of Directors decides on the payment made to the shareholders of the capital exceeding a 15% fully loaded common equity ratio (surplus capital)*
2023 result: 15.2%</td><td>
</td></tr>
<tr><td>MREL ratio</td><td>[own funds and eligible liabilities] / [Total risk-weighted assets (RWA)] and [own funds and eligible liabilities] / [Leverage ratio exposure amount (LRE)]</td><td>Regulatory minimum: 28.30% of RWA (2024) and 7.38% of LRE (2024)

2023 result: 30.7% of RWA and 10.4% of LRE</td><td>
</td></tr>
<tr><td>Net stable funding ratio (NSFR)</td><td>[available amount of stable funding] / [required amount of stable funding]</td><td>Regulatory minimum: 100%

2023 result: 136%</td><td>
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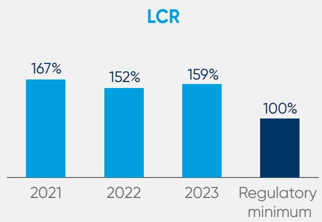
<tr><td>Liquidity coverage ratio (LCR)</td><td>[stock of high-quality liquid assets] / [total net cash outflows over the next 30 calendar days]</td><td>Regulatory minimum: 100%

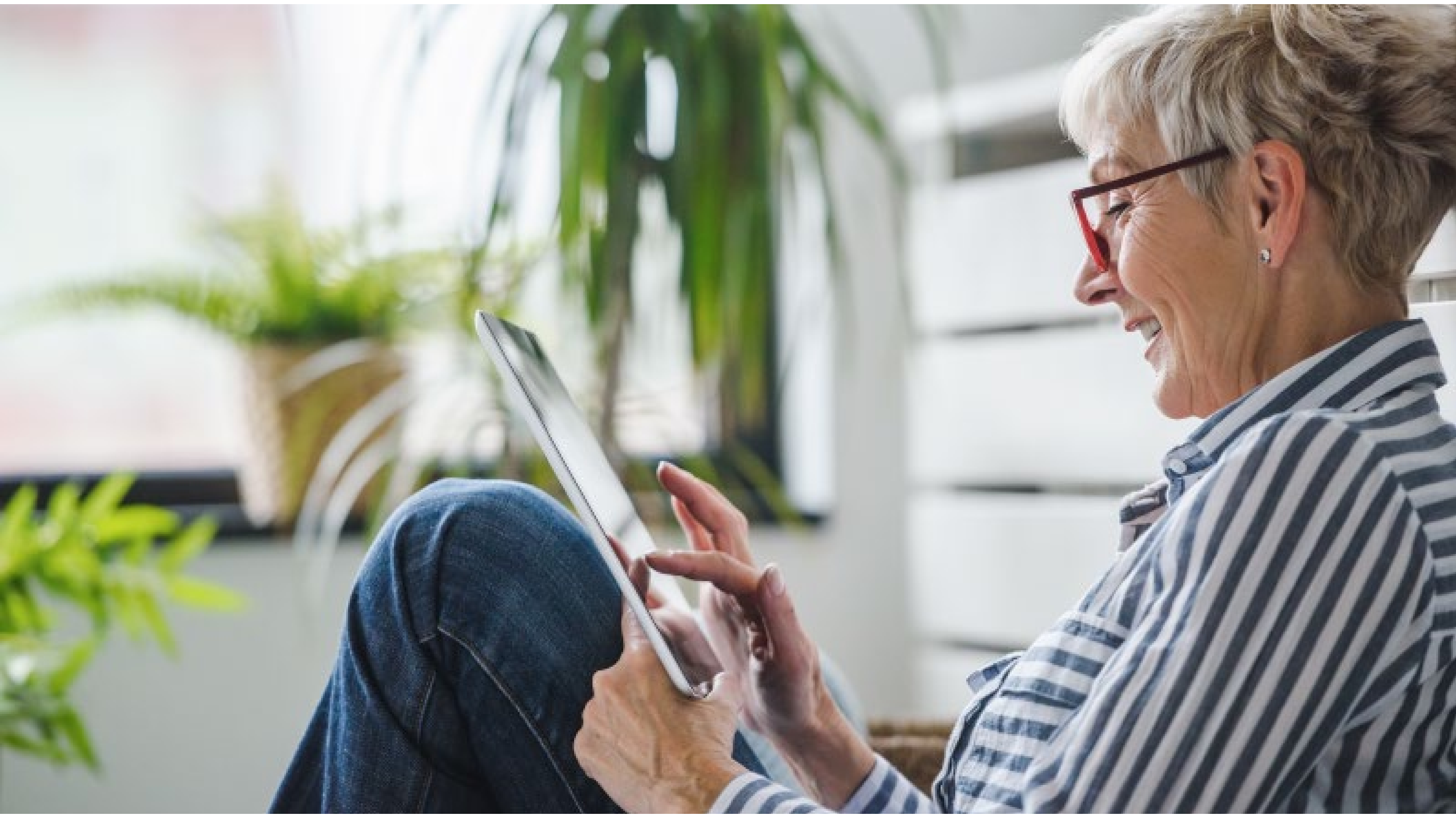
2023 result: 159%</td><td>
</td></tr>
</table>

* A 1.3-billion-euro share buyback programme was also launched in 2023. See Note 5.10 in the ‘Consolidated financial statements’ section.

Detailed information can be found in the ‘How do we manage our risks?’ and ‘How do we manage our capital?’ sections.

Our financial report
(consolidated)

- Consolidated net profit: 3.4 billion euros in 2023, a 21% increase on the year-earlier level.
- Higher total income, partly owing to higher net interest income, insurance revenues and net fee and commission income. Furthermore, a 0.4-billion-euro gain on the finalisation of the sale of our Irish portfolios in 2023.
- Growth in lending to clients, a drop in customer deposits, increased sales of non-life and life insurance, growth in assets under management.
- Higher costs, partly due to wage indexation, higher ICT and facility expenses and higher bank and insurance tax.
- Lower impairment.
- Robust solvency and liquidity positions.



Consolidated income statement, KBC group (simplified, in millions of EUR)	**2023**	**2022**
Net interest income	5 473	5 162
Insurance revenues before reinsurance	2 679	2 423
Non-life	*2 280*	*2 050*
Life	*399*	*373*
Dividend income	59	59
Net result from financial instruments at fair value through profit or loss[1]	322	252
Net fee and commission income	2 349	2 218
Insurance finance income and expense (for insurance contracts issued)	-313	-96
Other net income	656	16
Total income	11 224	10 035
Operating expenses (excl. directly attributable to insurance contracts)	-4 616	-4 327
Total operating expenses excluding bank and insurance tax	*-4 438*	*-4 159*
Bank and insurance tax	*-687*	*-646*
Less: operating expenses attributed to insurance service expenses	*509*	*478*
Insurance service expenses before reinsurance	-2 120	-1 908
Of which insurance commissions paid	*-340*	*-308*
Non-life	*-1 870*	*-1 733*
Life	*-251*	*-174*
Net result from reinsurance contracts held	-90	-20
Impairment	-215	-282
on financial assets at amortised cost and at fair value through other comprehensive income[2]	*16*	*-154*
Share in results of associated companies and joint ventures	-4	-10
Result before tax	4 179	3 488
Income tax expense	-778	-670
Result after tax	3 401	2 818
Result after tax, attributable to minority interests	-1	0
Result after tax, group share	3 402	2 818
Return on equity	16%[3]	13%
Result after tax on average total assets	1.0%	0.8%
Cost/income ratio, group (excl. bank and insurance tax)	43%	45%
Combined ratio, non-life insurance	87%	87%
Credit cost ratio, banking	0.00%	0.08%

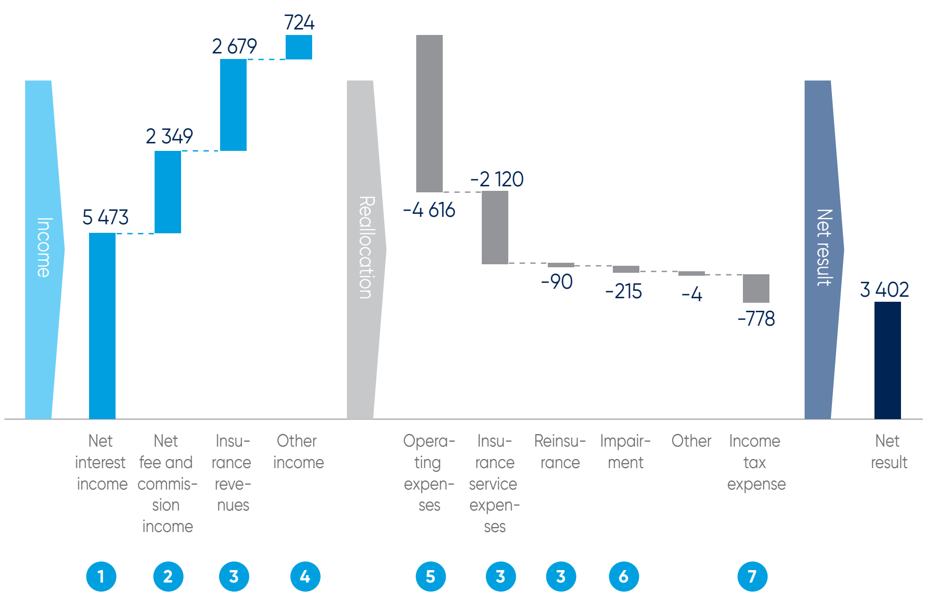
1 Also referred to as 'Trading and fair value income'
2 Also referred to as 'Loan loss impairment'
3 Excluding one-off and non-operational items: 15%.

Key consolidated balance sheet, solvency and liquidity figures, KBC group (in millions of EUR)	**2023**	**2022**
Total assets	346 921	354 545
Loans and advances to customers (excluding reverse repos)	183 613	178 053
Securities (equity and debt instruments)	73 696	67 160
Deposits from customers (excluding debt securities and repos)	216 423	224 407
Insurance contract liabilities and liabilities under investment contracts, insurance	30 245	28 184
Total equity	24 260	21 819
Common equity ratio (Basel III, Danish compromise method, fully loaded)	15.2%	15.3%
Liquidity coverage ratio (LCR)	159%	152%
Net stable funding ratio (NSFR)	136%	136%

- The organic growth figures for the volume of loans and deposits have been adjusted for exchange rate effects and for changes in the scope of consolidation in 2023. More information on this matter can be found in Note 6.6 of the 'Consolidated financial statements' section.
- The income statement, the balance sheet and a few ratios have been changed and/or redefined as a result of the introduction of IFRS 17 in 2023. All changes have been applied with retrospective effect to 2022, as required by IFRS 17. See the press release of 18 April 2023 at www.kbc.com and Note 1.5 in the 'Consolidated financial statements' section.

Our financial result

Achievement of net result for 2023
(in millions of EUR)



Net interest income 1

Our net interest income amounted to 5 473 million euros in 2023, up 6% on the year-earlier figure. This was mainly attributable to a significantly higher commercial transformation result (owing to the higher reinvestment yields), the consolidation of the acquired Raiffeisenbank Bulgaria (six months in the 2022 results and a full year in 2023) and increased interest income on time deposits. This was partly offset by, among other things, the negative effect of the outflow of deposits to the one-year Belgian State Note, a higher savings account fee in a few core countries, the lower result from the loan portfolio (lower margins on the outstanding loan portfolio in most core markets, despite volume growth), the sale of the Irish portfolios in February 2023, the higher cost of funding participations and wholesale funding (partly due to the absence of TLTRO-related income), lower interest from inflation-linked bonds and the adjusted remuneration related to the minimum required reserves held with various central banks in our core countries.

Our loans and advances to customers (excluding reverse repos) amounted to 184 billion euros and rose organically by 3%, increasing by 2% at the Belgium Business Unit, 5% at the Czech Republic Business Unit and 9% at the International Markets Business Unit (with solid growth in each of the three countries). Our total deposit volume (deposits from customers, excluding debt securities and repos) stood at 216 billion euros and dropped organically by 3% (or 2%, excluding deposits in KBC Bank branches abroad, which are driven by short-term cash management opportunities), with a 7% decrease at the Belgium Business Unit, a 5% increase at

the Czech Republic Business Unit and a 5% increase at the International Markets Business Unit (thanks to Slovakia and Bulgaria). The drop in deposits in Belgium partly resulted from the direct outflow of deposits (roughly 5.7 billion euros) following the issue of a one-year State Note in August 2023.
The net interest margin for our banking activities came to 2.05% compared to 1.96% in 2022. It amounted to 1.94% in Belgium, 2.30% in the Czech Republic and 3.26% at the International Markets Business Unit.

Net fee and commission income 2

Our net fee and commission income came to 2 349 million euros in 2023, a growth of 6% on the year-earlier figure. This is the result of higher fees for our asset management services (management fees in particular) and higher fees for our banking services. The latter was mainly due to higher payment transaction fees, network income and securities-related fees and also benefited from the consolidation of Raiffeisenbank Bulgaria and commissions received on the sale of the State Note in Belgium.
At the end of 2023, our total assets under management came to approximately 244 billion euros, 19% less than a year earlier, due to higher asset prices (+10 percentage points), combined with net inflow (+9 percentage points). Most of these assets at year-end 2023 were managed at the Belgium Business Unit (218 billion euros) and the Czech Republic Business Unit (17 billion euros).

Insurance service result 3

The insurance service result (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held; the latter two items are not part of total income) amounted to 469 million euros. Of this amount, 323 million euros related to non-life insurance, up 9% on the year-earlier figure, with higher insurance revenues more than offsetting the increased insurance service expenses and the lower reinsurance result. Around 146 million euros related to life insurance, 26% less than a year earlier (as 2022 was positively impacted by a reversal of loss components; see Note 3.6.1 in the 'Consolidated financial statements' section), with increased insurance service expenses more than offsetting the higher insurance revenue.
Sales of non-life insurance stood at 2 351 million euros and rose by 12% year-on-year, with growth in virtually all countries and classes of insurance due to a combination of volume and rate increases. The combined ratio for non-life insurance came to an excellent 87%, roughly the same as the 2022 level.
Sales of life insurance products amounted to 2 328 million euros, a 12% increase compared to 2022 thanks to higher sales of unit-linked products in Belgium in particular. The share of non-unit-linked and unit-linked products in our total sales of life insurance in 2023 stood at 42% and 52%, respectively, with the rest consisting of hybrid products (mainly in the Czech Republic).

Other income 4

Other income came to an aggregate 724 million euros, as opposed to 232 million euros a year earlier.
The 2023 figure includes 322 million euros in trading and fair value income, an increase compared to the year-earlier figure of 252 million euros, which is attributable to increased dealing room income and a higher result from investments backing unit-linked insurance contracts under IFRS 17 (with the opposite movement in insurance finance income and expense, which stood at -313 million euros at year-end 2023 as opposed to -96 million euros a year earlier), despite the negative change in the market value of derivatives used for asset/liability management purposes and in market value adjustments (xVA).
Dividend income amounted to 59 million euros, virtually the same as the year-earlier level.
Other net income came to 656 million euros. This is a 639-million-euro increase on the year-earlier level, which is mainly due to the positive impact of the finalisation of the sale of the Irish portfolios in February 2023 (+0.4 billion euros), combined with the fact that the 2022 figure was negatively impacted by the arbitral award delivered in the arbitration proceedings against ICEC-Holding in the Czech Republic in February 2023 (-0.15 billion euros; see Note 3.6 in the 'Consolidated financial statements' section for more information).

Operating expenses 5

Our operating expenses, excluding the expenses that are directly attributable to insurance contracts, amounted to 4 616 million euros. Including expenses directly attributable to insurance contracts, operating expenses stood at 5 125 million euros in 2023. This amount includes 687 million euros in bank and insurance tax, a further 6% increase year-on-year. Expenses excluding bank and insurance tax came to 4 438 million euros, a 7% increase that was mainly the result of inflation-related pressure on wages, higher ICT and facility expenses (primarily increased energy costs), and the effect of the consolidation of Raiffeisenbank Bulgaria, which was offset only partly by the positive impact of the sale of the Irish portfolios.
The cost/income ratio excluding bank and insurance tax came to 43% in 2023, compared to 45% in 2022. The cost/income ratio including bank and insurance tax but excluding the exceptional and/or non-operational items (see the 'Glossary of financial ratios and terms' at the end of this report for more information) amounted to 49%, the same figure as in 2022.

Impairment 6

Our total impairment (on both loans and other assets) came to 215 million euros in 2023.
There was a net reversal of loan loss impairment totalling 16 million euros, compared to a net increase of 154 million euros a year earlier. The 2023 figure includes an increase in impairment on the loan portfolio of 139 million euros and a

reversal of part of the reserve for geopolitical and emerging risks (155 million euros; see Note 3.9 in the 'Consolidated financial statements' section). As a result, at year-end 2023 an amount of 256 million euros was left in the reserve for geopolitical and emerging risks, which can be used to absorb the direct and indirect consequences on the loan portfolio of wars, such as the one in Ukraine, other geopolitical uncertainties, and emerging risks and economic risks such as higher interest rates and inflation.

For the group as a whole, the credit cost ratio amounted to 0.00% for 2023 (0.07% excluding the change in the reserve for geopolitical and emerging risks), as opposed to 0.08% for 2022 as a whole (0.00% excluding the changes in the reserves set aside for geopolitical and emerging risks and for the coronavirus crisis).

The proportion of (stage 3) impaired loans (see the 'Glossary of financial ratios and terms' for a definition) in our loan portfolio was 2.1% at year-end 2023, the same figure as in 2022. The proportion of impaired loans more than 90 days past due came to 1.0%, compared to the year-earlier figure of 1.1%.

Other impairment charges came to an aggregate 231 million euros in 2023, as opposed to 128 million euros in 2022. In 2023, this included impairment in connection with goodwill on a ČSOB subsidiary in the Czech Republic, the extension of the interest rate cap in Hungary, software, and property and equipment in Ireland related to the sale transaction. In 2022, these were mostly impairments of software, the interest rate cap in Hungary and non-current assets in Ireland.

Income tax expense 7

Our income tax expense came to 778 million euros in 2023, compared to a year-earlier figure of 670 million euros. Besides paying income tax, we pay special bank and insurance taxes. These amounted to 687 million euros compared to a year-earlier figure of 646 million euros and are included under 'Operating expenses'.

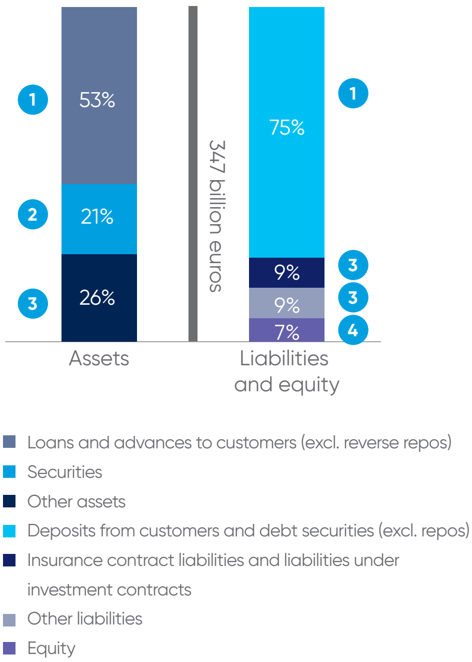
Our balance sheet

Loans and deposits 1

Our core banking business is to attract deposits and use them to provide loans. This explains the importance of the figure for loans and advances to customers on the assets side of our balance sheet (184 billion euros (excluding reverse repos) at year-end 2023). Loans and advances to customers grew organically by 3%, with 2% growth at the Belgium Business Unit, 5% at the Czech Republic Business Unit, and 9% at the International Markets Business Unit (with growth in all countries). The main lending products at group level were again term loans (86 billion euros;+3%) and mortgage loans (75 billion euros; +2%).

On the liabilities side, our customer deposits (deposits from customers, excluding debt securities and repos) decreased organically by 3% to 216 billion euros. This figure included a 7% decrease at the Belgium Business Unit (mainly due to the outflow resulting from the issue of a one-year State Note in Belgium), 5% growth at the Czech Republic Business Unit and 5% growth at the International Markets Business Unit. The main deposit products at group level were again demand deposits (108 billion euros, -14%), savings accounts (71 billion euros, -8%) and time deposits (38 billion euros, +70%). Debt securities issued accounted for 43 billion euros, 52% more than the previous year. More information on this matter can be found in Note 4.1 of the 'Consolidated financial statements' section.

Balance sheet components (year-end 2023)



Securities 2

We also hold a portfolio of securities at the bank and at the insurer (where it serves primarily as an investment in the life insurance context), which totalled 74 billion euros at year-end 2023, roughly 10% up on the year-earlier figure. The securities portfolio comprised 3% shares and 97% bonds At year-end 2023, 83% of these bonds consisted of government paper, the most important being Czech, Belgian, French, Slovak and Hungarian. A list of these bonds is provided in the 'How do we manage our risks?' section.

Other assets and other liabilities 3

Other important items on the assets side of the balance sheet were loans and advances to credit institutions and investment firms (3 billion euros, down 35% on the year-earlier figure, due in part to lower collateral management volumes in Belgium and a shift to balances with central banks in Hungary), reverse repos (26 billion euros, up 26% on the year-earlier figure), derivatives (positive mark-to-market valuation of 5 billion euros, down 28% on the year-earlier figure due mainly to a decrease in interest rate contracts), investment-linked life insurance contracts (14 billion euros, up 12% year-on-year due in part to the favourable market conditions), and cash, cash balances with central banks and other demand deposits with credit institutions (35 billion euros, down 33% on the year-earlier figure, partly due to a repayment of part of the amount borrowed under TLTRO III and the outflow of deposits resulting from the issue of the State Note in Belgium).

Other significant items on the liabilities side of the balance sheet were insurance contract liabilities and liabilities under the insurer's investment contracts (an aggregate 30 billion euros, up roughly 7% year-on-year), repos (5 billion euros, half of the year-earlier figure), derivatives (negative mark-to-market valuation of 6 billion euros, down 31% on the year-earlier level, due to a decrease in interest rate and foreign exchange contracts) and deposits from credit institutions and investment firms (15 billion euros, down 40% year-on-year, partly due to a repayment of part of the amount borrowed under TLTRO III).

The decrease in 'Non-current assets held for sale and disposal groups' (almost nil at year-end 2023, as opposed to 8 billion euros a year earlier) and 'Liabilities associated with disposal groups' (nil at year-end 2023, as opposed to 2 billion euros a year earlier) relates to the finalisation of the sale of the Irish loan portfolio and deposit book in February 2023 (see Note 6.6 in the 'Consolidated financial statements' section).

Equity 4

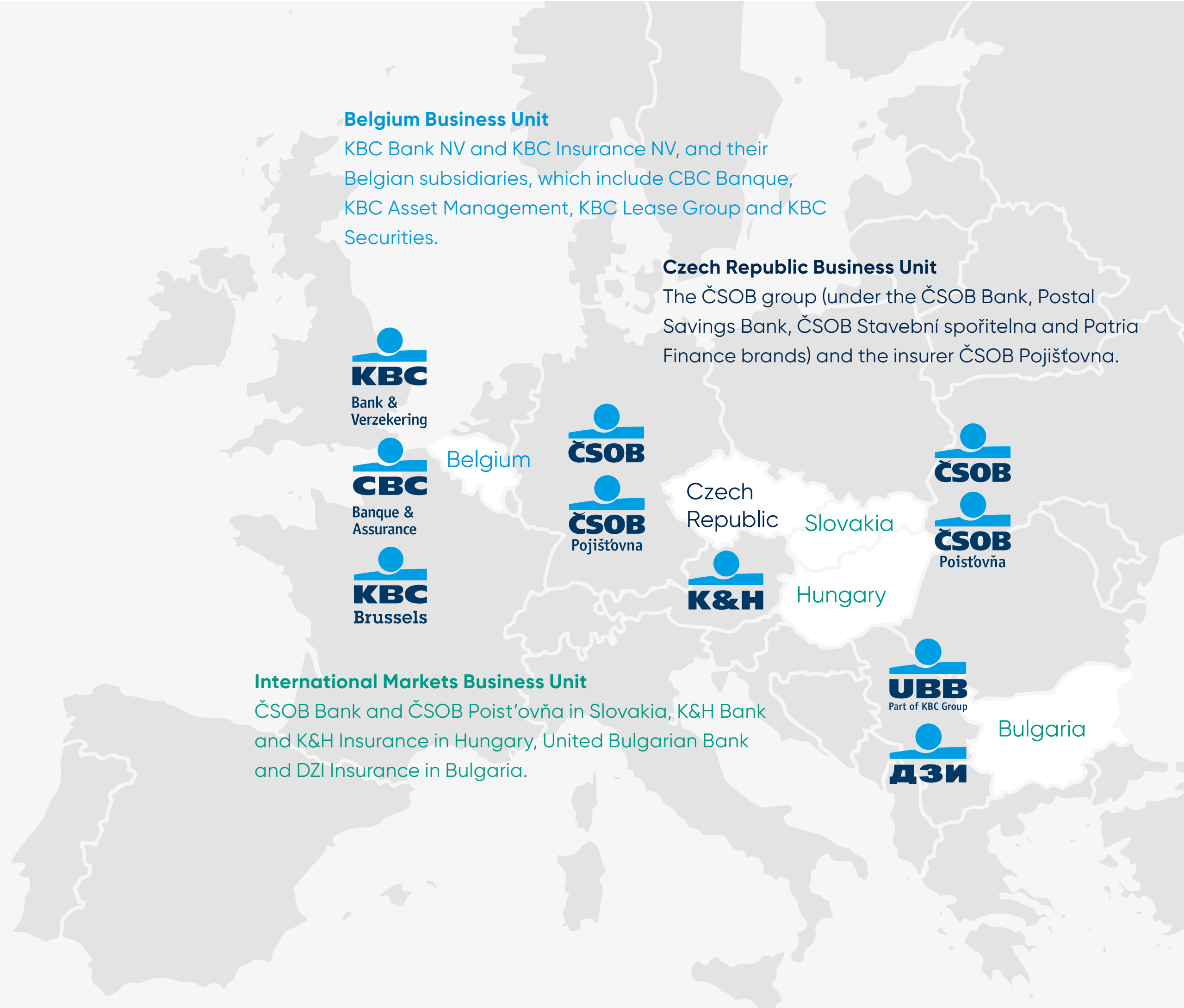
On 31 December 2023, our total equity came to 24.3 billion euros. This figure included 22.0 billion euros in parent shareholders' equity and 2.3 billion euros in additional tier-1 instruments. Total equity rose by 2.4 billion euros in 2023, attributable to the combined effect of a number of items, including the profit for the financial year (+3.4 billion euros), the distribution of the final dividend in May and the interim dividend in November (together -1.7 billion euros), an increase in the revaluation reserves (+0.5 billion euros), the share buyback (-0.5 billion euros), the issue of new additional tier-1 instruments in September (+0.75 billion euros) and a number of minor items. For more details, see 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section.

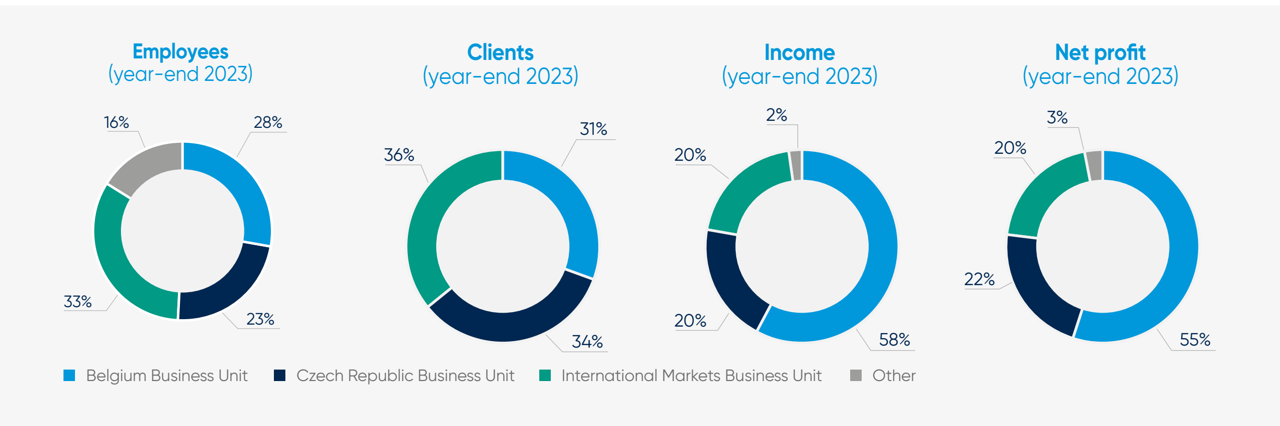
On 31 December 2023, our common equity ratio (Basel III, under the Danish compromise method) stood at 15.2% (fully loaded), compared to 15.3% in 2022. In 2023, the ratio included the impact of the entire share buyback programme of 1.3 billion euros and the impact of the ECB's higher capital requirements resulting from model revisions. Detailed calculations of our solvency indicators are given in the 'How do we manage our capital?' section. The group's liquidity position remained excellent, as reflected in an LCR ratio of 159% and an NSFR ratio of 136%.

Additional information and guidance

- The overall impact on the net result of fluctuations in the exchange rates of the main non-euro currencies was – on balance – limited to 27 million euros (mainly due to the appreciation of the average price of the Czech koruna and the Hungarian forint against the euro).
- Information on financial instruments, hedge accounting and the use thereof is provided in the 'Consolidated financial statements' section (Notes 1.2, 3.3, and 4.1–4.8 among others) and in the 'How do we manage our risks?' section.
- Share buyback programme 2023-2024: see Note 5.10 in the 'Consolidated financial statements' section.
- For information on significant post-balance-sheet events, see Note 6.8 of the 'Consolidated financial statements'.
- For a review of the result for each business unit, see 'Our business units'.
- Guidance for 2024 (more details can be found in our quarterly report for the fourth quarter of 2023):
  - Net interest income: within a range of 5.3-5.5 billion euros (underpinned by organic growth of the loan portfolio of roughly 3%);
  - Insurance revenues before reinsurance: growth ≥ 6%;
  - Total operating expenses including insurance commissions paid (excluding bank and insurance tax): growth < 1.7%;
  - Cost/income ratio (excl. bank and insurance tax): < 45%;
  - Combined ratio, non-life insurance: < 91%;
  - Credit cost ratio: well below the through-the-cycle ratio of 25-30 basis points (excluding changes in the reserve for geopolitical and emerging risks, which was still outstanding at year-end 2023).

Our business units





Belgium

Macroeconomic context

The Belgian economy proved highly resilient in 2023 and, all in all, successfully weathered the energy crisis of 2022. Quarterly growth picked up at the start of the year and remained relatively robust as the year progressed. Posting 1.5% year-on-year growth was substantial in 2023, owing to private consumption, backed by the automatic wage indexation and a solid labour market, as well as corporate investments, while net exports weighed on growth. Business confidence declined during the year as international trade slowed, funding costs surged and uncertainty abounded. The industry, in particular, faced a growing lack of demand. Households' housing investments were curbed by high interest rates, with mortgage demand falling to the lowest level since 2007. Housing market activity cooled sharply, but with an average increase of 2% house prices remained surprisingly resilient.

Despite slowing down in 2023, net job creation remained positive. The employment rate was up nearly 1% on the year-earlier level. The unemployment rate remained fairly stable between 5.5 and 6.0%. The job vacancy rate peaked, but still indicates tight labour supply. On the back of plummeting energy inflation, inflation – which is measured according to the Harmonised Index of Consumer Prices – fell sharply and even turned negative at year-end 2023. Average inflation for 2023 was 2.3%. While core inflation also went down, it still remained very high at around 5% at year-end. The ten-year rate of Belgian linear bonds (OLOs) rose from approximately 3.16% at year-end 2022 to 3.6% in October 2023, only to fall back to 2.6% at year-end 2023. The yield spread with the corresponding German Bund hovered between 55 and 75 basis points throughout the year. After decreasing in 2021 and 2022, the Belgian government's deficit and debt increased again to 4.6% and 105.8%, respectively, of GDP in 2023.

Figures for forecast GDP growth in 2024 and 2025 can be found under 'Market conditions in our core markets'.

- 'Best Bank in Belgium' (Euromoney)
- 'Best Private Bank in Belgium' (Euromoney)
- 'Top Employer' (Top Employers Institute)
- KBC Private Banking: 'Best Digital initiative in Private Banking' in Europe (Professional Wealth Management and The Banker)
- KBC named 'Best Digital Bank'; Bolero named 'Best Investment Bank' (Spaargids.be)

Specific objectives

- We put the client at the heart of all the products and services we develop and at the centre of everything we do. Our focus here is on a 'digital first' approach with a human touch, and investing in the seamless integration of our various distribution channels. We are working on the further digitalisation of our banking, insurance and asset management services and exploiting new technologies and data to provide our clients with more personalised and proactive solutions.
- Our digital assistant 'Kate' features prominently in this regard. Kate allows us to help our clients save time and earn money, in which Kate Coins play a vital role.
- To support these activities, we are also fully engaged in introducing end-to-end straight-through processing into all our commercial processes, making full use of all technological capabilities such as artificial intelligence. This is how we increase our efficiency, which allows us to invest in a strong branch network boasting more expertise.
- We collaborate with partners through 'eco-systems' that enable us to offer our clients comprehensive solutions. We are also integrating a range of partners into our own mobile app and making our products and services available in the distribution channels of third parties.
- We aim for further growth of bank-insurance at CBC in specific market segments and expansion of our accessibility in Wallonia, again with a strong focus on 'Digital First with a human touch'.
- We work tirelessly on the ongoing optimisation of our bank-insurance model in Belgium. As regards the insurance component, we will specifically focus on further growth in the coming years.
- We express our commitment to Belgian society by leading the way in the sustainability revolution. We are making our banking, insurance and asset management products more sustainable to create financial leverage in achieving global climate targets. We aim to be more than a provider of pure bank-insurance services – as a partner in the climate transition, we are working with other partners on developing housing, mobility and energy solutions. We also continue to focus on financial literacy, entrepreneurship and population ageing.

2023 developments

client centricity

In 2023, too, we continued to invest heavily in expanding our digital systems, with the emphasis on solutions aimed at making our clients' lives easier. The most important achievement in 2023 was the further development of Kate, our digital assistant. Kate allows us to help our clients save time and earn money, in which the further development of Kate Coins plays a vital role. More information about Kate and Kate Coins can be found in 'The client is at the centre of our business culture'.

In addition to the continuous expansion of our banking and insurance applications, we have also added a large number of non-banking applications to our range of services in KBC Mobile over the past few years. These include the ability to receive financial and economic news, pay for car parking or public transport tickets (over 4 million tickets were sold through KBC Mobile in 2023), make donations to charities and good causes, ask Kate to schedule an appointment with KBC, search for a new home, and several other convenient features. Working closely together with the University of Applied Sciences in West Flanders, KBC also developed the first-ever digital student card, designed to meet the new European identity and data standards. The digital student card can be stored in KBC Mobile. KBC Mobile now also offers users a convenient overview of their Kate Coins, including tips for earning Kate Coins and how and where to spend them. There were close to 1.9 million KBC Mobile users at year-end 2023 – a further 10% increase year-on-year.

Our experts naturally remain available at our branches and at KBC Live to answer complex questions or provide advice at key life moments. The very success of our digital strategy allows us to free up more time to improve the advice we provide to clients. That is why we are committed to improving the availability of our experts and in 2023 we substantially expanded the number of Private Banking and Commercial Banking branches. We are also continuously exploring ways to further optimise our accessibility. For instance, on completion of a successful trial period in West Flanders, in March 2023 we decided to take our 'KBC Belmobiel' pilot project – which involves the provision of services at home – a step further by introducing it across the whole of Flanders. Mobility-challenged and less digitally adept retail clients who have difficulty visiting a branch and banking on a desktop or mobile device can receive a home visit from an experienced KBC staff member. The visit can only take place when requested and is by appointment only. This service enables KBC to ensure extensive local presence, including in areas without any KBC Bank branches.

sustainable profitable growth

Overall, our loan portfolio rose by 2%. Our deposits (excluding debt securities and the more volatile deposits in our network of branches abroad) were down 7% in 2023, owing primarily to the outflow to the Belgian State Note in September 2023, which resulted in a direct outflow of roughly 5.7 billion euros. By contrast, assets under management (funds, asset management, etc.) grew by 18% in 2023 due to both net inflow and the increase in asset prices. Sales of both non-life and life insurance went up 10% in 2023, the latter relating primarily to unit-linked products.

As stated earlier, we are also specifically aiming for further growth of CBC in Wallonia and expansion of our accessibility there. In 2023, the number of clients grew by around 20 000 (net) as a result of these efforts.

bank-insurance

Our bank-insurance model is delivering numerous commercial synergies. In 2023, for instance, more than nine out of ten clients who agreed home loans with KBC Bank also purchased home insurance with KBC Insurance, while between eight and nine out of ten took out mortgage protection cover. There was a further increase of 2% in the number of clients who hold at least one KBC banking product and one KBC insurance product (i.e. bank-insurance clients) in 2023, while the number of clients with at least three banking and three insurance products from KBC (i.e. stable bank-insurance clients) even went up by 4%. At year-end 2023, bank-insurance clients accounted for 80% of the business unit's active clients (clients with a current account into which their income is regularly paid); stable bank-insurance clients made up 30% of active clients.

role in society

We once again took a variety of initiatives to stimulate entrepreneurship. Start it @KBC, Belgium's largest start-up community, for instance, engaged in a long-term partnership with BeCode, an organisation dedicated to creating accessible tech learning opportunities for all. The focus of BeCode and Start it @KBC will be on inclusive recruiting, talent development and entrepreneurship. Backed by Corporate HR, we tackled the BeCodian Artificial Intelligence and Cybersecurity boot camps and welcomed several trainees to our teams.

In May 2023, we issued our second social bond, worth 750 million euros, which is used for education and healthcare investments. We also focused on the better alignment of our KBC Green Bond Framework with the EU Taxonomy Regulation.

As regards environmental awareness, we naturally remain committed to reducing our own footprint, but we also aim to actively assist our clients in their transition to more sustainable business models. In response to businesses' need for more knowhow and time to explore their journey to more sustainable energy management, ecoWise – a KBC subsidiary aimed at helping businesses transition to more sustainable operations with a focus on energy efficiency and renewable energy – was established in 2023.

We also remain committed to enhancing financial skills and knowledge among young people and teaching them how to

manage their money, as well as educating them on poor financial choices and how to avoid getting into financial difficulty. Our Get-a-Teacher teaching pack offers free lessons to secondary schools, colleges and universities and helps young people navigate the world of finance. In 2023, we also expressed the ambition to improve the financial skills and attitude of over 35 000 young people by 2030 regarding complex financial products such as home loans.

In 2023, we also committed ourselves to supporting The Warmest Week, whose theme was 'Growing up without worries' – because every kid deserves a good childhood and every opportunity to blossom and grow, play, have fun, enjoy life and just be a normal teenager.

2023 result

Net result
1 866 million euros
(-1%)

Net interest income
3 248 million euros (+15%)

Insurance service result
290 million euros (-18%)

Net fee and commission income
1 537 million euros (+2%)

Operating expenses (incl. bank and insurance tax)
2 824 million euros (+7%)

Impairment on loans
82 million euros increase
(35-million-euro increase)

Cost/income ratio (excl. bank and insurance tax)
41% (41%)

Combined ratio
85% (85%)

Credit cost ratio
0.06% (0.03%)

Impaired loans ratio
2.0% (1.9%)

Figures for 2023 (the figures in brackets are for, or indicate the difference compared to, 2022). Insurance service result = insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held. A detailed breakdown of the income statement for each business unit and each country can be found in 'Note 2.2: Results by segment' in the 'Consolidated financial statements' section.

- 15% growth in net interest income, mainly owing to the higher commercial transformation result (driven by the higher reinvestment yields, which more than offset the negative volume effect resulting from the outflow of deposits to the one-year Belgian State Note and the higher interest on savings accounts), and increased interest income on time deposits. This was partly offset by, among other things, the lower result from the loan portfolio (lower margins, despite volume growth), higher funding cost of participations and wholesale funding costs, lower interest from inflation-linked bonds and the changes to the minimum required reserves held with the central bank.
- 2% growth in net fee and commission income, due mainly to higher management fees relating to asset management services.
- 18% lower insurance service result, with the increase in insurance revenues being more than offset by higher insurance service expenses and a lower reinsurance result.
- 53% drop in all other income items combined, primarily due to lower trading and fair value income.
- 7% increase in costs, due mainly to inflation and wage indexation, and higher ICT, facility and marketing costs, as well as higher bank and insurance tax.
- 82-million-euro net increase in impairment on loans related to the net increase in impairment on individual loans, only partly offset by a partial reversal of the remaining reserve set aside for geopolitical and emerging risks (see Note 3.9 in the 'Consolidated financial statements' section).

Czech Republic

Macroeconomic context

In 2023 the Czech economy contracted by 0.4%. After stabilising since the first quarter of 2023, private consumption showed only moderate growth as the year progressed and is still well below the 2019 average (before the coronavirus pandemic). Simultaneously, foreign demand started to slow down from the second quarter of 2023 and export volumes declined.

Despite the drop in real GDP in 2023, the labour market showed no significant signs of cooling off. The unemployment rate went up only slightly, from 2.3% at year-end 2022 to 2.8% at year-end 2023, and there were still more job openings than unemployed people.

Inflationary pressure remained high, especially in the first half of the year, due to inflation from energy and food prices as well as the rapid increase in services prices. Average inflation for the whole of 2023 stood at 12.1%. Continued high inflation and high inflation expectations were also the main reason why the Czech National Bank (CNB) waited until December to start lowering its key rate from 7% to 6.75% at the end of 2023. In early February 2024, it was further lowered to 6.25%.

Due mainly to interest rate differentials with the euro area, the Czech koruna appreciated to roughly 23.30 Czech korunas per euro at the start of 2023, only to depreciate to around 24.70 Czech korunas per euro towards the end of the year largely driven by the abandonment by the CNB of its commitment to intervene, if necessary, on the FX markets to support the exchange rate of the CZK. Moreover, as anticipated by the markets, the CNB carried out its first rate cut at the end of December. The Czech koruna temporarily recovered somewhat to 24.50 korunas per euro in early December as it gradually became clear that the ECB had reached the end of its rate hike cycle.

Figures for forecast GDP growth in 2024 and 2025 can be found under 'Market conditions in our core markets'.

- 'Best Bank in the Czech Republic' (Global Finance)
- 'Best Bank in the Czech Republic' (EMEA Finance)
- 'Best Bank for Sustainable Finance', 'Best Trade Finance Provider' and 'Best Bank for SMEs in the Czech Republic' (Global Finance)
- 'Best Private Bank in the Czech Republic' (Euromoney)
- 'Best Private Bank in the Czech Republic' (PWM/The Banker)
- 'TOP Responsible Large Company in the Czech Republic' (Business for Society)

Specific objectives

- To retain our reference position in banking and insurance services by offering our retail, SME and mid-cap clients a hassle-free, no-frills client experience.
- To use data and AI to offer personalised solutions proactively to our clients, including via Kate, our personalised digital assistant.
- To continue the further digitalisation and to introduce new and innovative products and services, including open bank-insurance solutions aimed at boosting the financial well-being of our clients.
- To concentrate on rolling out straight-through processing and further simplifying our products, our head office, and our distribution model, in order to enable us to operate even more cost-effectively.
- To further increase the active client base and further strengthen our market position, especially in insurance, investment services and home loans.
- To cultivate and nurture strong relationships with our clients by offering them 'beyond banking' activities, products and services.
- To further strengthen our corporate culture, with a strong focus on results, our clients, our ability to adapt and on cooperation.
- To become the reference in advisory services in terms of climate change and sustainable lending and investments. To also express our social engagement by focusing on themes including financial literacy, entrepreneurship, cybersecurity and population ageing.

2023 developments

client centricity

As was the case in Belgium, we continued to invest heavily in expanding our digital systems in the Czech Republic, too, with the emphasis on solutions aimed at making our clients' lives easier and helping them save time and earn money. In the past few years we also gradually added even more services to our smartphone apps, with the most important achievement being the option of using Kate, our personalised digital assistant. Kate has been consulted by over 1.2 million clients since her launch. More information about Kate can be found in 'The client is at the centre of our business culture'.

We are also continuously optimising our other mobile banking applications, which in 2023 included a new look & feel for the Smart mobile app for our ČSOB app users. The app now has a more streamlined home page, improved menu lay-out and several beyond-banking features. In addition to traditional banking services, clients can now also use the app to compare energy prices of different suppliers, learn how to use government grants, and work out home renovation costs and apply for funding. The app can be tailored to every client's needs and preferences, including the option to receive personalised offers. Users of our DoKapsy lifestyle app can now also use the app to find the nearest charging station to charge their electric vehicle based on their current location or another specified location. The charger also provides information on its utilisation rate, address and whether you can pay by QR code. The DoKapsy app can be downloaded free of charge, including by non-ČSOB clients. There were over 1.3 million mobile users at year-end 2023.

We are also continuously exploring ways to further optimise our accessibility for our clients, one of which involved the launch of a new video chat service enabling clients to contact their banker through MS Teams from any location.

sustainable profitable growth

We again recorded substantial growth in lending in 2023. Overall, our loans and advances to customers went up by 5%. Our deposits (excluding debt securities) also went up by 5%. We adjusted these growth figures for foreign-exchange effects. Assets under management grew by 15% due to net inflow and an increase in asset prices. Sales of both non-life insurance and life insurance went up in 2023 (by 15% and 9%, respectively).

bank-insurance

Our bank-insurance model is delivering numerous commercial synergies. For example, around five to six out of ten ČSOB group clients who took out home loans with the bank in 2023 also purchased home insurance from the group. There was a further increase of 4% in the number of clients who hold at least one banking product and one insurance product from the group (i.e. bank-insurance clients) in 2023, while the number of clients with at least two banking and two insurance products from the group even went up by 9%. At year-end 2023, bank-insurance clients accounted for 87% of the business unit's active clients (clients with a current account into which their income is regularly paid); stable bank-insurance clients made up 21% of active clients.

role in society

We once again took a number of initiatives in terms of our social engagement, focusing on environmental awareness, financial literacy, entrepreneurship and population ageing.

As a leader in ESG, ČSOB aims to enable its SME clients to meet the changing expectations in society as well as the changing EU ESG requirements even better and more efficiently. This was one of the drivers behind the joint venture entered into between KBC Bank and Czech start-up Digital & Legal s.r.o. ('Green0meter') to advise Czech SMEs on their journey to becoming more sustainable. Green0meter focuses on sustainability services and providing CO2 footprint calculations and ESG services to Czech SMEs.

Regarding the initiatives to stimulate entrepreneurship, Start it @ČSOB continues to be the most important initiative. The Mumdoo platform is a great example of a successful start-up. It seeks to promote participation in the labour market by mums and mums-to-be. Women professionals who choose to stay professionally active while on maternity leave, can use the platform to connect with companies seeking staff for specific short-term projects.

Needless to say, we attach great importance to financial literacy. Financial education in schools has been an important topic for us since 2016. ČSOB employees visit schools and give young people tips on how to manage their money based on real-life examples. The programme consists of six components, such as responsible lending, household budget management and complex financial products. In 2021, we developed the ČSOB FILIP app as a complement to this programme. The app is available in the Google Store and the App store and has already been downloaded over 10 000 times. We recently added a new chapter on cyber threats in the virtual environment.

In keeping with the topic of cybersecurity, our cyber risk insurance – which can be conveniently taken out using the ČSOB Smart mobile app – was again particularly successful last year: nearly 90 000 new insurance policies were taken out in 2023, bringing the total to 300 000 policies since the launch of this insurance product.

2023 result

Net result
763 million euros
(+14%)

Net interest income
1 271 million euros (-6%)

Insurance service result
119 million euros (+11%)

Net fee and commission income
324 million euros (+12%)

Operating expenses (incl. bank and insurance tax)
976 million euros (+3%)

Impairment on loans
70 million euros reversal
(46-million-euro increase)

Cost/income ratio (excl. bank and insurance tax)
44% (45%)

Combined ratio
84% (83%)

Credit cost ratio
-0.18% (0.13%)

Impaired loans ratio
1.4% (1.7%)

Figures for 2023 (the figures in brackets are for, or indicate the difference compared to, 2022). Insurance service result = insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held. A detailed breakdown of the income statement for each business unit and each country can be found in 'Note 2.2: Results by segment' in the 'Consolidated financial statements' section.

- 3% increase in the average exchange rate of the Czech koruna against the euro. The growth figures in the table and the analysis have been calculated excluding this foreign-exchange effect.
- 6% drop in net interest income due to a lower commercial transformation result, slightly lower lending income and the negative effect of the changes related to the minimum required reserves held with the central bank, only partly offset by the increased interest income on time deposits and growth in lending.
- 11% higher insurance service result owing to an increase in insurance revenues and despite higher insurance service expenses and a lower reinsurance result.
- 12% increase in net fee and commission income due to higher fees for both asset management services and banking services.
- 128-million-euro increase in all other income items combined, due mainly to higher other net income (the previous year's figure was adversely impacted by the arbitration proceedings against ICEC-Holding in the Czech Republic; see Note 3.6 in the 'Consolidated financial statements' section for more details).
- 3% increase in costs, due mainly to higher staff expenses and ICT costs.
- 70-million-euro net reversal of impairment on loans related to a net reversal of impairment on individual loans and a partial reversal of the remaining reserve set aside for geopolitical and emerging risks. Other impairment charges came to 127 million euros, most of which concerns goodwill relating to ČSOB Stavební (see Note 3.9 of the 'Consolidated financial statements' section for more information).

International Markets

Macroeconomic context

Growth in both Slovakia and Bulgaria outperformed the stagnating euro-area growth in 2023. Despite the technical recession in the first half of the year following two consecutive quarters of negative growth, the Hungarian economy also posted solid growth in the second half of the year. On balance, annual real GDP growth stood at 1.1% in Slovakia, 1.9% in Bulgaria and -0.8% in Hungary.

Overall, annual average inflation in 2023 was again higher in the Central European economies than in the euro area. This was mainly driven by the major dependence on energy imports and recurrent weakening of the Hungarian forint. Annual average inflation in Slovakia, Hungary and Bulgaria stood at 11.0%, 17.0% and 8.6%, respectively.

Falling inflation due, among other things, to lower energy prices and cooling domestic demand allowed the National Bank of Hungary (NBH) to lower the money market rate until it reached the level of the base rate in September, following which unconventional interest rate facilities became redundant and were discontinued, and the base rate became the benchmark key rate again. The NBH then significantly cut its rate in three steps of 75 basis points each from 13% at year-end 2022 to 10.75% at year-end 2023, another 75-basis-point cut to 10% at the end of January 2024 and a 100-basis-points cut to 9% at the end of February 2024.
Overall, the Hungarian forint appreciated in 2023, from approximately 400 forints per euro to around 383 forints per euro, which contributed to the gradual decline in inflation. The improved Hungary current account balance and the interest-rate advantage over the euro area were the main drivers of this appreciation. A key feature of the NBH's monetary policy is, after all, to keep real (i.e. inflation-adjusted) interest rates positive in its fight against inflation. The volatility of the forint exchange rate throughout 2023 was again largely due to the forint's high sensitivity to general risk aversion in the financial markets.

Figures for forecast GDP growth in 2024 and 2025 can be found under 'Market conditions in our core markets'.

- UBB: 'Best Trade Finance Provider in Bulgaria' (Global Finance)
- UBB: 'Best ESG Bank in Bulgaria' (Euromoney)
- DZI: 'Business Transformation' award at the 'Manager of the Year 2023' awards (Manager magazine)
- ČSOB: 'Best Sub-custodian Bank' (Global Finance)
- ČSOB: 'Best Trade Finance Provider in Slovakia' (Global Finance)
- K&H: 'Best Trade Finance Provider in Hungary' (Global Finance)
- K&H: 'Top Employer' (Top Employers Institute)
- K&H: 'Best Digital Bank in Hungary' (Global Banking & Finance Review)

Specific objectives

- The group strategy presents a number of opportunities for all countries in the business unit, viz.:
  - To further develop unique 'bank-insurance+' propositions.
  - To continue digitally upgrading our distribution model.
  - To drive up the volume of straight-through and scalable processing.
  - To increase the capacity in relation to data and AI to enable us to proactively offer relevant and personalised solutions.
  - To selectively expand our activities with a view to securing a top-three position in banking and insurance.
  - To implement a socially responsible approach in all countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health. To be a pioneer for sustainability in all countries.
- Country-specific:
  - In Bulgaria we focus on the operational merger between UBB and the acquired Raiffeisenbank Bulgaria to create the leading bank in Bulgaria, including in the area of digitalisation and innovation, and the reference in bank-insurance in all segments. Our insurer, DZI, is likewise maintaining its goal of growing faster than the market in both life and non-life insurance.
  - In Hungary our focus lies on vigorous client acquisition in banking, to become the undisputed leader in the area of innovation. We also aim to expand our insurance activities substantially, primarily through sales at bank branches for life insurance and both online and via agents, brokers and bank branches for non-life insurance.
  - In Slovakia we aim to maintain our robust growth in strategic products (i.e. home loans, consumer finance, SME funding, leasing and insurance), partly through cross-selling to group clients and via digital channels. Other priorities include the sale of funds and increased fee income.

2023 developments

client centricity

In line with our other core countries, we saw rapid growth in the use of our digital channels in Slovakia, Hungary and Bulgaria in recent years. For instance, the number of users of our mobile banking apps increased substantially again in 2023: by around 12% in Slovakia, 15% in Hungary and 12% in Bulgaria, totalling over 1.5 million users for the three countries of the business unit combined.

We again developed several new products and services with a clear digital focus This again resulted in growth in the share of digital sales in total sales. Based on the key banking products, this already accounts for roughly half of the total sales in Slovakia and Hungary and a third of the total sales in Bulgaria. According to McKinsey, ČSOB is the leader in the area of digital-sales penetration in Slovakia and in Central and Eastern Europe.

The most important achievement in 2023 was of course the further development of Kate, our digital assistant, in all three countries. Some of Kate's convenient features include proactively offering assistance, sending notifications (for example, to inform a client in Hungary that their new payment card will arrive soon or, for example, the Hungarian Kate solution for payment transactions for the digital SZÉP card) and sending proposals (for example, a pre-approved consumer credit proposal in Bulgaria). See 'The client is at the centre of our business culture' for more information.

Another example of a new and innovative product is the new mobile banking app in Hungary boasting several convenient features, such as easier access (fewer clicks required) to ensure a user-friendlier experience. In addition, the app's future-proof design enables easier integration of new functions. The app also has an insurance dashboard which clients can use to review their insurance policies, pay premiums, submit claims, and so on. In Bulgaria, UBB Mobile is the only banking app offering users access to their pension details, which they can access through the online platform of UBB Pension Insurance, allowing them to check the funds accumulated in their pension accounts and request information on those funds. The UBB mobile banking app now also offers an integrated consumer credit product with supplemental life insurance. And the new UBB Digital Platform allows companies in Bulgaria to register as new business clients of UBB entirely online in a few easy steps. In Slovakia, ČSOB now also offers vehicle damage insurance for electric vehicles, including cover for damage to electric batteries and the possible risks of charging at public charging stations, thereby further enhancing the already unique bank-insurance proposition of sales and service opportunities in ČSOB's mobile banking app. What's more, ČSOB further expanded the scale of beyond-banking services in the mobile app by adding other mobility options and, actually, is the only bank in Slovakia to offer such an extensive range of smart services through its mobile app. We also gradually added a number of products and services to the smartphone apps in the other countries that go beyond pure bank-insurance services, such as an energy cost calculator in Hungary. This calculator is unique to the Hungarian market as it offers home-improvement options – for which specific funding can be applied for from K&H – and calculates potential energy savings.

sustainable profitable growth

For the business unit as a whole (excluding exchange rate effects), in 2023 deposits (excluding debt securities) grew by roughly 5% and loans and advances to customers grew by 9%. In each of the three countries, deposit growth and growth in loans and advances stood at 5% and 7%, respectively in Slovakia, -2% and 10% in Hungary, and 10% and 10% in Bulgaria. Sales of

non-life insurance went up 18% in 2023 (with solid growth in all three countries), and sales of life insurance rose by 46% (relating primarily to unit-linked products in Hungary and Bulgaria).

We also continued to sharpen the group's geographical focus. In July 2022, we completed the acquisition of Raiffeisenbank Bulgaria, a universal bank in Bulgaria offering private individuals, SMEs and corporate entities a full range of banking, asset management, leasing and insurance services. The legal merger with KBC's existing banking subsidiary UBB was realised in April 2023. This allowed KBC to significantly bolster its position in the Bulgarian banking market. The acquisition also creates ample opportunity for insurance cross-selling with our insurer DZI. More information can be found in Note 6.6 of the 'Consolidated financial statements'.

bank-insurance

Our focus on bank-insurance delivers many commercial synergies. For instance, group home insurance was sold in conjunction with around nine out of ten home loans taken out in each of the three countries.

For the business unit as a whole, there was a further increase of 6% in the number of clients who hold at least one banking product and one insurance product from the group companies (i.e. bank-insurance clients) in 2023, while the number of clients with at least two banking and two insurance products from the group companies even went up by 8%. At year-end 2023, bank-insurance clients accounted for 65% of the business unit's active clients (clients with a current account into which their income is regularly paid); stable bank-insurance clients made up 21% of active clients.

role in society

We link our social projects to financial literacy, environmental responsibility, entrepreneurship and health. Some examples of recent projects: To enhance financial literacy among existing and potential investors, ČSOB published an e-book in Slovakia, the title of which translates to 'From basic knowledge to success: learning how to invest'. It teaches investors how to set realistic expectations based on their risk profile and how to respond to fluctuations on the financial market. In addition, ČSOB clients in Slovakia receive a monthly blog on investing including tips and tricks.

In Bulgaria, we focused on health and the further development of mobile health app 'Kaksi'. Kaksi offers DZI clients direct access to the DZI Health Claim Portal and a wide range of health-related services. Kaksi also uses gamification and rewards to promote health and physical activity among our clients. The app has already been downloaded over 22 000 times and the number of active users per month has risen to 6 000.

UBB Interlease in Bulgaria launched a financing and insurance product for electric vehicles in 2023, offering attractive insurance and financing rates as well as

assistance for the client in case of an empty battery and a replacement vehicle in the event of an accident.
In Hungary, K&H received the Mastercard 'Sustainability Initiative of the Year' award for being the first to market its green home loan, and it also launched a carbon emissions calculator for agricultural clients on its website.

Furthermore, we are also represented in the start-up community in Bulgaria, Hungary and Slovakia. We remain committed to supporting women entrepreneurs as well as to promoting various sustainability themes. Start-up E-szerződés, for instance, is fully committed to simplifying and digitalising contracts. E-szerződés currently only operates on the Hungarian market, but is preparing for its international launch.

2023 result

Net result
676 million euros
(+58%)

Slovakia
105 million euros (+14%)

Hungary
285 million euros (+52%)

Bulgaria
286 million euros (+93%)

Net interest income
1 179 million euros (+33%)

Insurance service result
44 million euros (-13%)

Net fee and commission income
493 million euros (+15%)

Operating expenses (incl. bank and insurance tax)
1 067 million euros (+17%)

Impairment on loans
19 million euros reversal
(78-million-euro increase)

Cost/income ratio (excl. bank and insurance tax)
39% (41%)

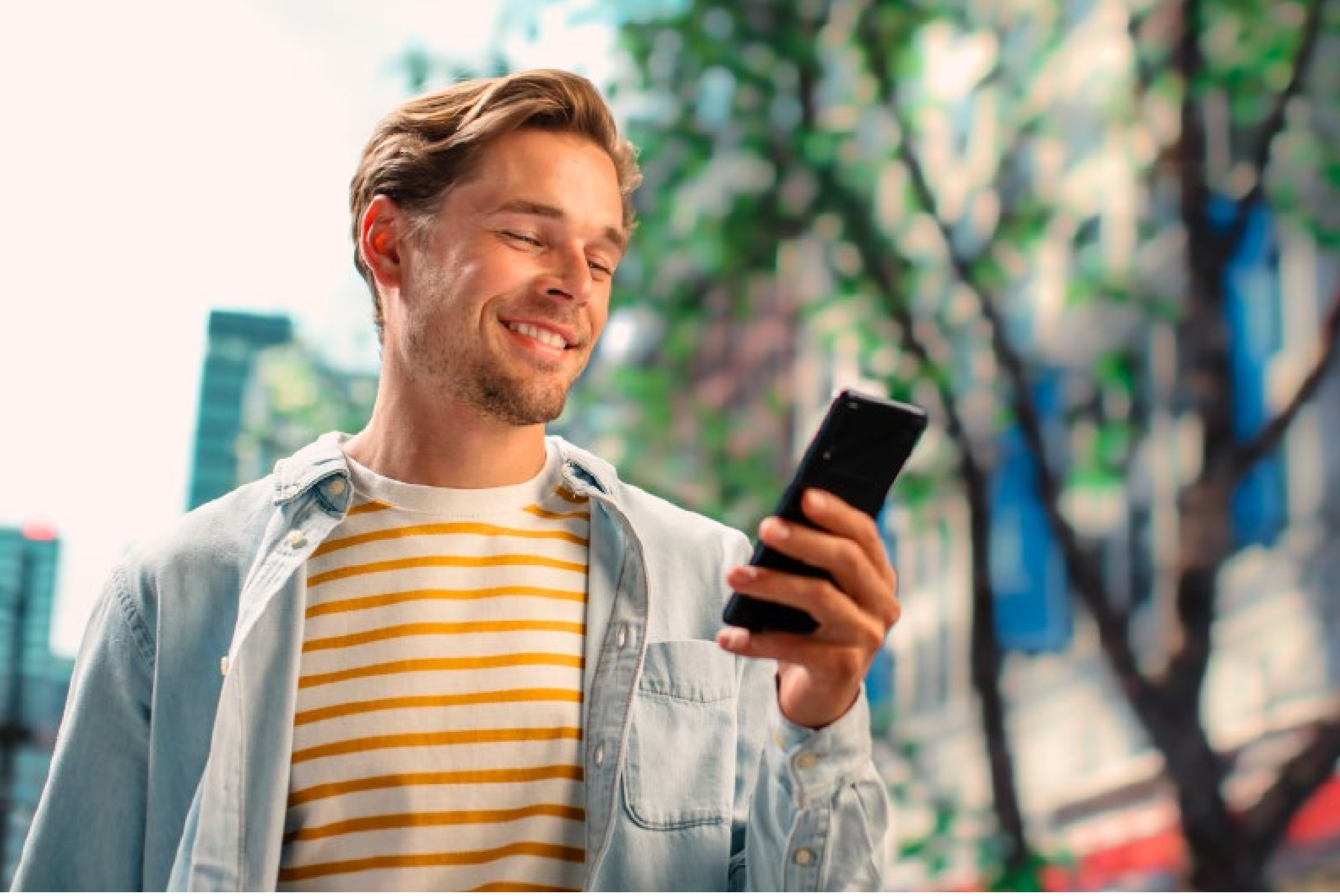
Combined ratio
97%* (91%)

Credit cost ratio
-0.06% (0.31%)

Impaired loans ratio
1.8% (1.9%)

Figures for 2023 (the figures in brackets are for, or indicate the difference compared to, 2022). Insurance service result = insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held. A detailed breakdown of the income statement for each business unit and each country can be found in 'Note 2.2: Results by segment' in the 'Consolidated financial statements' section.
* 94% excluding the additional insurance tax in Hungary.

- 33% growth in net interest income, owing primarily to the higher commercial transformation result, the consolidation of the acquired Raiffeisenbank Bulgaria (six months in the 2022 results and a full year in the 2023 results), a higher result from the loan portfolio (due in part to volume growth) and increased interest income on time deposits. This was partly offset by, among other things, changes in the remuneration related to the minimum required reserves held with the central banks in Hungary and Bulgaria in particular.
- 13% lower insurance service result, with the increase in insurance revenues being more than offset by higher insurance service expenses.
- 15% increase in net fee and commission income, due mainly to higher fees for asset management services and for banking services in Hungary and Bulgaria (including the positive impact of the consolidation of Raiffeisenbank Bulgaria).
- 34% drop in the other income items combined (including due to lower – but still high – dealing room income).
- 17% increase in costs, owing to higher wage inflation and higher ICT and facility expenses (including the impact of the consolidation of Raiffeisenbank Bulgaria), and higher bank and insurance tax (due in part to an increase in additional taxes in Hungary).
- 19-million-euro net reversal of impairment on loans, including a net increase in impairment on individual loans, more than offset by a partial reversal of the remaining reserve set aside for geopolitical and emerging risks (see Note 3.9 in the 'Consolidated financial statements' section).



Group Centre

Besides financial reporting for the three business units, we also report on a separate Group Centre, which mainly comprises the results of activities and/or decisions focusing specifically on the group (the operating expenses of our group's holding-company activities, certain costs related to capital and liquidity management, and so on) and the results of activities and companies scheduled for run-down, including KBC Bank Ireland in particular.

The Group Centre generated a net result of 97 million euros in 2023, compared to -139 million euros in 2022. The positive change of 236 million euros was accounted for by:

- 293-million-euro increase in net result relating to Ireland, as we sold KBC Bank Ireland's loan assets (mainly performing loans) and its deposit book to Bank of Ireland in February 2023, resulting in a gain of roughly 0.4 billion euros. More information on this matter can be found in Note 6.6 of the 'Consolidated financial statements'.
- 57-million-euro decrease in net result for the other items, the most material items being lower net interest income (due primarily to higher funding costs) and higher fair value income (relating mainly to the valuation of derivatives used for asset/liability management purposes).

How do we manage our risks?

Mainly active in banking, insurance, and asset management, we are subject to a number of industry-specific risks including credit risk, interest and exchange rate risk, liquidity risk, insurance underwriting risk, operational risk and other non-financial risks. ESG risks and integrated risks occur when the aforementioned risks accumulate. This section outlines our risk governance model and the most significant risks we encounter.

Our statutory auditors have audited the information in this section that forms part of the IFRS financial statements, viz.:

- the 'Risk governance' section;
- parts of the 'Credit risk' section: 'Managing credit risk', 'The building blocks for managing credit risk', part of the 'Loan and investment portfolio, banking' table, 'Forbearance measures', the 'Other credit exposure, banking' table, the 'Investment portfolio of KBC group insurance entities' table and the 'Credit exposure to (re)insurance companies by risk class' table;
- parts of the 'Market risk in non-trading activities' section: 'Managing market risk in non-trading activities', 'The building blocks for managing market risk in non-trading activities' and the 'Exposure to bonds' table;
- parts of the 'Market risk in trading activities' section: 'Managing market risk', 'The building blocks for managing market risk' and 'Market risk profile';
- parts of the 'Liquidity risk' section: 'Managing liquidity risk', 'The building blocks for managing liquidity risk' and 'Maturity analysis';
- the 'Technical insurance risk' section, including the IFRS 17-related disclosures.

Introduction

KBC and the financial sector as a whole operate in a rapidly changing environment characterised by volatility, uncertainty, complexity and ambiguity:

- The financial industry is undergoing a major transition, with digital transformation bringing new opportunities (e.g., the opportunity to embed artificial intelligence (AI), big data analysis and automation technologies in our operations to make our interactions with our clients instant, straight-through and friction-free) and challenges (including in the areas of cyber risk, ethical AI and new digital competitors).
- At the same time the financial sector plays a crucial role in the transition to a greener and more sustainable economy: financial institutions not only need to reflect on their own activities, taking into account all new regulations, but also have a crucial role in helping their clients to make the transition towards a more sustainable world.
- On top of this, the industry continues to face major macroeconomic, financial and geopolitical challenges and instability, whereas regulatory and supervisory pressure and uncertainty are rising to unprecedented levels.

KBC responds to these key challenges with its data-driven digital strategy, aiming to create ecosystems that help our clients to save time and money by combining financial and non-financial services, and with its ambition to contribute to a more sustainable world.

The risk & compliance function have the clear ambition to support KBC in achieving these strategic objectives, to contribute to its resilience and agility, to provide management and the Board with insights supporting risk-conscious decision-making and to inform them about the risks KBC is facing. The strategy of the risk & compliance function therefore finds its origin in the overall KBC Corporate Strategy & Pearl Culture and its translation into the KBC Risk Appetite, which sets the bar for risk management throughout KBC.

To remain in sync with the changing business environment and the KBC Corporate Strategy, the risk & compliance function regularly assesses and updates their strategy, considering all relevant elements (e.g., top risks), including the 'external supervisory view' and upcoming regulatory changes. In this way, we continuously adapt and further strengthen KBC's Risk Management Framework and its underlying risk management processes.

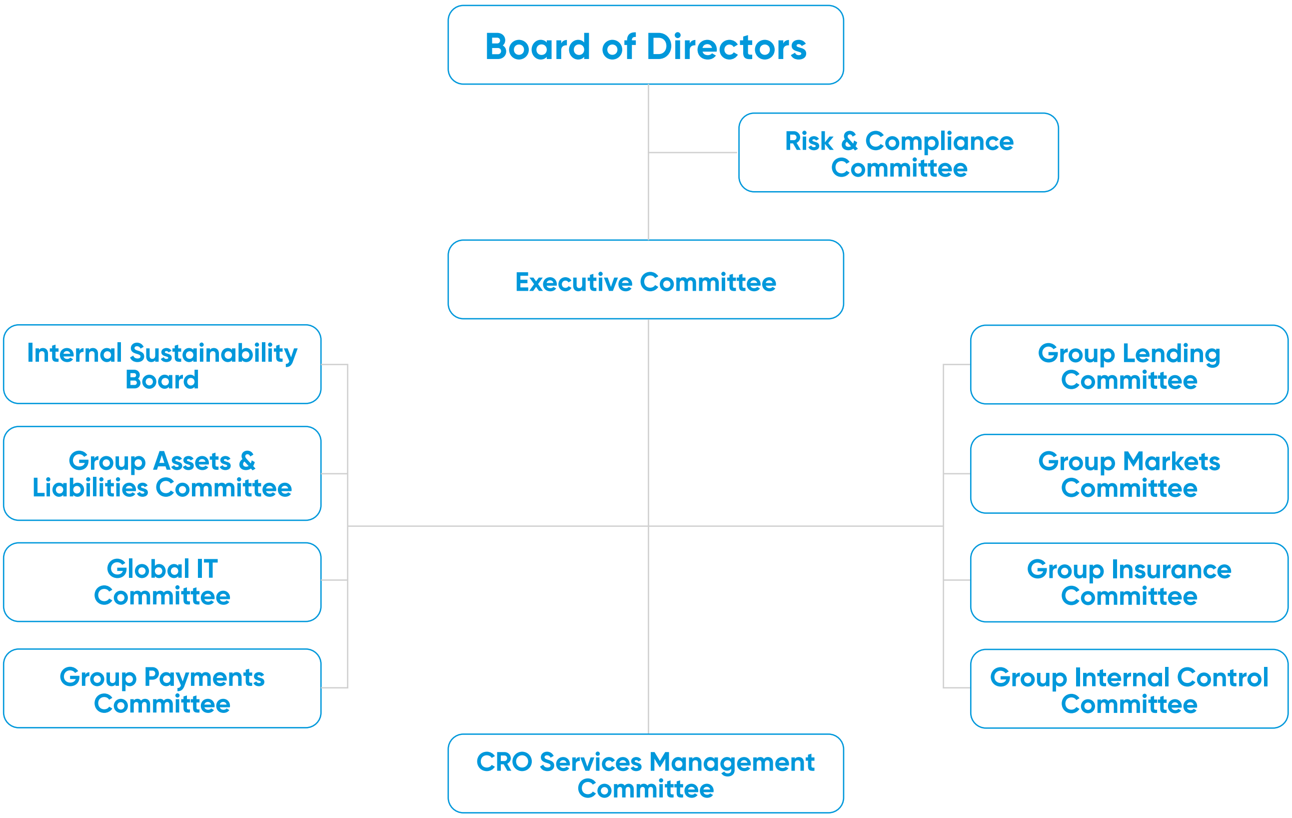
The strategy of the risk and compliance functions is based on three key pillars:

- Support the business: we support, advise and challenge the business both in its everyday activities ('business as usual') and in its transformation, aiming to help it keep KBC's control environment up to standards and respect KBC's risk appetite at all times.
- Transform ourselves: in sync with the KBC strategy and business we are becoming more digital, data-driven and STP, we are optimising our operational efficiency and we smart-copy solutions. By being more efficient and effective in our business-as-usual processes, we create room to develop approaches for new risks. Moreover, we 'think Ecosphere'. We are extending and improving our risk and compliance framework for an increasingly digital, interconnected and sustainable future.
- People: we attract and nurture talent, building the workforce of the future as an enabler of transformation and the execution of our business as usual. We ensure that our people have a clear view of KBC's strategic direction, how KBC's transformation impacts their job and how they contribute to KBC's strategy.

Risk governance

Our risk governance model includes the following main elements:

- The Board of Directors, supported by the Risk & Compliance Committee (RCC), decides on the risk appetite – defining the group's overall risk playing field and the risk strategy – and supervises KBC's risk exposure in relation to this risk appetite. It is also accountable for having robust governance arrangements in place to ensure that all material risks of KBC group are managed appropriately and for promoting a sound, consistent group-wide risk culture.
- The Executive Committee (ExCo) is the senior management level committee responsible for integrated risk management in alignment with Board of Directors decisions related to risk appetite, strategy, and performance goals.
- The ExCo is supported by the CRO Services Management Committee (CRO Services MC) and activity-based risk (right-hand side of the figure) and business committees (left-hand side of the figure).



We manage our risks using the 'Three Lines of Defence' model:

- Risk-aware business people act as the first line of defence for conducting sound risk management. This involves allocating sufficient priority and capacity to risk topics, performing the right controls in the right manner and making sure that the risk self-assessment of the business side is of a sufficiently high standard.
- Independent regulatory control functions, at both group and local level, act as (part of) the second line of defence:
  1. The risk function develops, imposes and monitors consistent implementation of the Risk Management Framework, describing the processes, methods and approaches to identify, measure and report on risks. To strengthen the voice of the risk function and to ensure that the decision-making bodies of the business entities are appropriately challenged on matters of risk management and receive expert advice, KBC has deployed independent Chief Risk Officers (CROs) throughout the group. Close collaboration with the business is assured since they are present in management committees, while their independence is achieved through a functional reporting line to the Group CRO. If necessary, they can exercise a right of veto.
  2. The compliance function's prime objective is to prevent KBC from running a compliance risk (i.e. incurring loss or damage – regardless of its nature – due to non-compliance with applicable laws, regulations or internal rules) that falls either within the scope of the compliance function or within the areas assigned to it by the ExCo (as described in the Integrity Charter). The compliance function is characterised by its specific status (as provided for by law and regulations and described in the Compliance Charter), its place in the organisation chart (hierarchically under the CRO) and the associated reporting lines (reporting to the RCC and even to the Board in certain cases).
  3. The actuarial function ensures additional quality control by providing expert technical actuarial advice to the supervisory body, the RCC and the executive body of KBC Group NV, of KBC Insurance NV and all reinsurance

and insurance entities within the group. Such advice covers the calculation of the technical provisions for insurance liabilities, the reinsurance policy and underwriting risk. As described in the 'Actuarial Function Charter', in order to safeguard independence, the actuarial function holder reports functionally to the Group CRO.

- Internal audit acts as the third line of defence. It is responsible for giving reasonable assurance to the Board of Directors that the overall internal control environment is effective, and that effective policies and processes are in place and applied consistently throughout the group.

More information on risk management can be found in our Risk Report, which is available at www.kbc.com.

Components of sound risk management

Risk management refers to the coordinated set of activities to proactively identify and manage the risks that KBC faces. It helps KBC to achieve its objectives and to realise its strategy.

The KBC Enterprise Risk Management Framework (ERMF), approved by the Board of Directors, defines the risk governance, including the Three Lines of Defence, and sets clear rules and procedures on how risk management should be performed throughout the group. It refers to a set of minimum standards and risk methods, processes and tools that must be translated into all risk-type-specific Risk Management Frameworks (RMFs) and that all entities must adhere to. The ERMF and risk-type-specific RMFs not only detail how KBC manages risks in business as usual, but also in change (small and big transformations) and crisis situations (going from rather mild stress situations and threats to business continuity up to the most stressful situations, like recovery and resolution). They also aim to keep KBC compliant with regulatory requirements.

In order to continuously safeguard their relevance, the ERMF and risk-type-specific RMFs are annually reviewed, while the quality of their implementation is formally assessed once per year.

The risk management process consists of risk identification, risk measurement, setting and cascading risk appetite, risk analysis, reporting and follow-up.

Risk identification

Risk identification is the process of systematically and proactively discovering, assessing and describing risks, both within and outside KBC, that could negatively impact the group's strategic objectives today and in the future. Not only the sources of risk are analysed, but also their potential consequences and materiality.

For the purpose of risk identification, KBC has set up robust and solid processes, at both the strategic and operational level, to uncover all material risks to which KBC is exposed. These processes include:

- The Risk Scan, which is a strategic group-wide exercise aimed at identifying and assessing the top risks for KBC, i.e. the financial and non-financial risks that are highly significant for our business model. The identified top risks are inputs for the yearly financial planning process and for several risk management exercises, including for defining the priorities of the risk function, risk appetite setting and stress testing.
- The New and Active Product Process (NAPP), which is a group-wide, formalised process to identify and mitigate product-related risks, both for KBC and for its clients. Within the group, no products, processes or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the group's risk profile.
- Risk signals, which are continuously collected at all levels of the organisation (group and local). The internal and external environments are constantly scanned, using all possible sources of information, to detect events or changes that can potentially impact the group, either directly or indirectly. Risk signal reporting provides management with a summary of the identified risks, their potential impact and possible remedial actions.

Risk measurement

KBC defines risk measurement as 'the action to come to a quantitative expression of a risk, or a combination of risks, on a portfolio of instruments/exposures'. Once risks have been identified, certain attributes of the risk can be assessed, such as impact, probability of occurrence, size of exposure, etc. This is done with the help of risk measures, which allow us to assess the materiality of risks, to monitor them over time (with a frequency that is appropriate for the risk type) and to assess the impact of risk management actions.

Risk measures are designed to measure a specific risk or multiple risks at the same time and can be either internally developed or imposed by the regulator (including the calculation method used). An overview of the extensive set of risk measures in use in the KBC group (both regulatory and internally defined) is provided in the ERMF and risk-type-specific frameworks.

In order to ensure that risk measures are and remain fit for use and are of high quality, they are subject to strict and robust processes, including adequate documentation and strong governance. Regular reviews and the use of the 'four-eyes principle', including independent internal validation where appropriate, further enhance the accuracy and reliability of these risk measures. All requirements that relate to these processes are documented in the KBC Risk Measurement Standards (RMS).

Setting and cascading risk appetite

Taking and transforming risks is an integral part – and hence an inevitable consequence of – the business of a financial institution. Therefore, KBC does not aim to eliminate all the risks involved (risk avoidance) but instead seeks to identify, control and manage them in order to make optimal use of its available capital (i.e. risk-taking as a means of creating value).

KBC's tolerance for risk is captured via its 'risk appetite'. This risk appetite expresses – both qualitatively and quantitatively – how much and which types of risk we want to take and within which boundaries they should be managed. The ability to accept risk is limited by financial constraints (available capital and liquidity buffers, borrowing capacity, etc.), non-financial constraints (strategic ability, skills, legal constraints, etc.) and regulatory restrictions (e.g., regulatory floors on capital and liquidity ratios). The willingness to accept risk depends on the interests of the various stakeholders. A key component in defining risk appetite is therefore an understanding of the expectations of the organisation's key stakeholders.

Risk appetite is made explicit via the 'risk appetite statement' (RAS), which is decided at both Group and local level. The RAS reflects the view of the Board of Directors and top management on the acceptable level and composition of risks, ensuring coherence with the desired return and allowing the group to implement its corporate strategy within a clear risk playing field. The high-level risk appetite objectives, which are annually reviewed and reconfirmed by the Board, are further detailed for each separate risk type via qualitative and quantitative statements and via a risk appetite label, which can be Low, Medium or High. The long-term risk appetite is monitored based on a set of risk measures for which risk thresholds are defined. Lastly, risk appetite is translated into risk-type-specific group limits/targets, which are further cascaded down to the entities.

The risk appetite process is firmly embedded in the financial and strategic planning process (APC - Alignment of Planning Cycles) as it directs the focus and way of working of business and control functions and helps to set priorities accordingly.

The Board of Directors annually approves the preliminary risk appetite as input into the APC. When the financial planning is approved by the Board, the final risk appetite is also determined, including its translation into concrete limits and targets that safeguard that the risk profile remains within the risk appetite when executing the financial plan.

Risk analysis, reporting and follow-up

Risk analysis and reporting aim to give management an increased level of transparency by ensuring a comprehensive, forward-looking and ex-post view of the development of the risk profile versus the risk appetite and of the context in which KBC operates.

This is done via reports that are tailored to the needs of the recipients and recognise the different information needs of the Board, senior management and other levels of the organisation, helping them to understand the potential issues and to take the relevant actions. In addition to internal reporting, external reports are also prepared for the different stakeholders of KBC Group, in particular clients, shareholders, debt holders, supervisory authorities, regulators and rating agencies.

The Executive Committee, the Risk & Compliance Committee and the Board of Directors receive periodic and ad hoc updates on KBC's risk landscape through comprehensive internal risk reporting. This includes the 'Integrated Risk Report', which is submitted to these committees eight times per year. This holistic risk report consists of risk signals considered material for the group, allowing us to take timely action if and as needed, and of an overview, for all risk types, of the development of various risk measures versus the risk appetite via the 'health check' dashboard.

The main external reports to the supervisory authority include the ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process), and ORSA (Own Risk and Solvency Assessment) reports. These provide a holistic and substantiated underpinning of the opinion of the Board and the ExCo on the adequacy of KBC's capital and liquidity. A FICO (Financial Conglomerate) report is also prepared annually. It provides an overview of KBC as a financial conglomerate, with a focus on the financial, commercial and operational interlinkages between its bank, insurance and asset management operations, on the risks that are particularly relevant in this context, and on how these are managed and mitigated. The KBC Group Recovery Plan is also submitted to the supervisory authority, whereas KBC has many deliverables as well towards the resolution authorities in order to support them in preparing a resolution plan for KBC.

Stress testing

Stress testing is an important tool to support our risk management and decision-making processes by simulating the potential negative impact of specific events and/or movements in risk factors on KBC's (financial) condition, so that we can better prepare for these situations.

For this purpose, KBC has developed a comprehensive set of stress tests, ranging from plausible to exceptional and even extreme events or scenarios, both at the level of individual risk types and across risk types (integrated stress tests). The latter look at the interaction and combined impact of stress across multiple risk types, including interaction and feedback loops between stresses on financial indicators.

The outcome of these stress tests is used in important risk management processes and reporting, including ICAAP, ILAAP and ORSA, and recovery and resolution planning. As part of the annual ICAAP, ILAAP and ORSA processes, KBC simulates a once-in-20-years stress event to check and demonstrate that it is able to meet the regulatory capital and liquidity requirements and internal risk appetite targets even under such stressed conditions. Stress tests designed in the context of Recovery Planning are even more severe and bring KBC to the brink of default. In such scenarios, KBC needs to demonstrate its recovery capacity (in terms of both depth and speed of capital-increasing and risk-reducing actions). Finally, stress testing in the context of resolution prepares KBC for situations when the group is no longer viable and authorities need to step in to either save (via bail-in mechanisms) or liquidate the group.

On top of stress testing performed on KBC's own initiative (at group and/or local level), the regulator and supervisory authority can also impose stress tests (e.g., biannual EBA Stress Test, annual EIOPA stress tests, ECB climate stress test, ECB cyber stress test).

ESG in our risk management

ESG risks are the risks of (current or prospective) Environmental, Social or (corporate) Governance factors impacting KBC, either directly or via its counterparties and exposures:

- Environmental risk is the risk arising from climate change (climate risk) or from other environmental degradation such as biodiversity loss, scarcity of fresh water, (air, water and soil) pollution and waste.
- Social risk is the risk arising from changing expectations about relationships with employees, suppliers, clients and communities e.g., labour and workforce considerations, human rights and poverty, community impact, client relationships, etc.
- Governance risk is the risk arising from changing expectations concerning corporate governance, anti-corruption & anti-bribery, and transparency.

In our risk taxonomy, Environmental, Social and Governance (ESG) risks are identified as key risks related to KBC's business environment which manifest themselves through (all) other traditional risk areas, such as credit risk, technical insurance risk, market risk, operational and reputational risk. As such, ESG is not considered in isolation, but firmly embedded in all aspects and areas of KBC's risk management.

Since 2018, climate risk has been reconfirmed as a top risk for KBC in the annual Risk Scan exercise. In 2023, 'other environmental risks' were added to account for the increasing importance of the impacts of environmental degradation.
Although risk assessment methodologies are more advanced for climate risk compared to some other ESG risk areas, KBC is making continuous efforts to further improve the integration of climate and other ESG risks in the KBC Risk Management Framework and in its risk management processes.

When managing climate and other environmental risks, we differentiate between:

- transition risks: risks arising from disruptions and shifts associated with the transition to a low-carbon, climate-resilient or environmentally sustainable economy;
- physical risks: risks related to potential financial implications from physical phenomena associated with both climate or environmental trends that may disrupt operations or value chains or damage property.

KBC approaches climate risk from a double materiality perspective, concentrating on both:

- financial materiality (outside-in view), looking at the impact of climate change on our business. Physical risks, for example, can increase the level of claims under the insurance policies we provide as well as negatively impact the value of our assets or collateral; and
- environmental and social materiality (inside-out view), looking at our business' impact on the climate. In that regard, by signing the Collective Commitment to Climate Action (CCCA) in 2019, we stated publicly that we want to play a leading role and be a significant lever in the process of transitioning to a more sustainable society and a low-carbon economy, including by committing to aligning our portfolios and business strategy with the Paris Agreement to keep global warming below 2°C while striving for a target of 1.5°C. More information about our corresponding decarbonisation targets can be found in the KBC Sustainability Report.

In this section, an overview is given of our main ESG risk management processes from a cross-risk-type perspective. For a more detailed overview on our ESG risk management processes, please also refer to the risk-type-specific disclosures in the remainder of this section, which includes a dedicated ESG risk section. For a full elaboration on how we manage climate and other ESG risks, we refer to our Risk Report, which is available at www.kbc.com.

Integration of ESG in existing risk management governance
The management of ESG risks is fully embedded in the existing risk management governance, as described in the 'Risk governance' section. Additionally:

- The senior general managers of Group Risk and Group Credit Risk are members of the Sustainable Finance Programme Steering Committee as well as the Sustainable Finance Data & Metrics Steering Committee and the risk function is also represented on the Internal Sustainability Board.
- Risk is part of the core team of the Sustainable Finance Programme, which focuses on integrating climate-related matters throughout the group.
- As strong embeddedness in the local organisation is a key requirement, a similar governance is in place in each of KBC's core countries, with local general sustainability managers having been appointed and local risk functions taking active part in locally established sustainability committees.

"KBC is committed to embedding ESG considerations into its decision-making, risk management processes and client and third-party interactions, with the aim of contributing positively to society and safeguarding KBC's long-term sustainability."

- Within our Audit Framework, ESG risks are covered in multiple audit tracks.
- Sustainability has been integrated into the remuneration systems for our employees and especially our senior management.

For more information on sustainability governance, see 'Our role in society' and 'Focus on the climate and the environment' in the 'Report to the Board of Directors' section.

Strong focus on risk identification and materiality assessment

We use a variety of approaches to identify ESG risks in the short term (0- to 3-year horizon), the medium term (3- to 10-year horizon) and the long term (beyond 10-year horizon). By doing so, we also incorporate a forward-looking perspective. To ensure proactive risk identification, we have taken the following initiatives.

- ESG risk signals are regularly reported to the Executive Committee, the Risk & Compliance Committee and the Board of Directors, via the Integrated Risk Report.
- In 2021, KBC developed a Climate Risk Impact Map. This annual risk identification process aims to identify, for different time horizons and different climate scenarios, the main climate risk drivers impacting KBC's businesses and portfolios, also including an assessment of these climate drivers' materiality. Since 2022, the conclusions of the Climate Risk Impact Map have been fed into our main risk management processes, such as risk appetite, stress testing, reporting and our ICAAP/ILAAP/ORSA process. An extended elaboration on the Climate Risk Impact Map, its methodology and its results is included in the Risk Report, which is available at www.kbc.com. These pilot exercises have enabled the extension of the Climate Impact Map to a more general Environmental Risk Impact Map.
- In 2023, we performed several additional identification exercises to increase our understanding of other environmental risks (biodiversity loss, pollution and water stress), leveraging the methodology used for the Climate Risk Impact Map (hence also considering different physical and transition risk drivers and time horizons).
- We continue to take several initiatives to further increase ESG risk awareness, for example by following up on new and changing regulations through a Sustainable Finance Legal Working Group and by organising internal communication and training for (risk) staff and management.

Strengthening ESG risk measurement and stress testing

We make use of a series of methodologies to strengthen our ability to identify, measure and analyse climate-related risks by leveraging industry practices (such as PCAF and PACTA) but also by using internally developed tools. These provide further insights into the impact of climate change on our business model, as well as the impact of our lending, investment and insurance activities on the environment.

Integrating these methodologies enables us to gradually improve credit underwriting and investment policies, and supports us in engaging with our clients. More information about the ESG risk measurement tools can be found in the Risk Report.

Climate transition and physical risk as well as social risk drivers have already been integrated into several internal stress test exercises (e.g., in reverse stress testing, stress testing done in the context of ICAAP/ILAAP/ORSA). Climate stress test exercises and usage of climate scenarios are continuously enhanced following new insights from, for instance, our internal Climate Risk Impact Map or other methodological tracks which will help us to better translate the impact of climate pathways to financial parameters.

Since data are important to perform risk quantification and further monitor and steer our portfolios, to set targets, and to be able to meet the various regulatory requirements (e.g., from EU Taxonomy disclosure regulation, EBA Pillar 3 requirements, Corporate Sustainability Reporting Directive (CSRD)), a dedicated Data and Metrics Project within the Sustainable Finance Programme is coordinating the data collection in all of our core countries.

ESG risk is embedded in the risk appetite process

Given the increased importance KBC assigns to ESG risks, ESG has been included in KBC's Risk Appetite Statement at the highest level via a specific ESG risk appetite objective, covering both perspectives of 'double materiality'. When integrating climate and other ESG risks into our risk appetite process, we not only focus on short-term impacts, but also take extended time horizons into consideration. Potential short-, medium- and long-term impacts as identified in the Climate Risk Impact Map provide input for our risk appetite discussions so that (early) warning signals can be given in case of expected material impacts (for all time horizons) with the aim of steering the strategic debate and initiating risk-mitigation actions in a timely manner (e.g., making policy adjustments or setting additional targets and limits).

KBC's risk appetite is supported by policies and sustainability targets (see 'Our role in society' in the 'Report of the Board of Directors' section). In our policies for sustainable and responsible lending, insurance, advisory services and investments, for instance, we identify controversial activities with respect to the environment (including climate and biodiversity), human rights, business ethics and sensitive/controversial societal issues. These are economic activities we are not willing to finance, insure or advise on (such as activities related to thermal coal) or which we are willing to finance only under strict conditions (such as biomass technologies, production of palm oil, etc.).

In 2023, we introduced a set of climate-related Key Risk Indicators (KRIs) into our Risk Appetite process. These were defined for the most material transition and physical risks as identified in the Climate Risk Impact Map, covering a large part of KBC's activities and portfolios. More information can be found in the Risk Report.

Risk analysis, monitoring and follow-up

Climate-related and environmental data are increasingly included in both internal and external reporting.

ESG risks are well integrated and extensively addressed in several of our main risk management reports (e.g., ICAAP/ILAAP/ORSA, Integrated Risk Report, Risk Appetite Statement, Pillar 3 Risk Report, etc.) which are distributed to the Board of Directors, the Risk & Compliance Committee and the Executive Committee. In 2023, a first Climate Risk Dashboard was included in the Integrated Risk Report (with a half-yearly frequency). The dashboard contains an analysis and monitoring of climate-related transition and physical risk metrics for KBC's most relevant portfolios and business lines.

Credit risk

Credit risk is the risk related to non-payment or non-performance by a contracting party, due to that party's insolvency or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country.

Managing credit risk

In the area of credit risk, the Executive Committee is supported by the Group Lending Committee (GLC), which manages KBC's credit risk and the resulting capital requirement in the area of lending. The governance, rules and procedures on how credit risk management should be performed throughout the group are outlined in the Credit Risk Management Framework (CRMF). Its implementation is monitored by Group Credit Risk and its Credit Risk Competence Centre. GCRD works in close cooperation with the local CROs and local risk departments, which are responsible for the local implementation of the CRMF. Business entities are consulted for those areas of the CRMF that impact business processes and/or governance.

The building blocks for managing credit risk

- **Risk identification**: a vital part of the credit risk identification process is capturing credit risk signals, both at transactional and portfolio level. Both the internal and external environment are scanned for events or developments that have already occurred or could occur and which directly or indirectly have or could have a significant impact on credit quality. Risk signals provide an overview of the identified risk and outline the possible impact for KBC and, if possible, propose remedial actions. The appropriate risk management committees are periodically informed of relevant signals or observations. Risk signals that are considered material are reported to the Executive Committee. In addition, thematic and sectoral deep dives are performed to gain further insights into credit risk.
  New and upcoming prudential (capital) credit risk regulation, product or client-specific regulation and legislation is followed up at group or local level to ensure that these are promptly implemented in KBC's policies and instructions.
  A specific risk identification process is the leading indicator process designed to identify emerging credit risks that could lead to impairment. The main objective is to have a reliable estimate of impairment for the current quarter at an early stage, thus avoiding surprises. It is part of the quarterly reporting round on loan and bond impairment.
- **Risk measurement**: credit risk measurement involves a quantitative expression of a credit risk on a portfolio of instruments/exposures by applying a model or methodology. A minimum group-wide set of credit risk measurements is defined and can be complemented with local measurements.
  Central to this is the risk class, with a ranking being made based on the Probability of Default (PD) and the Loss Given Default (LGD). The latter reflects the estimated loss that would be incurred if an obligor were to default. In order to determine the risk class, we have developed various rating models for measuring how creditworthy borrowers are and for estimating the expected loss of various types of transactions. A number of uniform models throughout the group (models for governments, banks, large companies, etc.) are in place, while others have been designed for specific geographic markets (SMEs, private individuals, etc.) or types of transaction. We use the same internal rating scale throughout the group.
  We use the output generated by these models to split the non-defaulted loan portfolio into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD. We assign PD 10 to PD 12 to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD 11 or PD 12. 'Defaulted' status is fully aligned with the 'non-performing' and 'impaired' statuses. Obligors in PD classes 10, 11 and 12 are therefore referred to as 'defaulted' and 'impaired'. Likewise, 'performing' status is fully aligned with the 'non-defaulted' and 'non-impaired' statuses.
  Impairment losses are recorded according to IFRS 9 requirements (calculated on a lifetime expected credit loss (ECL) basis for defaulted borrowers and on a 12-month or lifetime ECL basis for non-defaulted borrowers, depending on whether there has been a significant increase in credit risk and a corresponding shift from 'Stage 1' to 'Stage 2'). Specific collective IFRS 9 models are used for this purpose, except for material defaulted borrowers, which are assessed individually to estimate ECL.
  Together with 'probability of default' and 'exposure at default', measures such as 'expected loss' and 'loss given default' form the building blocks for calculating the regulatory capital requirements for credit risk, as KBC has opted to use the Internal Ratings-Based (IRB) approach for

most of its portfolios. At the end of 2023, the following entities and portfolios switched to the Standardised approach due to model simplification: the entities ČSOB in Slovakia, K&H, the sovereign portfolios in the entire KBC Group and some immaterial portfolios in the Belgium Business Unit and ČSOB in the Czech Republic. Apart from the above-mentioned exceptions, the main group entities in Belgium and the Czech Republic continue to adopt the IRB Advanced approach, while non-material entities as well as the entire International Markets Business Unit adopt the Standardised approach.

- **Setting and cascading risk appetite**: the KBC Risk Appetite Statement defines the amount of credit risk KBC is able and willing to accept in pursuit of its strategic objectives. Credit risk appetite is made tangible by assigning credit risk limits and early warning levels to a limited set of credit risk (signal) indicators, which are valid for one year.
  Primary credit risk limits are decided by the Board of Directors or the Executive Committee. These entail limits on Expected Loss (EL), Stressed Credit Loss (SCL) and Credit Risk-Weighted Asset (RWA) – and for new home loan production – Loan-to-Value (LTV) and Debt-Service-To-Income (DSTI). These limits are supplemented by a portfolio limit system (PLS) framework to constrain concentration risk on counterparty groups or authorities and other credit risk limits set at group or local level that include sector and activity limits and limits on risks, such as counterparty credit risk for professional transactions or issuer risk.
  The risk playing field is also determined by group-wide risk boundaries defined in Credit Risk Standards, which aim to align risk management of specific credit-risk-related topics throughout the group by defining restrictions and/or recommendations.
- **Risk analysis, monitoring, reporting and follow up:** the loan portfolio is analysed on a continuous basis. In addition to portfolio analyses performed by business, the local and group credit risk departments analyse the credit risk profile of the loan portfolio in order to obtain an independent view of the evolution of credit risk. Results of the analyses are reported to the appropriate risk committees. It is the responsibility of both line management and the risk committees to respond, i.e. to keep or bring risks in line with the risk appetite. Corrective action plans can be taken to avoid (further) credit risk, reduce it (mitigation), transfer the risk or accept it.
- **Stress testing**: stress testing is a core component of sound credit risk management and is performed at local and group level.

ESG in credit risk management

The management of ESG risks is integrally embedded in the above-mentioned Credit Risk Management Framework.

The Climate Risk Impact Map, the concept of which is laid out in the section describing ESG in KBC's overall risk management, is leveraged for credit risk management purposes. It identifies on an annual basis the climate risk drivers most relevant to KBC's loan portfolios, both for transition and physical risks. This exercise has been extended in 2023 for other environmental risks by piloting exercises covering biodiversity loss, pollution and water stress.

For eight carbon-intensive industrial sectors and three product lines, strategic sectoral projects (so-called 'White Papers') are set up. These White Papers also cover the impact of sector-specific challenges, technological developments and evolving regulations on KBC's loan portfolios as well as possible risk-mitigating measures. In these White papers, we also take a progressive approach towards environmental objectives other than climate change. For a subset of these sectors, KBC has set climate targets and reports on the progress with respect to these targets. More details can be found in our Sustainability Report.

In the loan origination and review process, a sector-based environmental and social (E&S) heat map is used. It is a screening tool to identify specific E&S risks in the corporate and SME loan book. For material credit files in scope of high E&S risk sectors, an ESG assessment is performed at counterparty level. Also, Internal Carbon Pricing is leveraged to assess the financial impact of current and potentially upcoming carbon regulations on greenhouse gas-intensive businesses. To understand how business clients deal with sustainability challenges and to support them in this transition, client dialogues are an essential part of the assessment.

The Paris Agreement Capital Transition Assessment (PACTA) methodology helps us to assess the transition risk in our loan portfolio. This analysis determines whether the large companies in our loan portfolio are following a transition path in line with targets set by various climate transition scenarios. The Partnership for Carbon Accounting Financials (PCAF) methodology is used to calculate the financed emissions of our loan portfolio.

Further building on earlier modelling exercises relating to climate risk, KBC continues to assess the impact of physical risks on its loan portfolios. Specifically relating to flood risk, a pilot analysis was performed in 2023 to explore the potential impact on the Loss Given Default. Given its exploratory nature, the analysis was not taken into consideration for Expected Credit Losses. Regarding transition risks, an analysis was performed to estimate how the Expected Loss (EL) of highly climate-relevant portfolios could potentially change under six different climate scenarios. More information on the original assessment is available in the 2021 Risk Report at www.kbc.com

In general, the insights gained from the above-mentioned methodological tracks are valuable for identifying hot spots in KBC's loan portfolio, as input for target setting and climate risk stress testing and for initiating policy adjustments, where necessary. They are also part of KBC's continuous efforts to further integrate climate risk into its credit assessment processes and modelling. Management has the ability to overrule the expected credit losses and to capture events that are not part of the financial assessment, such as the growing insights into ESG and climate-related risks.

In 2023, climate-related Key Risk Indicators (KRIs) were introduced in the Risk Appetite Process. These KRIs are monitored on a semi-annual basis by the Group Lending Committee and leveraged in the Climate Risk Dashboard.

KBC aims to limit the adverse impact of its activities on the environment and society and to encourage a positive impact, based on a responsible lending culture, the principles of which are laid out in the Credit Risk Standard on Sustainable and Responsible Lending. KBC's commitment to consider climate and environmental risks in each step of the credit process is also reflected in Standards addressing loan pricing and collateral valuation.

More information can be found in the Risk Report, available at www.kbc.com.

Impact of external developments on credit risk

While the impacts of the coronavirus pandemic and (supply chain) dislocation during the ensuing economic recovery have subsided and Covid restrictions have been phased out, the continuing Russia-Ukraine conflict and the associated disruption of worldwide energy markets, rapidly rising inflationary pressures and increasing interest rates presented new challenges for credit risk management.

For private individuals, soaring energy bills and inflationary pressures on prices for daily goods and services were bound to affect the credit repayment capacity of weaker borrowers. Thanks to adequate alleviation, this has not resulted in payment problems with home loans and consumer finance facilities. For businesses, the strong increase in energy costs has – in 'energy-intensive' sectors – negatively impacted profit margins and cash buffers. Gradually, evidence emerged that these input cost increases could be recuperated through higher sales prices. Furthermore, private individuals have somewhat adjusted their consumption pattern away from discretionary spending, which has the potential to imperil some sectors due to reduced demand. Also, higher refinancing risks of maturing debt in a high interest-rate environment have the potential to trigger more defaults of businesses. Consequently, a number of vulnerable industries may find themselves in a continuing challenging environment.

Credit risk management actions have been taken to anticipate, measure, mitigate and manage the above emerging risks. Accordingly, loan portfolios are monitored closely, origination processes have been adjusted (e.g., to reflect the impact of household budgets on the underwriting of home loans), specific credit policies have been tightened (e.g., conditions for lending to enable certain activities of the Commercial Real Estate sector) and watchlists have been continued. For Commercial Real Estate (CRE) financing, for example, the development of any refinancing risk is a standard and crucial element in the credit acceptance process. For loans financing completed properties with high balloon or even bullet repayment at loan maturity, the refinancing risk is evaluated in depth considering the quality of the building, the diversification and strength of the tenants, the general strength of the real estate market (demand/supply balance, vacancy rates), the Loan-to-Value ratio at maturity, and the residual repayment period based on the estimated rental income and more conservatively projected interest rates. In addition to such an analysis at individual file level, the loan portfolio is monitored closely and the CRE credit underwriting policy has been tightened to address the increased refinancing risk.

Despite the challenging context, traditional credit risk metrics (such as forbearances, arrears and PD deterioration, new defaults) have not pointed to a substantial deterioration in credit quality for the KBC portfolios in 2023, as further reflected in a comfortable credit cost ratio.

Finally, since the Russian invasion of Ukraine, a reserve for geopolitical and emerging risks has been maintained, and a selection of vulnerable portfolios and sub-portfolios have been earmarked for increased risk potential. For related figures, including the methodology and development of this reserve, we refer to Note 3.9 of the 'Consolidated financial statements' section. Looking ahead, the development of the Israeli-Palestine conflict and other issues (for example in the Red Sea) may heighten geopolitical and emerging risks, as a possible escalation into a broader (regional) conflict may have larger and prolonged consequences.

Credit risk exposure in the banking activities arising from lending and investing

Credit risk arises in both the banking and insurance activities of the group. As regards the banking activities, the main source of credit risk is the bank's loan portfolio. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities are included in the investment portfolio if they are issued by companies or banks. Government bonds are not included in the investment portfolio. Furthermore, the table does not take into account the credit risk related to the trading book (issuer risk) and the counterparty credit risk related to derivative transactions. We describe these items separately below.

The loan and investment portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section. For more information, please refer to the 'Glossary of financial ratios and terms'.

Loan and investment portfolio, banking		
A: Total loan portfolio	**31-12-2023**	**31-12-2022**
Total loan portfolio (in billions of EUR)		
Amount outstanding and undrawn	258	259
Amount outstanding	203	206
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)[1]		
Belgium[2]	65%	63%
Czech Republic	19%	19%
International Markets	15%	14%
Group Centre[7]	1%	5%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)[1]		
Private individuals	41%	43%
Finance and insurance	6%	6%
Governments	3%	3%
Corporates	50%	48%
Services	*11%*	*10%*
Distribution	*8%*	*8%*
Real estate	*7%*	*6%*
Building and construction	*5%*	*4%*
Agriculture, farming, fishing	*3%*	*3%*
Automotive	*3%*	*2%*
Other (sectors < 2%)	*15%*	*14%*
Total	100%	100%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)[1,3]		
Belgium	55%	53%
Czech Republic	18%	18%
Slovakia	6%	6%
Hungary	4%	4%
Bulgaria	5%	5%
Rest of Western Europe	8%	11%
Rest of Central and Eastern Europe	0%	0%
North America	1%	1%
Asia	1%	1%
Other	1%	1%
Total	100%	100%
Loan portfolio breakdown by risk class (as a % of the outstanding portfolio, based on internal rating scale)[1]		
Unimpaired		
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	*24%*	*25%*
PD 2 (0.10% – 0.20%)	*14%*	*13%*
PD 3 (0.20% – 0.40%)	*14%*	*13%*
PD 4 (0.40% – 0.80%)	*18%*	*18%*
PD 5 (0.80% – 1.60%)	*14%*	*15%*
PD 6 (1.60% – 3.20%)	*8%*	*8%*
PD 7 (3.20% – 6.40%)	*4%*	*4%*
PD 8 (6.40% – 12.80%)	*1%*	*1%*
PD 9 (highest risk, ≥ 12.80%)	*1%*	*1%*
Unrated	*0%*	*0%*
Impaired		
PD 10	*1.1%*	*1.0%*
PD 11	*0.2%*	*0.3%*
PD 12	*0.8%*	*0.8%*
Total	100%	100%
Loan portfolio breakdown by IFRS 9 ECL Stage[4] (as a % of the outstanding portfolio)[1]		
Stage 1 (no significant increase in credit risk since initial recognition)	80%	78%
Stage 2 (significant increase in credit risk since initial recognition – not credit impaired) incl. POCI[5]	18%	20%
Stage 3 (significant increase in credit risk since initial recognition – credit impaired) incl. POCI[5]	2%	2%
Total	100%	100%

B: Impaired loan portfolio	31-12-2023	31-12-2022
Impaired loans (PD 10 + 11 + 12; in millions of EUR or %)		
Impaired loans[6]	4 221	4 350
Of which more than 90 days past due	*2 051*	*2 289*
Impaired loans by business unit (as a % of the impaired loan portfolio)[1]		
Belgium[2]	63%	57%
Czech Republic	13%	15%
International Markets	13%	13%
Slovakia	*4%*	*3%*
Hungary	*4%*	*3%*
Bulgaria	*6%*	*6%*
Group Centre	10%	15%
Total	100%	100%
Impaired loans by sector (as a % of the impaired loan portfolio)[1]		
Distribution	19%	19%
Private individuals	16%	21%
Real estate	13%	11%
Services	9%	10%
Automotive	9%	5%
Building and construction	7%	7%
Chemicals	4%	4%
Agriculture, farming, fishing	2%	1%
Hotels, bars and restaurants	2%	3%
Authorities	2%	2%
Food producers	2%	2%
Other (sectors < 2%)	15%	16%
Total	100%	100%
Loan loss impairment (in millions of EUR)		
Impairment for Stage 1 portfolio	168	134
Impairment for Stage 2 portfolio, incl. POCI[5] (cured)	502	694
Impairment for Stage 3 portfolio, incl. POCI[5] (still impaired)	1 888	2 048
Of which impairment for impaired loans that are more than 90 days past due	*1 459*	*1 547*
Credit cost ratio		
Belgium Business Unit[2]	0.06%	0.03%
Czech Republic Business Unit	-0.18%	0.13%
International Markets Business Unit	-0.06%	0.31%
Slovakia	*-0.07%*	*0.17%*
Hungary	*-0.14%*	*0.42%*
Bulgaria	*0.00%*	*0.43%*
Group Centre	0.07%	-0.04%
Total	0.00%	0.08%
Impaired loans ratio		
Belgium Business Unit[2]	2.0%	1.9%
Czech Republic Business Unit	1.4%	1.7%
International Markets Business Unit	1.8%	1.9%
Slovakia	*1.4%*	*1.2%*
Hungary	*1.9%*	*2.0%*
Bulgaria	*2.2%*	*2.8%*
Group Centre	36.2%	6.6%
Total	2.1%	2.1%
Of which more than 90 days past due	*1.0%*	*1.1%*
Coverage ratio		
Loan loss impairment / impaired loans	45%	47%
Of which more than 90 days past due	*71%*	*68%*
Loan loss impairment / impaired loans (excl. mortgage loans)	47%	50%
Of which more than 90 days past due	*74%*	*71%*

1 Unaudited figures.
2 Also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia (with a total outstanding portfolio of 7 billion euros at year-end 2023).
3 A more detailed breakdown by country is available in KBC's quarterly reports (at www.kbc.com).
4 For more information on stages, see Note 1.2 of the 'Consolidated financial statements' section.
5 Purchased or originated credit impaired assets; gross amounts, as opposed to net amounts in the accounting treatment.
6 Figures differ from those appearing in Note 4.2 of the 'Consolidated financial statements' section, due to differences in scope. The 128-million-euro decrease between 2023 and 2022 breaks down as follows: +179 million euros at the Belgium Business Unit, -95 million euros in the Czech Republic, +32 million euros in Slovakia, +11 million euros in Hungary , -36 million euros in Bulgaria and -220 million euros for the rest (due to the closing of the sale of the activities of KBC Bank Ireland).
7 The drop in the Group Centre loan portfolio is mainly related to the sale of KBC Bank Ireland's performing loan portfolio in February 2023 (see Note 6.6 in the 'Consolidated financial statements' section).

The 'Loan portfolio breakdown by IFRS 9 ECL Stage (as a % of the outstanding portfolio)' and 'Loan loss impairment' sub-sections in the above table have been broken down further as follows:

Loan portfolio breakdown by IFRS 9 ECL stage				31-12-2023				31-12-2022
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan portfolio by country/business unit								
Belgium	51.1%	12.3%	1.3%	64.7%	48.1%	13.4%	1.2%	62.7%
Czech Republic	16.1%	2.9%	0.3%	19.3%	15.2%	3.1%	0.3%	18.6%
International Markets	12.5%	2.7%	0.3%	15.4%	10.6%	3.1%	0.3%	13.9%
Slovakia	*5.0%*	*0.9%*	*0.1%*	*6.1%*	*4.5%*	*1.1%*	*0.1%*	*5.6%*
Hungary	*3.0%*	*1.0%*	*0.1%*	*4.1%*	*2.3%*	*1.2%*	*0.1%*	*3.7%*
Bulgaria	*4.4%*	*0.7%*	*0.1%*	*5.2%*	*3.7%*	*0.8%*	*0.1%*	*4.7%*
Group Centre	0.4%	0.0%	0.2%	0.6%	4.1%	0.3%	0.3%	4.7%
Total	80.1%	17.9%	2.1%	100.0%	78.0%	19.9%	2.1%	100.0%
Loan portfolio by sector								
Private individuals	36.4%	4.1%	0.3%	40.8%	37.5%	5.2%	0.4%	43.2%
Finance and insurance	5.8%	0.2%	0.0%	6.0%	5.6%	0.2%	0.0%	5.9%
Governments	2.4%	0.2%	0.0%	2.7%	2.8%	0.2%	0.0%	3.1%
Corporates	35.4%	13.4%	1.7%	50.5%	32.1%	14.2%	1.6%	47.9%
Total	80.1%	17.9%	2.1%	100.0%	78.0%	19.9%	2.1%	100.0%
Loan portfolio by risk class								
PD 1–4	64.5%	5.1%	–	69.7%	61.4%	6.1%	–	67.5%
PD 5–9	15.5%	12.7%	–	28.3%	16.6%	13.8%	–	30.4%
PD 10–12	–	–	2.1%	2.1%	–	–	2.1%	2.1%
Total	80.1%	17.9%	2.1%	100.0%	78.0%	19.9%	2.1%	100.0%
Total (in millions of EUR)	162 474	36 258	4 221	202 953	160 412	40 958	4 350	205 720

Impairment broken down by IFRS 9 ECL Stage				31-12-2023				31-12-2022
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment by country/business unit								
Belgium	2.6%	9.3%	40.0%	51.9%	1.8%	9.7%	34.4%	45.9%
Czech Republic	1.6%	5.5%	9.9%	16.9%	1.3%	6.7%	10.2%	18.1%
International Markets	2.4%	4.8%	9.5%	16.7%	1.4%	6.9%	9.5%	17.8%
Slovakia	*0.5%*	*2.0%*	*3.4%*	*6.0%*	*0.4%*	*2.8%*	*2.7%*	*5.9%*
Hungary	*1.0%*	*1.2%*	*1.7%*	*3.9%*	*0.3%*	*2.1%*	*1.9%*	*4.3%*
Bulgaria	*0.9%*	*1.6%*	*4.4%*	*6.9%*	*0.7%*	*1.9%*	*4.9%*	*7.5%*
Group Centre	0.0%	0.0%	14.4%	14.4%	0.2%	0.8%	17.1%	18.2%
Total	6.6%	19.6%	73.8%	100.0%	4.7%	24.1%	71.2%	100.0%
Impairment by sector								
Private individuals	1.1%	4.4%	6.5%	12.0%	1.3%	7.8%	12.8%	21.9%
Finance and insurance	0.2%	0.2%	1.8%	2.2%	0.2%	0.1%	1.6%	2.0%
Governments	0.2%	0.6%	1.4%	2.2%	0.0%	0.0%	0.3%	0.4%
Corporates	5.0%	14.5%	64.1%	83.5%	3.2%	16.1%	56.4%	75.7%
Total	6.6%	19.6%	73.8%	100.0%	4.7%	24.1%	71.2%	100.0%
Impairment by risk class								
PD 1–4	1.2%	1.1%	–	2.3%	1.4%	1.9%	–	3.3%
PD 5–9	5.4%	18.5%	–	23.9%	3.3%	22.3%	–	25.5%
PD 10–12	–	–	73.8%	73.8%	–	–	71.2%	71.2%
Total	6.6%	19.6%	73.8%	100.0%	4.7%	24.1%	71.2%	100.0%
Total (in millions of EUR)	168	502	1 888	2 559	134	694	2 048	2 875

Forbearance measures

Forbearance measures consist of concessions towards a borrower facing, or about to face, financial difficulties. They may involve lowering or postponing interest or fee payments, extending the term of the loan to ease the repayment schedule, capitalising arrears, declaring a moratorium or providing debt forgiveness.

A client with a loan qualifying as forborne will in general be assigned a PD class that is worse than before the forbearance measure was granted, given the increased risk of default. When that is the case, the client's unlikeliness to pay is also assessed (according to specific 'unlikely to pay' criteria). In accordance with IFRS 9 requirements, a facility tagged as 'forborne' is allocated to 'Stage 2' (if the client/facility is classified as 'non-defaulted') or to 'Stage 3' (if the client/facility is classified as 'defaulted').

KBC applies criteria that are consistent with the corresponding EBA standards to move forborne exposures from 'defaulted' to 'non-defaulted' status and to remove the forbearance status. If a client/facility has been assigned 'defaulted' status (before or at the time forbearance measures are granted), the client/forborne facility (depending on whether defaulted status is assigned at client or facility level) must remain defaulted for at least one year. Only upon strict conditions can the client/facility be reclassified as 'non-defaulted'. A forborne facility with a 'non-defaulted' status will be tagged as 'forborne' for at least two years after the forbearance measure has been granted, or after the client/facility becomes non-defaulted, and can only be removed when strict extra criteria have been met (non-defaulted, regular payments, etc.). As a forbearance measure constitutes an objective indicator (i.e. impairment trigger) that requires assessing whether impairment is needed, all forbearance measures are subject to an impairment test.

On-balance-sheet exposures with forbearance measures: gross carrying value (in millions of EUR)	**Opening balance**	**Loans which have become forborne**	**Loans which are no longer considered to be forborne**	**Repayments**	**Write-offs**	**Other**[1]	**Closing balance**
2023	2 939	642	-1 001	-361	-20	103	2 303
2022	3 681	668	-1 088	-436	-16	129	2 939

On-balance-sheet exposures with forbearance measures: impairment (in millions of EUR)	**Opening balance**	**Existing impairment on loans which have become forborne**	**Decrease in impairment because loans are no longer forborne**	**Increase in impairment on forborne loans**	**Decrease in impairment on forborne loans**	**Other**[2]	**Closing balance**
2023	428	63	-55	86	-122	-13	387
2022	445	197	-171	52	-118	22	428

1 Includes foreign-exchange effects for loans granted in currencies other than the local currency, changes in the drawn/undrawn portion of facilities, increases in the gross carrying value of existing forborne loans and additions or disposals through business combinations.

2 Includes the use of impairment in respect of write-offs and additions or disposals through business combinations.

Forborne loans	As a % of the outstanding portfolio	Breakdown by PD class (as a % of the entity's portfolio of forborne loans)			
		PD 1-8	PD 9	PD 10 (impaired, less than 90 days past due)	PD 11-12 (impaired, 90 days and more past due)
31-12-2023					
Total	1%	33%	8%	46%	14%
By client segment[1]					
Private individuals[2]	1%	64%	3%	25%	8%
SMEs	1%	30%	12%	42%	16%
Corporations[3]	1%	13%	8%	63%	16%
31-12-2022					
Total	2%	39%	15%	33%	13%
By client segment[1]					
Private individuals[2]	1%	45%	17%	26%	12%
SMEs	2%	44%	11%	34%	12%
Corporations[3]	2%	31%	16%	37%	16%

1 Unaudited.
2 86% of the forborne loans total relates to mortgage loans in 2023 (90% in 2022).
3 32% of the forborne loans relates to commercial real estate loans in 2023 (26% in 2022).

Other credit risks in the banking activities

Trading book securities. These securities carry an issuer risk (potential loss should the issuer default). We measure exposure to this type of risk on the basis of the market value of the securities. Issuer risk is curtailed through the use of limits both per issuer and per rating category.

Government securities in the investment portfolio of banking entities. We measure exposure to governments in terms of nominal value and book value. Such exposure relates mainly to EU states. We have put in place limiting caps for both non-core and core country sovereign bond exposure. Details on the exposure of the combined banking and insurance activities to government bonds are provided in a separate section below.

Counterparty credit risk of derivatives transactions. The amounts shown in the table below are the group's pre-settlement risks, which are measured using the internal model method for interest rate and foreign exchange derivatives in the Belgium Business Unit. For inflation, equity and commodity derivatives, pre-settlement risks are calculated as the sum of the (positive) current replacement value ('mark-to-market' value) of a transaction and the applicable add-on. This calculation is also used for measuring pre-settlement risks for interest rate and foreign exchange derivatives in the other business units.
Risks are curtailed by setting limits per counterparty. We also use close-out netting and collateral techniques. Financial collateral is only taken into account if the assets concerned are considered eligible risk mitigants for regulatory capital calculations.

Other credit exposure, banking (in billions of EUR)	31-12-2023	31-12-2022
Issuer risk[1]	0.05	0.03
Counterparty credit risk of derivatives transactions[2]	4.2	3.9

1 Excluding a nominative list of central governments, and all exposure to EU institutions and multilateral development banks.
2 After deduction of collateral received and netting benefits.

Credit risk exposure in the insurance activities

For the insurance activities, credit exposure exists primarily in the investment portfolio and towards reinsurance companies. We have guidelines in place for the purpose of controlling credit risk within the investment portfolio with regard to, for instance, portfolio composition and ratings.

The upper part of the table below shows the market value of the investment portfolio of the insurance entities broken down by asset type under Solvency II, while the lower part provides more details of the bond and other fixed-income security components of the portfolio.

Investment portfolio of KBC group insurance entities (in millions of EUR, market value)[1]	**31-12-2023**	**31-12-2022**
Per asset type (Solvency II)		
Securities	16 785	16 444
Bonds and alike	*15 540*	*15 278*
Shares	*1 205*	*1 097*
Derivatives	*40*	*69*
Loans and mortgages	2 160	2 153
Loans and mortgages to clients	*1 768*	*1 780*
Loans to banks	*393*	*374*
Property and equipment and investment property	328	309
Unit-linked investments[2]	14 348	12 771
Investments in associated companies	298	295
Other investments	7	8
Total	33 926	31 981
Details for bonds and other fixed-income securities		
By external rating[3]		
Investment grade	99%	99%
Non-investment grade	1%	1%
Unrated	0%	0%
By sector[3]		
Governments	66%	65%
Financial[4]	22%	24%
Other	12%	11%
By remaining term to maturity[3]		
Not more than 1 year	12%	9%
Between 1 and 3 years	16%	18%
Between 3 and 5 years	14%	17%
Between 5 and 10 years	28%	29%
More than 10 years	30%	27%

1 The total carrying value amounted to 34 155 million euros at year-end 2023 and to 32 897 million euros at year-end 2022. Figures differ from those appearing in Note 4.1 of the 'Consolidated financial statements' section, due to asset class reporting under Solvency II.

2 Representing the assets side of unit-linked (class 23) products and completely balanced on the liabilities side. No credit risk involved for KBC Insurance.

3 Excluding investments for unit-linked life insurance. In certain cases, based on extrapolations and estimates.

4 Including covered bonds and non-bank financial companies.

We are also exposed to a credit risk in respect of (re) insurance companies, since they could default on their commitments under (re)insurance contracts concluded with us. We measure this particular type of credit risk by means of a nominal approach (the maximum loss) and expected loss (EL), among other techniques. Name concentration limits apply. Probability of Default (PD) and expected loss is calculated using internal or external ratings. We determine the exposure at default (EAD) by adding up the net loss reserves and the premiums, and the loss given default (LGD) percentage is fixed at 50%.

Credit exposure to (re)insurance companies by risk class[1]: EAD and EL[2] (in millions of EUR)	**EAD 2023**	**EL 2023**	**EAD 2022**	**EL 2022**
AAA up to and including A-	178	0.1	171	0.1
BBB+ up to and including BB-	3	0.0	17	0.0
Below BB-	0	0.0	0	0.0
Unrated	0	0.0	0	0.0
Total	181	0.1	188	0.1

1 Based on internal ratings.
2 EAD figures are audited, whereas EL figures are unaudited.

Market risk in non-trading activities

Market risk relates to changes in the level or in the volatility of prices in financial markets. The process of managing our structural exposure to market risks in the non-trading activities covers interest rate risk, gap risk, basis risk, option risk (such as prepayment risk), currency risk, equity price risk, real estate price risk, credit spread risk and inflation risk. 'Structural exposure' encompasses all exposure inherent in our commercial activity or in our investments (banking and insurance). Trading activities are therefore not included. This process is also known as Asset/Liability Management (ALM).

Managing market risk in non-trading activities

In the area of market risk in the non-trading activities, the Executive Committee is supported by the Group Assets and Liability Committee (ALCO), which is to provide assistance in the area of (integrated) balance sheet management at group level. The governance, rules and procedures and how asset and liability risk management is performed throughout the group are outlined in the Non-Trading Market Risk Framework. Its implementation is monitored by Group Risk and its Market Non-Trading Risk Competence Centre. Within the risk function, the ALM & Liquidity Risk Council, chaired by the CRO Treasury & Markets, aims to establish, facilitate, promote and support the solid and efficient integration of all tasks assigned to the local and group risk departments.

The Group and Local Treasury functions act as the first line of defence and measure and manage interest rate risk on a playing field defined by the risk appetite and the limits.

The building blocks for managing market risk in non-trading activities

- **Risk identification**: To identify market risks in the non-trading portfolios a number of tools are used, including the New and Active Products Process (NAPP), the Environmental Risk Impact Map, the risk scan, and early warning processes triggered by recurrent monitoring. Risk signals are an important tool as well. For this purpose, both the internal and external environment is scanned for events and developments that could have an impact on our non-trading books. Relevant risk signals are reported to management, if possible, including a proposal for remedial actions. New and upcoming regulation is followed up at group or local level to ensure that these are implemented in KBC's policies and instructions.
- **Risk measurements**: a common rulebook, which supplements the framework for technical aspects, and a shared group measurement tool ensure that these risks are measured consistently throughout the group through, among others:
  - Basis-Point-Value (BPV) for interest rate risk;
  - gap analysis for interest rate risk, related to repricing mismatches between assets and liabilities and inflation risk;
  - economic sensitivities for currency risk, equity price risk and real estate price risk.

  Measures are complemented by stress tests, covering back testing of pre-payments, net interest income results under various scenarios, or the impact on regulatory capital stemming from interest, spread or equity risk residing within the banking books.
- **Setting and cascading risk appetite**: limits cover all material market risks faced by the ALM function: limits covering interest rate risk, equity risk, real estate risk and foreign exchange risk for the consolidated entities are approved by the Board of Directors and limits for each local entity are approved by the Executive Committee.
- **Risk analysis, reporting and follow-up**: besides regulatory reporting, structural reporting to the ALCO is performed. The reporting process includes a sign-off process to ensure data accuracy.

ESG in market risk (non-trading) management

Within the ALM scope, ESG risk, specifically climate and other environmental risks, is considered for the portfolios of sovereign and corporate bonds, equity investment, and direct real estate. For all products, environmental transition risk is assessed on the basis of either sector (corporate bonds and direct equity), country (sovereign bonds), or physical risk (direct real estate).

The bond and equity portfolios are monitored via climate risk KRIs to ensure positions do not become more susceptible to transition risk. For corporate bonds and equity positions, the majority of the exposure is, and is expected to remain, in sectors with low transition risk. The same approach is taken with sovereign bonds. Direct real estate represents a small and more stable exposure, and is followed up on when positions change. All treasury investment decisions are taken in line with the single binding framework, which defines the screening criteria for responsible investments.

For sovereign bonds, classification takes place based on an internal sustainability barometer of countries, which are classified as having low, medium, or high risk in respect of environmental commitments. Corporate bonds and direct equity positions are classified by sector as having low, medium, or high climate transition risk. The sustainability analysis for corporate bonds and equity positions follow a scenario inspired by the 'disorderly transition scenario', developed by the 'Network for Greening the Financial System' (NGFS), which was used in the ECB climate stress test exercise carried out in 2022. For corporate bonds, sensitivity is measured by a credit spread shock based on the aforementioned 2022 ECB climate stress test spread shocks. Equity value is shocked per sector based on ECB climate equity shocks. Direct real estate is measured on a position-by-position basis with an emphasis on physical risk. Insights are gathered and reported in alignment with other risk types in the Climate Risk Impact Map (see 'ESG in our risk management').

More information can be found in the Risk Report, at www.kbc.com.

Impact of external developments on market risk in the non-trading activities

After the significant rate hikes in 2022, 2023 was characterised by a normalisation of interest rate s after years of low rates. Banks in general experienced a sizeable shift from current and savings accounts to fixed-rate instruments. The issue of the one-year State Note in Belgium illustrated the overall trend of shifting from non-maturity deposits towards term deposits or fixed-rate instruments. However, KBC always applies a prudent investment approach for such deposits and holds significant buffers in short-term investments to be able to absorb material outflows. As such, given these prudent buffers, the large success of the Belgian State Note did not trigger any specific action for the existing investments.

Market risk in the non-trading activities consists of different risk sub-types. These are outlined below, including more details and figures.

Interest rate risk and gap risk

We manage the ALM interest rate positions of the banking entities via a system of market-oriented internal pricing for products with a fixed maturity date, and via a replicating portfolio technique for products without a fixed maturity date (e.g., current and savings accounts). The bank also adjusts its interest rate profile through interest rate derivatives to stay within the limits set by the risk appetite.

The main technique used to measure interest rate risks is the 10 Basis Point Value (BPV) method, which measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire swap curve (negative figures indicate a decrease in the value of the portfolio).

Impact of a parallel 10-basis-point increase in the swap[1] curve for the KBC group, impact on value[2] (in millions of EUR)	**2023**	**2022**
Banking	-45	-36
Insurance	11	4
Total	-33	-32

1 In accordance with market standards, sensitivity figures are based on a risk-free curve (swap curve).

2 Full market value, regardless of accounting classification or impairment rules.

For the scope of the banking activities, two other methodologies to measure interest rate sensitivity, which is comparable across institutions, are the outlier stress test (SOT) on Economic Value of Equity (EVE) and the SOT on Net Interest Income (NII), both calculated according to the guidelines of the European Banking Authority.

For the SOT on EVE, six different scenarios are applied to the banking books (material currencies) every quarter. These scenarios comprise material parallel shifts up and down, steepening or flattening of the swap curves or shifts in the short-term rates only. The worst-case scenario impact (the most negative impact on the economic value of equity) is set off against tier-1 capital. For the banking book at KBC group level, the SOT EVE came to -3.91% of tier-1 capital at year-end 2023. This is well below the -15% threshold, which is monitored by the European Central Bank and indicates that the overall interest rate sensitivity of KBC's balance sheet is limited.

As from 2023, the SOT EVE is complemented by the SOT NII, which measures the impact of two scenarios (parallel up and down) on NII. The impact of the worst-case scenario on NII is also set off against tier-1 capital. According to this measure, the interest rate sensitivity of KBC, too, is limited: it came to -1.27% at year-end 2023, compared to the 5% outlier threshold used by the supervisory authority.

We also use other techniques to measure potential imbalances in terms of our interest rate position, such as gap analysis, the duration approach, scenario analysis and stress testing. Information regarding the Gap table, detailing mismatches between assets and liabilities by time bucket, is provided in the 2023 Risk Report.

Where the group's insurance activities are concerned, the fixed-income investments for the non-life reserves are invested with the aim of matching the projected pay-out patterns for claims, based on extensive actuarial analysis.

The non-unit-linked life activities (class 21) combine a guaranteed interest rate with a discretionary participation feature (DPF) fixed by the insurer. The main risks to which the insurer is exposed as a result of such activities are a low-interest-rate risk (the risk that return on investments will drop below the guaranteed level) and the risk that the investment return will not be sufficient to give clients a competitive profit-sharing rate. The risk of low interest rates is managed by largely matching asset and liability cashflows of the life insurance portfolios covered by fixed-income investments. Unit-linked life insurance investments (class 23) are not dealt with here, since this activity does not entail any market risk for KBC.

Expected cashflows (not discounted), life insurance activities (in millions of EUR)	**0–1 year**	**1–2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
31-12-2023							
Fixed-income assets backing liabilities, guaranteed component	1 787	741	932	787	1 044	8 225	13 516
Equity	–	–	–	–	–	–	*937*
Property	–	–	–	–	–	–	*108*
Other (no maturity)	–	–	–	–	–	–	*299*
Liabilities, guaranteed component	1 595	1 201	807	882	834	9 474	14 793
Difference in time-sensitive expected cashflows	192	-460	125	-95	210	-1 250	-1 278
Mean duration of assets							6.72 years
Mean duration of liabilities							7.92 years
31-12-2022							
Fixed-income assets backing liabilities, guaranteed component	1 233	1 489	855	1 048	844	8 738	14 208
Equity	–	–	–	–	–	–	*929*
Property	–	–	–	–	–	–	*112*
Other (no maturity)	–	–	–	–	–	–	*95*
Liabilities, guaranteed component	1 367	1 201	807	882	834	9 474	14 566
Difference in time-sensitive expected cashflows	-134	288	48	166	11	-737	-358
Mean duration of assets							6.66 years
Mean duration of liabilities							8.76 years

As mentioned above, the main interest rate risk for the insurer is the risk of low rates for a longer period. Liabilities in the Life or Workmen's Compensation businesses tend to have maturities beyond the classic investment horizon and there is a risk that reinvestments may need to be done at lower rates. We adopt a liability-driven ALM approach focused on mitigating the interest rate risk in accordance with KBC's risk appetite. For the remaining interest rate risk, we adhere to a policy that takes into account the possible negative consequences of a sustained decline in interest rates, and have built up adequate supplementary reserves.

Breakdown of the reserves for non-unit-linked life insurance by guaranteed interest rate, insurance activities	31-12-2023	31-12-2022
5.00% and higher	3%	3%
More than 4.25% up to and including 4.99%	6%	7%
More than 3.50% up to and including 4.25%	4%	4%
More than 3.00% up to and including 3.50%	9%	9%
More than 2.50% up to and including 3.00%	3%	3%
2.50% and lower	73%	72%
0.00%	2%	2%
Total	100%	100%

Credit spread risk

We purchase bonds with a view to acquiring interest income. Their selection is largely conservative and based on criteria such as credit risk rating, risk/return measures and liquidity characteristics.

We manage the credit spread risk for, *inter alia*, the sovereign bond portfolio by monitoring the extent to which the value of the sovereign bonds would change if credit spreads were to go up by 100 basis points across the entire curve. In addition to the sovereign portfolio, KBC holds a non-sovereign bond portfolio (banks, corporations, supranational bodies). More details regarding the bond portfolio components can be found in the Risk Report.

Exposure to bonds at year-end 2023, KBC Group, carrying value (in millions of EUR)

	At amortised cost	At fair value through other comprehensive income (FVOCI)	Held for trading	Total	For comparison purposes: total at year-end 2022[3]	Economic impact of +100 basis points[1]
Sovereign	43 337	13 206	2 966	59 509	*53 642*	-2 803
Of which[2]:						
Czech Republic	*12 079*	*1 278*	*2 254*	*15 611*	*13 556*	*-721*
Belgium	*7 052*	*4 126*	*189*	*11 367*	*10 664*	*-659*
France	*3 710*	*1 703*	*38*	*5 451*	*5 408*	*-223*
Slovakia	*3 524*	*617*	*66*	*4 207*	*3 618*	*-219*
Hungary	*2 405*	*472*	*189*	*3 066*	*2 624*	*-114*
Non-sovereign	8 035	3 701	172	11 908	*11 524*	-359

1 Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure. Only a portion of this impact is reflected in profit or loss and/or equity. Sensitivity figures relate to non-trading positions in sovereign bonds for the banking and insurance businesses (impact on trading book exposure was quite limited and amounted to 35 million euros at year-end 2023).

2 Top 5 largest sovereign portfolios.

3 2022 figures have been restated following the transition to IFRS17.

Equity risk

The main exposure to equity is within our insurance business, where the ALM strategies are based on a risk-return evaluation, taking into account the market risk attached to open equity positions. The vast majority of the equity portfolio is held as an economic hedge for long-term liabilities of the insurance company. Smaller equity portfolios are also held by other group entities, where the portfolios are of a strategic nature, such as participations in relation to the execution of KBC's business model. The sectorial repartition of the portfolio is included in the Risk Report.

Equity portfolio of the KBC group	Banking activities		Insurance activities		Group	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022
In billions of EUR*	0.23	0.22	1.39	1.33	1.63	1.55
of which unlisted	*0.22*	*0.21*	*0.18*	*0.14*	*0.4*	*0.35*

* The main reason for the difference with 'Equity instruments' in Note 4.1 of the 'Consolidated financial statements' section is that shares in the trading book are excluded above, but included in the table in Note 4.1.

Impact of a 25% drop in equity prices, impact on value (in millions of EUR)	2023	2022
Banking activities	-59	-55
Insurance activities	-348	-333
Total	-407	-387

Non-trading equity exposure* (in millions of EUR)	Net realised gains (in income statement)		Net unrealised gains on year-end exposure (in equity)	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Banking activities	–	–	19	12
Insurance activities	2	-1	212	80
Total	2	-1	231	91

* 2022 figures for insurance activities and total have been restated following the transition to IFRS 17.

Real estate risk

The group's real estate businesses hold a limited real estate investment portfolio. KBC Insurance also holds a diversified real estate portfolio, as an investment for non-life reserves and long-term life activities. The real estate exposure is viewed as a long-term hedge against inflation risks and as a way of optimising the risk/return profile of these portfolios.

Impact of a 25% drop in real estate prices, impact on value (in millions of EUR)	2023	2022
Bank portfolios	-94	-94
Insurance portfolios	-107	-78
Total	-201	-172

Inflation risk

Inflation can impact a financial company indirectly in many ways, for instance via changes in interest rates or operational costs. Inflation in general therefore is not easily quantifiable as a market risk concept. However, certain financial products or instruments have a direct link with inflation and their value is directly impacted by a change in market expectations. KBC Bank uses inflation-linked bonds as an opportunity to diversify its asset portfolio. At KBC Insurance, inflation risk relates specifically to workmen's compensation insurance, where particularly in the case of permanent or long-term disabilities an annuity benefit is paid to the insured person (with the annuity being linked to inflation by law). KBC Insurance partly mitigates the risks by investing in inflation-linked bonds and complements its inflation hedging programme by investing in real estate and shares, as these assets are traditionally correlated with inflation and do not have a maturity date.

The banking business holds a portfolio of inflation-linked bonds with a sensitivity to inflation (BPI) of 7.5 million euros (a 0.10% move in inflation expectations) at the end of 2023. For the insurance activities the BPI of liabilities was calculated at 4.8 million euros, against which inflation-linked bonds are held with a 4.4-million-euro BPI, supplemented with a 26-million-euro real estate portfolio. The sensitivity of liabilities to inflation is only known with a quarter's delay. Therefore, the insurance figures in this section are based on the third quarter of 2023.

Foreign exchange risk

We pursue a prudent policy as regards our structural currency exposure. Material foreign exchange exposure in the ALM books of banking entities with a trading book is transferred via internal deals to the trading book, where it is managed within the allocated trading limits. The foreign exchange exposure of banking entities without a trading book and of insurance and other entities has to be hedged, if material. However, non-euro-denominated equity holdings in the investment portfolio are not hedged, as foreign exchange volatility is considered part of the investment return.

KBC focuses on stabilising the common equity ratio against foreign exchange fluctuations.

Impact of a 10% decrease in currency value*		Banking		Insurance
(in millions of EUR)	31-12-2023	31-12-2022	31-12-2023	31-12-2022
CZK	-209	-231	-31	-31
HUF	-85	-100	-9	-7
BGN	-93	-96	-22	-17
USD	6	-1	-52	-47

* Exposure for currencies where the impact exceeds 10 million euros in Banking or Insurance.

Hedge accounting

Assets and liabilities management uses derivatives to mitigate interest rate and foreign exchange risks. The aim of hedge accounting is to reduce the volatility in P&L resulting from the use of these derivatives.
KBC decided not to apply hedge accounting to credit and equity risks. When the necessary criteria are met, it is applied to remove the accounting mismatch between the hedging instrument and the hedged item. For more information about hedge accounting, please see 'Notes on the accounting policies' in the 'Consolidated financial statements' section.

Risk categories applying to hedge accounting

Interest rates

Hedging derivatives are used to mitigate an interest rate risk that arises from a difference in the interest rate profile of assets and their funding liabilities. The hedge accounting status of a hedge can be associated with either the asset or the liability item.

Interest rate derivatives can be designated as:

- Hedges of the fair value of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is also recognised in profit or loss.
- Hedges of the cashflow of recognised assets and liabilities which are either certain or highly probable forecasted transactions. The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in the cashflow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

KBC uses macro hedge accounting strategies for homogeneous portfolios of smaller items, where the frequency of occurrence or the relatively small size of the average operation renders the one-to-one relationship sub-optimal. This is the case for *inter alia* mortgages, loans to SMEs or customer deposits. Macro hedge strategies may be dynamic and undergo frequent changes based on balancing the portfolio ('open portfolio hedge'), among other things.
The micro hedge designation is used when large individual assets or liabilities are hedged. Typical assets are large corporate loans and bond acquisitions for which the credit spread profile is relevant. Liabilities can include KBC's own issues or specific long-term facilities offered by a central bank. Micro hedges are either fair-value or cashflow based.

Foreign exchange

KBC has strategic investments denominated in non-euro currencies. The net asset value of significant participations is partly funded in the local currency by deposits and foreign exchange derivatives, to ensure stability of the common equity ratio. By using hedges of net investments in foreign operations, the foreign exchange component is reported in equity until realisation (unwinding of funding due to liquidation, dividend payments or other decreases in net asset value).
KBC also has a limited portfolio of foreign-currency-denominated bonds that are funded through euro proceeds. These bonds are hedged by cross-currency interest rate swaps to create a synthetic EUR fixed-rate interest income. Cashflow hedge accounting (micro-hedge) is performed to mitigate foreign exchange volatility.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, as well as through periodic prospective and retrospective effectiveness assessments, to ensure that a relevant relationship between the hedged item and the hedging instrument exists and remains valid.

Effectiveness testing

For interest rates, several prospective and retrospective tests are performed to ensure the relationship between the hedged item and the hedging instrument qualifies for the hedge accounting strategy.
Prospective tests are mostly based either on a sensitivity analysis (verifying if the basis point value of the hedged portfolio relative to the hedging instrument stays within the 80-125% interval) or volume tests (if the principal amount of hedge-eligible items exceeds the notional volume of hedging instruments expected to be repriced or repaid in each specified time bucket).
For macro cashflow hedges, extensive forward-looking analyses assess the sufficient likelihood that the future volume of hedged items will largely cover the volume of hedging instruments. A hedge ratio – measuring the proportion of a portfolio that is hedged by derivatives – is calculated for each hedging strategy.
The retrospective effectiveness test of the hedge relationship is periodically carried out by comparing the change in fair value of the portfolio of hedging instruments relative to the change in fair value of the hedged eligible items imputable to the hedged risk over a given period (the ratio of fair value changes remains within the 80-125% interval).
For foreign exchange hedging, effectiveness is ensured by adjusting the sum of the nominal amount of the funding deals and foreign exchange derivatives to the targeted hedge amount of the strategic participations. For foreign-currency-denominated bonds swapped into euro, the start date, maturity date and coupon dates are also matched.

Sources of hedge ineffectiveness

Ineffectiveness for interest rate swaps may occur due to:

- differences in relevant terms between the hedged item and the hedging instrument (it can include discrepancies in interest curves and in periodicity);
- a reduction in volume of the hedged item that would fall under the volume of hedging instruments for any time bucket;
- the credit value adjustment on the interest rate swap not being matched by the loan. However, hedging swaps are fully collateralised or traded through clearing houses and the credit value adjustment is limited.

Regarding the hedge of the net investment in foreign currency, the interest rate component from the hedging

instruments can be a source of inefficiency. The counterparty risk on the hedging instrument, even if collateralised, can also be a source of inefficiency.

Discontinuation of hedge accounting

Hedge accounting strategies failing the effectiveness tests are discontinued. A de-designated hedging instrument can be re-designated in a new hedge relationship. Effective hedge accounting strategies may also be discontinued for technical or strategic reasons. Any impact on profit and loss arising from hedge ineffectiveness and discontinuation is reported to the Group ALCO.

Capital sensitivity to market movements

Available capital can be impacted by changes in the value of balance sheet items (e.g., sovereign and corporate bonds and equity) booked at fair value through other comprehensive income or fair value through profit or loss. This impact can be negative when the market is stressed, which can be triggered by a number of market parameters, including swap rates or bond spreads that increase or by equity prices that fall. At KBC, we use this capital sensitivity as a common denominator to measure the vulnerability of the banking book to different market risk shocks.

CET1 sensitivity to main market drivers (under Danish compromise), KBC group (as % points of CET1 ratio), IFRS impact caused by:	31-12-2023	31-12-2022
+100-basis-point parallel shift in interest rates	-0.1%	-0.1%
+100-basis-point parallel shift in spread	-0.2%	-0.1%
-25% in equity prices	-0.1%	-0.1%

The table shows that the sensitivity of capital to market movements is limited. This is because the majority of KBC's bond portfolio is deemed to be held to maturity and is therefore booked at amortised cost. Those positions do not impact capital unless they are liquidated before maturity.

Note that KBC holds material amounts of liquid assets (see the liquidity section) to absorb unexpected funding outflows. If these are not sufficient, KBC can still enter into repo agreements to access liquidity rather than having to realise losses on the bonds.

Non-financial risks

Operational risk

Operational risk is the risk of inadequate or failed internal processes, people and systems or of sudden man-made or natural external events.

Managing operational risk

In the area of operational risk, the Executive Committee is supported by the Group Internal Control Committee (GICC) in the area of strengthening the quality and effectiveness of KBC's internal control system. The governance, rules and procedures on the performance of operational risk management throughout the KBC group are outlined in the Operational Risk Management Framework. The framework is aligned with the Basel requirement for Operational Resilience and the EU Digital Operational Resilience Act (DORA) – Regulation (EU) 2022/2554. Its implementation is coordinated and monitored by the Operational Risk Competence Centre of Group Risk, which consists of risk experts at both group and local level. The Competence Centre cooperates with other expert functions covering the nine operational risk sub-types: Information Technology, Information Security, Business Continuity, Process, Outsourcing and Third-Party, Model, Legal, Fraud and Personal and Physical Security risk.

The building blocks for managing operational risks

- **Risk identification**: KBC identifies its operational risks based on various sources like following up on legislation, using the output of the New and Active Products Process (NAPP), performing risk scans, analysing key risk indicators and performing independent control monitoring activities and root cause analysis of operational incidents, near misses and losses. A structured repository of operational risks and related mitigating controls is in place, with a review process ensuring that the repository remains in line with new or emerging operational risk sub-types. Risk self-assessments on the operational business lines are performed by the first line of defence with the aim of identifying additional local risks and possible operational control gaps. Dynamic trigger-based risk assessments are executed based on the continuous screening of both internal and external risk events. On top of that, regular proactive scanning of the environment is performed in order to identify external or internal (cyber) trends which could negatively impact our company in a direct or indirect way. These are also known as risk signals and are reported via the Integrated Risk Report.
- **Risk measurement**: unified group metrics and scales are in place to determine individual (inherent and residual) operational risk levels in the business lines and to underpin the risk profile of an entity in a comprehensive and integrated way across operational risk sub-types and across KBC group and its entities.
  In addition, a group-wide uniform scale is used to express the internal control state of business lines and KBC entities. The data-driven risk evaluation of the control environment results in Internal Control Statement (ICS) scores based on the indicators derived from the group-wide tool, such as:
  - The control maturity reflecting the effectiveness of the controls;
  - The number of outstanding action plans and audit recommendations;
  - Risk acceptances;
  - Operational losses (and legal claims);
  - Near misses.

  Metrics are defined to underpin control effectiveness with facts and figures. Examples include, but are not limited to, asset management statistics, employee phishing campaign click rates, website vulnerability patching speeds and other metrics related to threats to KBC clients and companies, the number of errors that are measured ex-post via the accounting reconciliation, and the number of processing errors.
- **Setting and cascading risk appetite:** for operational risk, a risk appetite is set at the overarching level as well as at the level of each operational risk sub-type. The risk profile measures to what extent KBC Group and its entities are currently exposed to each risk. The current operational risk profile in relation to the operational risk appetite is discussed quarterly as part of the Operational and Compliance Core Report to the GICC.
- **Risk analysis, reporting and follow-up:** operational risk analysis and reporting aim to give management a transparent and comprehensive, forward-looking and ex-post view on the development of the risk profile and the context in which KBC operates. Structural reporting to the GICC via the Operational and Compliance Risk Report and the Integrated Risk Report – on a quarterly basis – and to the Global IT Committee (GITCO) – on a monthly basis – is in place. The GITCO serves as the governance structure to ensure alignment on Information Security and IT strategy across the group. The maturity of the internal control environment is reported to KBC's senior management once a year via the annual Internal Control Statement, to the Executive Committee/RCC/Board and to the NBB, the FSMA and the ECB.

- **Stress testing:** the Competence Centre for Operational Risk delivers scenarios with a potential negative impact on KBC's (financial) position in order to prepare the KBC entities for (extreme) crisis situations. These scenarios describe specific operational risk events ranging from plausible to exceptional or even extreme and/or movements in operational risk loss impacts according to the baseline and the adverse scenario. Stress testing, for example, enables KBC entities to deal with local cyber crises and handle major incidents. To ensure that Information Security and Information Technology risks are effectively mitigated, a number of challenges are performed throughout the group on a regular basis, such as ethical hacking exercises, technical Cyber Resilience & Readiness Testing, detailed investigations, employee phishing tests, crisis simulations and other incident drills.

In 2023, specific attention was paid to:

Information risk management

Within operational risk management, information risk management encompasses the risks of information security, information technology and business continuity management, the latter including crisis management. Information security risk is one of the most material risks that financial institutions face today, as it is driven by increasingly important external factors (such as geopolitical tensions, cybercrime, technological growth and innovation, e.g., Artificial Intelligence) and internal factors (such as further digitalisation, experiments with emerging technology, and so on).

KBC's Competence Centre for Information Risk Management (Group IRM) is part of Group Risk and comprises both the traditional assurance activities (setting standards, challenging controls, group-wide reporting) and KBC's internationally recognised and certified Group Cyber Emergency & Response Team (CERT). Each country has a local second-line team (local 2LoD IRM) which focuses on Information Risk and has similar responsibilities as Group IRM in its core activities. These local teams are functionally steered by Group IRM to strengthen their capabilities.

Outsourcing risk management

Outsourcing risk management is a specific aspect of Third-Party risk management. Regulatory requirements regarding follow-up, measurement and reporting of outsourcing risk have increased over the years. As contracting external service providers is an essential part of operational processes and intra-group outsourcing is an important aspect of the KBC strategy, the need to focus on outsourcing risk remains a key element of the group-wide risk management at KBC.

To ensure robust management of its outsourcing processes and risks, KBC has put in place a group-wide outsourcing framework, which comprises a group-wide Outsourcing Policy and group-wide Outsourcing Risk Standards. Both policy and standards are supported by first and second lines of defence guidance to ensure a standardised approach, in compliance with the EBA Guidelines on Outsourcing, throughout the whole KBC group.
Key control objectives are in place to adequately mitigate risks arising from either external or internal outsourcing during the full life cycle of a service provider: from selection and pre-contractual stages to renewal, termination and exit strategies. Qualitative risk governance of KBC outsourced activities is ensured by regular risk assessments (including a set of mandatory sub-risks: Process, IT, Information Security, ESG, Model, Fraud, Legal, Concentration, Offshoring and Step-in), their frequency being defined by the criticality of the outsourced activity.

Model risk management

KBC's data-driven strategy is underpinned by an expanding set of advanced mathematical, statistical and numerical models to support decision-making, measure and manage risk, manage businesses and streamline processes. AI-based models are also becoming an increasingly common feature across the different business domains (banking, insurance, asset management). As the use of models increases, so does the importance of recognising, understanding and mitigating risks related to the design, implementation or use of models, in order to protect both KBC and its clients.
KBC's model risk management standards establish a framework for identifying, understanding and efficiently managing model risk, similar to any other risk type.

Business continuity management, including crisis management

To ensure availability of critical services, KBC has a business continuity management (BCM) process in place. This ensures regular business impact analysis is performed and recovery time objectives are defined and implemented.

The BCM process is a mature process within the group, with a focus on both prevention and response. Crisis prevention focuses on reducing the probability of a crisis, while crisis response focuses on the effective and efficient handling of a crisis should one occur. To enable this, practical scenarios called runbooks are available on how to handle an ongoing crisis.

Compliance risk

Compliance risk is the risk that a judicial, administrative or regulatory sanction is imposed on an institution and/or its employees because of non-compliance with the laws and regulations pertaining to the compliance domains, resulting in loss of reputation and potential financial loss. This loss of reputation can also be the result of non-compliance with the internal policy in this regard and with the institution's own values and codes of conduct in relation to the integrity of its activities.

As a matter of priority and as a minimum, the scope of activities of the Compliance function is to be concentrated in the following areas of integrity: Anti-Money Laundering and Countering the Financing of Terrorism, Tax Fraud Prevention, Investor Protection, Data Protection, Business Ethics, Fraud Risk Management, Protection of the Policyholder, Non-Discrimination, Consumer Protection, Governance Aspects of CRD IV and V, Solvency II and/or local legislation and Sustainable Finance

In the area of compliance risk, the Executive Committee is supported by the Group Internal Control Committee (GICC) in the area of strengthening the quality and effectiveness of KBC's internal control system. Compliance risk is covered by the Compliance Charter, the Integrity Policy and the Group Compliance Rules. A coordinated approach is in place to include compliance risk in risk processes where relevant (e.g., risk scan, risk appetite, etc.).

To manage compliance risks, KBC aims to comply with laws and regulations in the compliance domains as determined by KBC's Compliance Charter. The Compliance function's role in managing these risks is twofold: on the one hand, it provides advice from an independent viewpoint on the interpretation of laws and regulations pertaining to the domains it covers. This preventive role is put into practice by Group Compliance Rules that define minimum requirements for the entire group, the provision of procedures and instructions, tailored training courses, daily advice and independent opinions in the New and Active Products Process, information on new regulatory developments to the governance bodies in support of the group strategy and the implementation of legal and regulatory requirements by the various businesses concerned.
On the other hand – as the second line of defence – it carries out risk-based monitoring to ensure the adequacy of the internal control system. More specifically, monitoring allows it to verify whether legal and regulatory requirements pertaining to the different compliance domains covered are correctly implemented in the business. It also aims to ensure the effectiveness and efficiency of the controls performed by the first line of defence. Moreover, quality controls are performed in the main group entities to assure the Board of Directors that the compliance risk is properly assessed by the local Compliance function.

Since 2020, significant efforts have been concentrated on the scalable and future-proof features of the Compliance function. This was achieved by simplifying more processes, fostering group-wide cooperation among the teams and central steering by means of working programmes to ensure excellency in design and efficiency, for example through automation and Artificial Intelligence. Hence, as a first step, a common integrated platform to enhance the management of money laundering – on 'Know Your Transaction' – has been developed and is being rolled out in Belgium and at the Central European entities. Based on modelling and machine learning it allows, among other things, improved detection of unusual behaviours. In the past few years, resources were increased within the Compliance function to enable a strong reinforcement of the Compliance Monitoring Programme and to keep pace with the expanding regulatory requirements and fast strategic and business developments.

The values defended by the group and the key requirements are set out in detail in the Integrity Policy. They are complemented by a content-based strategy and by backward and forward-looking, qualitative and quantitative key risk and performance indicators to better underpin the risk profile of the organisation and to reflect the ultimate aim of conforming to the letter and spirit of the law.

The prevention of money laundering and terrorism financing, including embargoes, has been a top priority for the Compliance function in the past few years and will continue to be prioritised in 2024. It is an area where knowledge of the client (Know Your Customer (KYC)), updating their profiles and monitoring transactions (Know Your Transaction (KYT)) are essential. Efforts are continuously made to adapt the organisation to a constantly changing regulatory environment, particularly with regard to clients who present an increased risk and for whom additional information is required. A Financial Crime Unit was set up to enhance synergies between AML (Anti-Money Laundering), embargoes and Fraud. The Compliance function is also closely following the EU developments at the level of the new AML Authority (AMLA) and regulatory provisions expected in 2024. Special emphasis is placed on a preventive risk management approach (for example, embargo circumvention measures).

The control functions including Compliance ensure that, under the New and Active Products Process, the launch of any new products conforms with the many legal and regulatory provisions in place, such as MiFID II, the Insurance Distribution Directive (IDD) and other local and EU Regulations, as well as being in line with KBC's values.

Conformity with GDPR and data protection obligations is a central hallmark of any sustainable and client-centric organisation. In the context of KBC's data-driven strategy, it is crucial to pay attention to all upcoming regulatory developments in the data protection domain, as there are many. Continued vigilance with regard to the data protection domain is essential to ensure future-proof, reliable and trustworthy bank-insurance activities.
Since 2020, Kate, the personal assistant, has gained maturity and can increasingly facilitate the everyday lives of our clients. The study of the potential use of generative AI models is closely followed to ensure that risks are duly identified.

Reputational risk

Reputational risk is the risk arising from the loss of confidence by, or negative perception on the part of, stakeholders (such as KBC employees and representatives, clients and non-clients, shareholders, investors, financial analysts, rating agencies, the local community in which it operates, etc.) – be it accurate or not – that can adversely affect a company's ability to maintain existing, or establish new, business and client relationships, and to have continued access to sources of funding.

Reputation is a valuable asset in business and this certainly applies to the financial services industry, which thrives to a large extent on trust. Reputational risk is mostly a secondary risk since it is usually connected to – and materialises together with – another risk. To manage reputational risk, we remain focused on sustainable and profitable growth and promote a strong corporate culture that encourages responsible behaviour, including social and environmental responsibilities. We put the clients' interests at the heart of what we do and foster trust by treating the client fairly and honestly.

The governance, rules and procedures and how reputational risk management should be performed throughout the group are outlined in the Reputational Risk Management Framework. Its implementation is monitored by Group Risk and its Reputational Risk Competence Centre. Proactive and re-active management of reputational risk is the responsibility of business, supported by specialist units (including Group Communication, Investor Relations and Group Compliance).

ESG in non-financial risk management

The most important impacts of climate and other environmental risks on our operational and reputational risk profile are identified in the Climate Risk Impact Map and in pilots on other environmental risks (see 'ESG in our risk management').

Within our operational risk management processes, controls are in place for managing cyber risk, model risk (e.g., avoiding bias in models, ensuring ethical AI), business continuity (e.g., ensuring continuity of services to clients, also in case of disruption caused by climate or other ESG risk drivers), legal risk (including climate litigation), and personal and physical security risk (with respect to personnel and clients).

Considering social and governance risks, several compliance domains as described in KBC's Compliance Charter closely link with social and governance risks (e.g., Corporate Governance, Conduct, Embargo, Investor Protection, Data Protection, Ethics & Fraud, Consumer Protection and Anti-Money Laundering). Cyber risk, Compliance risks (including Anti-Money Laundering, GDPR and Embargo) and Conduct risk have, for some years, been identified as top risks by the Executive Committee and Board of Directors. Also, sustainable investments and ESG characteristics in MiFID and IDD are closely followed from the Compliance perspective, as well as the sustainable finance strategy in general.

Sustainability and climate-related policies are also taken into account when deciding on new products or services. Particular attention is devoted to the adequate 'green' labelling of newly developed products, aligned with regulatory frameworks such as the EU Taxonomy and the International Capital Markets Association (ICMA) Green Bond framework.

To manage reputational risks, KBC promotes a strong corporate culture that encourages responsible behaviour throughout the entire organisation, including in terms of social and environmental responsibility. In order to fulfil our role in society, we aim to support our clients in the transition towards a low-carbon economy throughout our core activities. Our sustainability policies, restrictions and targets define a clear risk playing field with regard to ESG risks. We also keep reputational risks under control by close monitoring and peer benchmarking of our ESG ratings, by making adequate assessments and by responding to controversies.

More information can be found in the Risk Report, available at www.kbc.com.

Market risk in trading activities

Market risk relates to changes in the level or in the volatility of prices in financial markets. Market risk in trading activities is the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) in the trading book due to changing interest rates, exchange rates, equity or commodity prices, etc.

KBC's strategic objectives in undertaking trading activities are to offer sound and appropriate financial products and solutions to its clients in order to help them manage their risks and access capital, and to engage in certified market-making activities. Hedging the market risk arising from providing clients with such bespoke solutions with standard market products leaves us with some residual market risks due to the mismatch between the more market-standard sizes and expiry dates and the solutions provided to our clients.

The focus of our trading activities is on interest-rate instruments, while activity on the foreign exchange markets and in relation to equity has traditionally been limited. These activities are carried out by our dealing rooms in our home countries as well as via a minor presence in the UK and Asia. Wherever possible and practical, the residual trading positions of our foreign entities are systematically transferred to KBC Bank NV, reflecting that the group's trading activity is managed centrally both from a business and a risk management perspective. Consequently, KBC Bank NV holds about 98% of the trading-book-related regulatory capital of KBC Group NV.

KBC's low risk appetite for the market risk in trading activities is illustrated by the fact that market risk RWA for trading activities is around 2 to 3% of KBC's total RWA. The sections below give a general overview regarding market risk in trading activities. For more details, please refer to KBC's Risk Report, which is available at www.kbc.com.

Managing market risk

In the area of market risk in the trading activities, the Executive Committee is supported by the Group Markets Committee (GMC), which advises on risk monitoring and capital usage with respect to trading activities. The governance, rules and procedures on how trading risk management should be performed throughout the group are outlined in the Trading Market Risk Management Framework. Its implementation is monitored by Group Risk and its Market Risk Trading Competence Centre.

The building blocks for managing market risk

- **Risk identification**: the risk function analyses the results of value and risk calculations, market developments, ESG risk assessments, industry trends, new modelling insights, changes in regulations, etc. Furthermore, before a new or changed dealing room product or activity can be introduced, the risk function screens whether the risk aspects (including ESG risks) are correctly and sufficiently covered and provides risk advice that includes powers of veto and is part of the NAPP.
- **Risk measurement**: ownership of the definitions used for the group-wide measurement of trading market risk lies with the risk function. We measure risk via a number of parameters including nominal positions, concentrations, Basis Point Value (BPV) and other sensitivities (the so-called 'greeks') and scenario analysis. However, the primary tool we use for measuring and monitoring market risk exposures in the trading book is the Historical Value-at-Risk (HVaR) method, which gives an estimate of the amount of economic value that might be lost on a given portfolio due to market risk over a defined holding period, with a given confidence level.
- **Setting and cascading risk appetite**: the risk appetite for market risk in trading activities is set in line with the overall requirements as defined in our overarching risk management framework and is overseen by the GMC via a risk limit framework consisting of a hierarchy of limits and early warning indicators. These are defined down to trading desk level and, in addition to HVaR, include a series of concentration limits, basis-point-value limits and (stress) scenario limits.
- **Risk analysis, reporting and follow-up**: in addition to the more proactive elements described under 'Risk identification', this involves compiling the necessary external and internal reports, issuing advice on business proposals, and monitoring and advising on the risks attached to the positions. We monitor and follow up the risks attached to the positions on a daily basis by means of the risk limit framework. The GMC, which meets every month, receives an extensive Core Report as well as periodic and ad hoc memos and reports. The GMC also receives a dashboard halfway between the monthly meetings whose frequency is increased (up to daily, if needed) depending on market circumstances. The Executive Committee ratifies the minutes of the GMC meetings and also receives market-risk-related information and risk signals in its Integrated Risk Report eight times per year).
- **Stress testing**: in addition to the risk limit framework, we conduct extensive stress tests on our positions on a weekly basis. Whereas the HVaR model captures potential losses under normal market conditions, stress tests show the impact of exceptional circumstances and events with a low degree of probability. The historical and hypothetical stress-test scenarios incorporate both market risk and the liquidity aspects of disruptions in the market. The stress tests are discussed at GMC meetings to enable the members to gain an insight into potential weaknesses in the positions held by the group.

ESG in market risk (trading) management

Climate and other environmental risks, an important subject in these times, are indeed considered and analysed in the context of business planning and have been integrated in market risk management. While ESG risk assessments (e.g., the Climate Risk Impact Map and pilot studies on other environmental risks) have confirmed that ESG aspects can be considered to be negligible in a market risk context, the Group Markets Committee (GMC) is kept closely informed of the immateriality via a quarterly update (including ESG dashboards and climate risk stress test results for the trading book) and a full review is submitted on an annual basis.

More information can be found in the Risk Report, available at www.kbc.com.

Market risk profile

Our Approved Internal Model is used to calculate the vast majority of market risk regulatory capital. Regulatory capital for business lines not included in the Approved Internal Model is measured according to the Standardised Approach.
The tables below show the Management HVaR (using our Approved Internal Model and a 99% confidence interval, one-day holding period) for the residual trading positions at all the dealing rooms of KBC that can be modelled by HVaR and the breakdown per risk type.

Market risk (Management HVaR) (in millions of EUR)	2023	2022
Average for 1Q	7	8
Average for 2Q	6	9
Average for 3Q	6	10
Average for 4Q	7	9
As at 31 December	8	7
Maximum in year	10	12
Minimum in year	4	6

Breakdown by risk factor of trading HVaR for the KBC group (Management HVaR; in millions of EUR)	Average for 2023	Average for 2022
Interest rate risk	6.3	8.6
FX risk	0.9	1.3
FX options risk	0.2	0.3
Equity risk	2.1	0.8
Diversification effect	-3.0	-2.1
Total HVaR	6.5	8.9

Liquidity risk

Liquidity risk is the risk that an organisation will be unable to meet its liabilities and obligations as they come due, without incurring higher-than-expected costs.

Managing liquidity risk

In the area of liquidity risk, the Executive Committee is supported by the Group Assets and Liability Committee (ALCO), which is to provide assistance in the area of (integrated) balance sheet management at group level, including liquidity and funding. The governance, rules and procedures and how asset and liability risk management is performed throughout the group are outlined in the Liquidity Risk Management Framework. Its implementation is monitored by Group Risk and its Liquidity Risk Competence Centre, acting as the second line of defence. Within the risk function, the ALM & Liquidity Risk Council, chaired by the CRO Treasury & Markets, aims to establish, facilitate, promote and support the solid and efficient integration of all tasks assigned to the local and group risk departments.

The Group and Local Treasury functions act as the first line of defence and are responsible for KBC's overall liquidity and funding management. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing). These policies ensure that local management has an incentive to work towards a sound funding profile. The Group Treasury function also actively monitors its collateral on a group-wide basis.

The building blocks for managing liquidity risk

- **Risk identification**: the NAPP process, the Climate Risk Impact Map, the risk scan, stress testing and materiality assessments are important tools used for risk identification. An annual assessment of key risk drivers impacting liquidity is performed as well. When relevant, risk signals are presented in Treasury Risk Reports and Integrated Risk Reports.
- **Risk measurement**: identified liquidity risks are measured by means of both regulatory metrics such as the Liquidity Coverage Ratio (159% in 2023) and the Net Stable Funding Ratio (136%), and internal metrics on, for example, the funding mix and concentration and the composition of the liquid asset buffer. In the maturity analysis table below, KBC's structural liquidity risk is illustrated by grouping the assets and liabilities according to the remaining term to maturity (using the contractual maturity date). The difference between the cash inflows and outflows is referred to as the 'net funding gap'.
- **Setting and cascading risk appetite**: the ALCO monitors the development of the liquidity risk profile in relation to the limits.
- **Risk analysis, reporting and follow-up**: to mitigate day-to-day liquidity risk, group-wide trends in funding liquidity and funding needs are monitored continuously by

the Group Treasury function. A Liquidity Contingency Plan drafted by the Group Treasury function is in place to address possible liquidity crisis situations and is tested at least annually.
- **Stress testing**: liquidity stress tests assess KBC's liquidity contingency risk by measuring how the liquidity buffer of the group's bank and insurance entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows and liquidity inflows resulting from actions to increase liquidity. The liquidity buffer has to be sufficient to cover liquidity needs over (i) a period that is required to restore market confidence in the group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. This information is fed into the Liquidity Contingency Plan.

Moreover, KBC has an Internal Liquidity Adequacy Assessment Process (ILAAP) in place to ensure it has robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring liquidity risk and funding positions over all appropriate time horizons, in order to maintain adequate levels of liquidity buffers.

ESG in liquidity risk management

Climate and other environmental risks are considered and analysed in the context of liquidity risk management. The Climate Risk Impact Map and pilots on other environmental risks (see 'ESG in our risk management'), however, show that physical and transition risks will have a limited impact on liquidity risk management. Despite this immateriality, the ALCO is regularly informed about developments in ESG risk in the context of liquidity risk management.

More information is available in the Risk Report, available at www.kbc.com.

Impact of external developments on liquidity risk

The significant increase in short-term interest rates following the monetary policy tightening implemented by the ECB as of 2022 impacted the composition of the deposit base at KBC Group. However, no significant deposit outflows were observed until the beginning of September. In September, a tax-beneficial Belgian State Note with a one-year maturity was issued. Although the issuance of the Belgian State Note can be considered as a stress event, KBC passed the test without any major liquidity impact (the issuance led to a deposit outflow of 5.7 billion euros at the level of KBC Bank NV and CBC Banque SA).

Maturity analysis

The table below shows the maturity analysis of the total inflows and outflows. Note that the structural liquidity gap shown in the table does not include the concept of a Liquid Asset Buffer (i.e. the fact that KBC can monetise its liquid bonds at all times via repo or pledging). Rather, in this table, cash-generating capacity from bonds is only visible at final maturity of the bond. As a result, the net funding gaps shown in the first buckets in the table are a clear overestimation of the risk as in practice KBC would monetise its Liquid Asset Buffer (97 billion euros at year-end 2023, of which 72 billion euros in unencumbered central bank eligible assets and the remainder in cash and withdrawable central bank receivables) to address these net outflows.

At year-end 2023, KBC had 72 billion euros' worth of unencumbered central bank eligible assets, 58 billion euros of which in the form of liquid government bonds (80%). The remaining available liquid assets were mainly covered bonds (11%). Most of the liquid assets are expressed in our home market currencies. The funding from non-wholesale markets was accounted for by stable funding from core customer segments in our core markets.

Liquidity risk (excluding intercompany deals)* (in billions of EUR)	**<= 1 month**	**1–3 months**	**3–12 months**	**1–5 years**	**>5 years**	**On demand**	**Not defined**	**Total**
31-12-2023								
Total inflows	4	12	27	100	115	7	47	312
Total outflows	49	30	20	26	6	152	29	312
Professional funding	*10*	*3*	*1*	*0*	*0*	*4*	*0*	*18*
Customer funding	*24*	*14*	*14*	*13*	*5*	*148*	*0*	*218*
Debt certificates	*11*	*13*	*5*	*13*	*1*	*0*	*0*	*43*
Other	*4*	*0*	*0*	*0*	*0*	*0*	*29*	*33*
Liquidity gap (excl. undrawn commitments)	-45	-18	7	74	108	-145	18	0
Undrawn commitments	–	–	–	–	–	–	-48	-48
Financial guarantees	–	–	–	–	–	–	-11	-11
Net funding gap (incl. undrawn commitments)	-45	-18	7	74	108	-145	-41	-59
31-12-2022								
Total inflows	6	12	20	82	115	53	34	322
Total outflows	38	20	29	24	5	178	29	322
Professional funding	*6*	*0*	*20*	*5*	*0*	*4*	*0*	*36*
Customer funding	*19*	*9*	*8*	*12*	*3*	*174*	*0*	*226*
Debt certificates	*8*	*11*	*1*	*7*	*1*	*0*	*0*	*28*
Other	*4*	*0*	*0*	*0*	*0*	*0*	*29*	*33*
Liquidity gap (excl. undrawn commitments)	-32	-8	-9	58	111	-125	5	0
Undrawn commitments	–	–	–	–	–	–	-47	-47
Financial guarantees	–	–	–	–	–	–	-11	-11
Net funding gap (incl. undrawn commitments)	-32	-8	-9	58	111	-125	-53	-58

* Cashflows include interest rate flows consistent with internal and regulatory liquidity reporting. Inflows/outflows that arise from margin calls posted/received for MtM positions in derivatives are reported in the 'Not defined' bucket. 'Professional funding' includes all deposits from credit institutions and investment firms, as well as all repos. Instruments are classified on the basis of their first callable date. Some instruments are reported at fair value (on a discounted basis), whereas others are reported on an undiscounted basis (in order to reconcile them with Note 4.1 of the 'Consolidated financial statements' section). Due to the uncertain nature of the maturity profile of undrawn commitments and financial guarantees, these instruments are reported in the 'Not defined' bucket. The 'Other' category under 'Total outflows' contains own equity, short positions, provisions for risks and charges, tax liabilities and other liabilities.

Funding information

We have a strong retail/mid-cap deposit base in our core markets, resulting in a stable funding mix. A significant portion of the funding is attracted from core customer segments and markets.

Funding mix	**Information**	**31-12-2023**	**31-12-2022**
Funding from customers[1]	Demand deposits, term deposits, savings deposits, other deposits, savings certificates and debt issues placed in the network	79%	79%
Debt issues placed with institutional investors	Including covered bonds, tier-2 issues, KBC Group NV senior debt	9%	6%
Net unsecured interbank funding	Including TLTRO	4%	7%
Net secured funding[2]	Repo financing	-7%	-3%
Certificates of deposit	–	6%	3%
Total equity	Including AT1 issues	9%	7%
Total		100%	100%
in billions of EUR		276	287

1 Some 86% of this funding relates to private individuals and SMEs at year-end 2023.
2 Negative on account of KBC carrying out more reverse repo transactions than repo transactions.

Technical insurance risk

Technical insurance risk is the risk of loss due to (re)insurance liabilities or of adverse developments in the value of (re) insurance liabilities related to non-life, life and health (re)insurance contracts, stemming from uncertainty about the frequency and severity of losses.

Specific information on the insurance activities is provided in Notes 3.6 and 5.6 of the 'Consolidated financial statements' section.

Managing technical insurance risk

In the area of technical insurance risk, the Executive Committee is supported by the Group Insurance Committee (GIC), which monitors risks and capital regarding the (re) insurance activities. The governance, rules and procedures on how technical insurance risk management should be performed throughout the group are outlined in the Technical Insurance Risk Management Framework. Its implementation is monitored by Group Risk and its Technical Insurance Risk Competence Centre. The Competence Centre is responsible for providing support for local implementation and for the functional direction of the insurance risk management processes of the insurance subsidiaries.

The building blocks for managing technical insurance risk

- **Risk identification**: adequate identification and analysis of material insurance risks by, *inter alia*, analysing new emerging risks, concentration or accumulation risks, NAPP analysis and developing early warning signals. Special attention is paid to the adequacy of the technical provisions. Part of the risk identification process consists of reliably classifying all insurance risks that may be triggered by (re)insurance contracts. Under the Solvency II directive, insurance activities are split up into three main categories, namely Life, Non-life and Health, each sub-divided into catastrophe and non-catastrophe risks.
- **Risk measurement**: technical insurance risk is measured by means of both regulatory measures, such as Solvency Capital Requirement (SCR) and Best Estimate valuation of insurance liabilities, and internal measures on, for example, economic profitability of insurance portfolios and non-life capital requirements based on internal stochastic models. These measures of insurance risk are used consistently throughout the group.
- **Setting and cascading risk appetite**: the risk appetite for technical insurance risk is overseen by the GIC, where the defined limits are reviewed and reported. The insurance risk limits are determined and set at group level and further cascaded to the local entities. The necessary compliance checks are conducted.
- **Risk analysis, reporting and follow-up**: if the risk profile is not in line with the risk appetite, the reason has to be identified and analysed (e.g., which lines of business are contributing to the deviating risk profile) and the outcome and corrective action must be discussed at the GIC. Breaches at group level are subject to the approval of the Board of Directors. Regular reporting and follow-up of the risk measurements is presented in the Insurance Integrated Risk Report, which is submitted to the Group Insurance Committee on a quarterly basis. In addition, relevant risk signals are reported on a regular basis as part of the regular Group (Insurance) Integrated Risk Report.
- **Stress testing**: internal and externally driven (regulatory) stress tests and sensitivity analyses are performed and the outcome of these tests is reported in the annual Own Risk and Solvency Assessment report (ORSA).

ESG in technical insurance risk management

The management of ESG risks is integrally embedded in the above-mentioned Technical Insurance Risk Management Framework.

The Climate Risk Impact Map and the pilots on other environmental risks (biodiversity, water stress and pollution) are used to identify the climate and environmental risk drivers most relevant to KBC's insurance portfolios (see 'ESG in our risk management'). In addition, deep dives are performed to gain further insight into technical insurance risk and the impact of climate change. Strategic sectoral projects (so-called 'White Papers') are set up, where relevant also covering an assessment of the impact of climate change on specific KBC insurance portfolios (such as insurance for real estate, mobility and agriculture).

For our non-life property insurance portfolio, we assess more extreme weather conditions (such as changes in flood, windstorm, hail and precipitation patterns) through a number of internal and external measures and stress tests in order to analyse their potential impact. External broker and vendor models are also used within KBC to model extreme events of this kind. KBC insists on an active dialogue regarding the inclusion of climate change in the scenario analysis performed by these providers. Physical risks in other regions around the world are also closely monitored, as they can affect the global reinsurance market on which KBC relies. For some types of natural disasters (such as floods), an increasing trend in their likelihood has been observed in recent years. This has manifested itself over the past year in devastating natural catastrophe events occurring in our home countries.

To support stability in earnings and capital for our insurance business, appropriate risk mitigation is implemented by reinsurance programmes protecting against the impact of large claims or accumulation of losses due to climate change effects and by a diversified exposure across all core markets. More information can be found in the Risk Report, available at www.kbc.com.

Reinsurance

The insurance portfolios are protected against the impact of large claims or the accumulation of losses by:

- limits per policy;
- diversification of the portfolio across product lines and geographical regions;
- reinsurance.

Reinsurance programmes can be divided into three main groups, i.e. property insurance, liability insurance and personal insurance. Most of the reinsurance contracts are concluded on a non-proportional basis, which provides specific cover against the impact of large loss events.

The independent insurance risk function is responsible for:

- advising on the restructuring of the reinsurance programme during the annual negotiations;
- informing management on a quarterly basis of the top natural catastrophe claims and how these were managed and mitigated;
- conducting ad hoc analyses/deep dives following risk signals or management requests to analyse possible trends in catastrophe events.

Actuarial function

The Solvency II regulatory framework requires an actuarial function to be installed as one of the independent control functions (in addition to the risk management, compliance and internal audit functions) at the level of each insurance entity and at insurance group level. An actuarial function holder is appointed to take charge of the actuarial function's activities. Basically, the task of such a function is to ensure that the company's Board of Directors or Supervisory Board is fully informed of technical actuarial topics in an independent manner.

The main tasks of the actuarial function are to:

- ensure the appropriateness of the methodologies and underlying models used, as well as the assumptions made, in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;

- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

Sensitivity to parameters underlying the IFRS 17 valuation of insurance liabilities

The table gives an overview of the sensitivity of IFRS 17 insurance liabilities to a change at the reporting date of a selection of parameters which are used in the calculation of the IFRS 17 fulfilment cashflows. Liabilities on the balance sheet which are in scope of IFRS 9 reporting, mainly unit-linked liabilities, are not included in the sensitivity reporting below. The impact is reported before reinsurance, given the small impact which the reinsurance has on the sensitivities.

				31-12-2023				31-12-2022
Sensitivity (in millions of EUR)	Discounted fulfilment cashflows	Contrac-tual Service Margin	Result before tax	Equity: OCI before tax	Discounted fulfilment cashflows	Contrac-tual Service Margin	Result before tax	Equity: OCI before tax
Life insurance: balance	11 745	2 117	–	–	11 542	1 902	–	–
Impact of:								
Mortality rates: +1%	*5*	*-3*	*0*	*-2*	*4*	*-3*	*-0*	*-1*
Mortality rates: -1%	*-5*	*3*	*0*	*2*	*-4*	*3*	*-0*	*1*
Morbidity rates: +1%	*6*	*-6*	*-0*	*1*	*5*	*-6*	*0*	*1*
Morbidity rates: -1%	*-6*	*6*	*0*	*-1*	*-5*	*6*	*-0*	*-1*
Expenses: +5%	*49*	*-54*	*-3*	*9*	*41*	*-48*	*-3*	*11*
Expenses: -5%	*-49*	*53*	*3*	*-9*	*-41*	*48*	*3*	*-11*
Lapse rate: +10%	*55*	*50*	*7*	*-112*	*37*	*24*	*4*	*-66*
Lapse rate: -10%	*-58*	*-52*	*-6*	*116*	*-39*	*-23*	*-4*	*67*
Non-life insurance: balance	2 238	–	–	–	2 061	–	–	–
Impact of:								
Unpaid claims & expenses: +5%	*111*	–	*-116*	*5*	*102*	–	*-110*	*8*
Unpaid claims & expenses: -5%	*-111*	–	*116*	*-5*	*-102*	–	*110*	*-8*

Comparison of IFRS 17 carrying amount and amounts payable for life insurance contracts

In this table the amounts 'payable on demand' for life insurance contracts measured under IFRS 17 are set off against the carrying amount of those contracts. The carrying amount is defined as the sum of the present value of future cashflows of those contracts increased by the risk adjustment and the contractual service margin. The 'amounts payable on demand' is the amount to which policyholders are contractually entitled when they would surrender their contracts at reporting date, however with surrender fees not yet deducted.

			31-12-2023			31-12-2022
Life insurance (in millions of EUR)	Amounts payable on demand	Carrying amount of insurance liabilities	Difference	Amounts payable on demand	Carrying amount of insurance liabilities	Difference
Unit-linked (IFRS 17)	788	811	24	673	686	14
Non-unit-linked	12 825	12 804	-21	12 972	12 525	-446
Hybrid contracts	233	246	13	218	232	15
Total	13 846	13 862	16	13 862	13 444	-418

Sensitivity of the IFRS 17 valuation of insurance liabilities to a change in the discount curve

The table shows the sensitivity to a 30-bp parallel shift up and down of the discount curve.

				31-12-2023				31-12-2022
Sensitivity (in millions of EUR)	Fulfilment cashflows	Contrac-tual Service Margin	Result before tax	Equity: OCI before tax	Fulfilment cashflows	Contrac-tual Service Margin	Result before tax	Equity: OCI before tax
Life insurance:								
Assets: balance	14 466	–	–	–	14 244	–	–	–
Impact of discount rate +0.30%	*-220*	*0*	*2*	*-222*	*-196*	*0*	*1*	*-197*
Impact of discount rate -0.30%	*228*	*0*	*-2*	*230*	*203*	*0*	*-1*	*204*
Insurance liabilities (excl. unit-linked): balance	11 745	2 117	–	–	11 542	1 902	–	–
Impact of discount rate +0.30%	*-306*	*5*	*1*	*300*	*-314*	*16*	*-0*	*296*
Impact of discount rate -0.30%	*354*	*-6*	*-0*	*-348*	*336*	*-16*	*1*	*-317*
Combined effect	–	–	–	–	–	–	–	–
Impact of discount rate +0.30%	*86*	*5*	*3*	*78*	*118*	*16*	*1*	*100*
Impact of discount rate -0.30%	*-126*	*-6*	*-2*	*-118*	*-132*	*-16*	*-0*	*-112*
Non-life insurance								
Assets: balance	4 152	–	–	–	3 800	–	–	–
Impact of discount rate +0.30%	*-12*	*0*	*0*	*-12*	*-16*	*0*	*0*	*-16*
Impact of discount rate -0.30%	*12*	*0*	*0*	*12*	*17*	*0*	*0*	*17*
Insurance liabilities: balance	2 238	–	–	–	2 061	–	–	–
Impact of discount rate +0.30%	*-31*	*0*	*0*	*31*	*-28*	*0*	*0*	*28*
Impact of discount rate -0.30%	*31*	*0*	*-0*	*-31*	*28*	*0*	*0*	*-28*
Combined effect	–	–	–	–	–	–	–	–
Impact of discount rate +0.30%	*19*	*0*	*0*	*19*	*12*	*0*	*0*	*12*
Impact of discount rate -0.30%	*-19*	*0*	*-0*	*-19*	*-12*	*0*	*0*	*-12*

Non-life claims development

The table below provides a disclosure about claims development (non-life BBA is excluded because of immateriality). For each accident year, this table shows a yearly follow-up of the total claim charge throughout the years following the year in which the claims occurred. The estimate of the future cashflows is obtained by subtracting for each accident year the amounts that have already been paid from the total estimated claims charge of that year.

As IFRS 17-compliant data is available from 2022 on, the two last diagonals show the claims charge calculated according to IFRS 17 principles. The figures in italic were reported under IFRS 4, and are added for reference.

										Accident year		
Non-life claims development, KBC insurance (in millions of EUR)	**<2014**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimates of undiscounted cumulative claims before reinsurance												
At the end of accident year:	–	*990*	*940*	*1 024*	*1 000*	*1 072*	*1 149*	*1 018*	*1 262*	1 097	1 091	–
1 year later	–	*880*	*796*	*888*	*882*	*939*	*1 019*	*897*	1 022	1 091	–	–
2 years later	–	*826*	*751*	*825*	*849*	*894*	*989*	782	1 020	–	–	–
3 years later	–	*805*	*720*	*811*	*833*	*876*	895	793	–	–	–	–
4 years later	–	*789*	*708*	*806*	*816*	782	903	–	–	–	–	–
5 years later	–	*781*	*697*	*787*	743	786	–	–	–	–	–	–
6 years later	–	*779*	*690*	746	743	–	–	–	–	–	–	–
7 years later	–	*770*	651	751	–	–	–	–	–	–	–	–
8 years later	–	751	654	–	–	–	–	–	–	–	–	–
9 years later	–	*749*	–	–	–	–	–	–	–	–	–	–
Estimates of undiscounted cumu-lative claims before reinsurance at reporting date	–	749	654	751	743	786	903	793	1 020	1 091	1 091	8 581
Cumulative actual claims paid before reinsurance in the last 10 accident years	–	692	593	654	661	703	763	657	824	822	567	6 936
Total (cumulative) undiscounted future cashflows before reinsurance	678	57	61	97	82	83	140	136	196	269	525	2 323
Effect of discounting	–	–	–	–	–	–	–	–	–	–	–	-350
Effect of (discounted) risk adjustment	–	–	–	–	–	–	–	–	–	–	–	240
Other	–	–	–	–	–	–	–	–	–	–	–	-7
Discounted insurance liabilities for incurred claims before reinsurance	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2 206**
Discounted ceded reinsurance assets for incurred claims	–	–	–	–	–	–	–	–	–	–	–	84

How do we manage our capital?

Capital Management is a key management process relating to all decisions on the level and composition of our capital. It aims to achieve the best possible balance between regulatory requirements, rating agencies' views, market expectations and management ambitions.

Solvency reporting

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD.

CRR/CRD implements the Basel rules in Europe and is updated from time to time. When new requirements are implemented, a transitional period during which these rules are gradually phased in may be allowed. Currently, KBC makes use of transitional measures regarding Tier-2 instruments issued under third-country law without a contractual bail-in recognition clause and the IFRS 9 transitional measures (applied as from the second quarter of 2020). The latter makes it possible to add back a portion of the increased impairment charges to common equity capital (CET1) when provisions unexpectedly rise due to a worsening macroeconomic outlook, during the transitional period until 31 December 2024 .

Based on the banking regulation package (CRR/CRD), profit can be included in CET1 capital only after the profit appropriation decision by the final decision-making body (for KBC Group this is the General Meeting). The ECB can allow the inclusion of interim or annual profit in CET1 capital before the decision by the General Meeting. In that case, the foreseeable dividend should be deducted from the profit that is included in CET1. Considering that our dividend policy of 'at least 50%' does not include a maximum, the ECB requires the use of a 100% payout to determine the foreseeable dividend. Consequently, KBC no longer requests ECB approval to include interim or annual profit in CET1 capital before the decision of the General Meeting. As such, the annual profit of 2023 and the final dividend for 2023 will be recognised in the *transitional* CET1 of the first quarter of 2024, which will be reported after the General Meeting. Since 31 December 2021, the *fully loaded* figures immediately reflect the interim or annual profit, taking into account our Dividend Policy and/or any dividend proposal/decision by the Board of Directors.

The general rule under CRR/CRD for insurance participations is that an insurance participation is deducted from common equity at group level, unless the competent authority grants permission to apply a risk weighting instead (Danish compromise). Since the fourth quarter of 2020, the revised CRR/CRD requires the use of the equity method, unless the competent authority allows institutions to apply a different method. KBC has received ECB approval to continue to use the historical carrying value (a historical carrying value of 2 469 million euros) for risk weighting (370%), after having deconsolidated KBC Insurance from the group figures.

Solvency requirements

The minimum solvency ratios required under CRR/CRD are 4.5% for the common equity tier-1 (CET1) ratio, 6% for the tier-1 capital ratio and 8% for the total capital ratio (i.e. pillar 1 minimum ratios). In addition, CRR/CRD requires a capital conservation buffer of 2.5%.

As a result of its supervisory review and evaluation process (SREP), the competent supervisory authority (in KBC's case, the ECB) can require that higher minimum ratios be maintained (= pillar 2 requirements). Following the SREP cycle for 2023, the ECB formally notified KBC that the pillar 2 requirement (P2R) remains unchanged at 1.86% (of which 1.05% in CET1 taking into account CRD Article 104a). KBC may consider further optimising its capital structure by filling up the AT1 and T2 buckets within the P2R.

The pillar 2 guidance (P2G) increased to 1.25% of CET1.

The overall capital requirement for KBC is determined not only by the ECB, but also by the decisions of the local competent authorities in its core markets. The most recently announced countercyclical buffer rates by the countries where KBC's relevant credit exposures are located correspond to a countercyclical buffer at KBC group level of 1.24%, compared to 0.75% in 2023.

For Belgian systemic financial institutions, the NBB had already announced its systemic capital buffers at an earlier date. For the KBC group, this means that an additional capital buffer of 1.5% of CET1 is required.

On 1 May 2022, the National Bank of Belgium (NBB) introduced a sectoral systemic risk buffer. The amount of the CET1 capital buffer corresponds to 6% as from April 2024 (9% until then) of the RWA for the exposures secured by residential real estate in Belgium, which corresponds to 0.14% of total RWA for KBC Group consolidated.

Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise) to 10.92%, with an additional pillar 2 guidance (P2G) of 1.25%.

The data above reflect the situation as known on 31 December 2023, without taking into account changes – if any – communicated after that date.

Solvency figures under CRR/CRD

Solvency at group level (consolidated; under CRR/CRD, Danish compromise method) (in millions of EUR)	31-12-2023 Fully loaded	31-12-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital, after profit appropriation[1]	**21 260**	**19 768**	**20 100**	**18 742**
Tier-1 capital	**18 986**	**17 389**	**18 318**	**16 974**
Common equity[2]	**17 236**	**15 639**	**16 818**	**15 474**
Parent shareholders' equity (after deconsolidating KBC Insurance)	21 181	18 209	19 623	16 982
Intangible fixed assets, incl. deferred tax impact (-)	-712	-712	-609	-609
Goodwill on consolidation, incl. deferred tax impact (-)	-1 070	-1 070	-1 178	-1 178
Minority interests	0	0	0	0
Hedging reserve, cashflow hedges (-)	579	579	936	936
Valuation differences in financial liabilities at fair value – own credit risk (-)	-29	-29	-40	-40
Value adjustment due to requirements for prudent valuation (-)[3]	-24	-24	-31	-31
Dividend payout (-)	-1 287	0	-1 252	0
Share buyback - partly not yet executed (-)	-803	-803	0	0
Coupon on AT1 instruments (-)	-26	-26	-12	-12
Deduction with regard to financing provided to shareholders (-)	-56	-56	-57	-57
Deduction with regard to irrevocable payment commitments (-)	-90	-90	-90	-90
Deduction regarding NPL backstops (-)[4]	-204	-204	-158	-158
Deduction with regard to pension plan assets (-)	-121	-121	-143	-143
IRB provision shortfall (-)	-4	0	0	0
Deferred tax assets on losses carried forward (-)	-98	-98	-172	-172
Transitional adjustments to CET1	0	84	0	46
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial entities (-)	0	0	0	0
Additional going concern capital[5]	**1 750**	**1 750**	**1 500**	**1 500**
CRR-compliant AT1 instruments	1 750	1 750	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0	0
Tier-2 capital	**2 273**	**2 379**	**1 782**	**1 767**
IRB provision excess (+)	277	265	284	136
Transitional adjustments to Tier-2 capital	0	-60	0	-46
Subordinated liabilities	1 997	2 174	1 498	1 677
Subordinated loans to non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier-2 capital	0	0	0	0
Total weighted risk volume	**113 038**	**113 029**	**109 981**	**109 966**
Banking	103 201	103 192	100 300	100 285
Credit risk	88 051	88 042	85 003	84 988
Market risk[6]	2 116	2 116	3 132	3 132
Operational risk	13 034	13 034	12 166	12 166
Insurance	9 133	9 133	9 133	9 133
Holding-company activities and elimination of intercompany transactions	704	704	548	548
Solvency ratios				
Common equity ratio (or CET1 ratio)	15.2%	13.8%	15.3%	14.1%
Tier-1 ratio	16.8%	15.4%	16.7%	15.4%
Total capital ratio	18.8%	17.5%	18.3%	17.0%

1 The difference between the fully loaded and the transitional figure as at 31-12-2023 is explained by the net result for 2023 (3 383 million euros under the Danish compromise method), the proposed final dividend (-1 698 million euros), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (-15 million euros) and the grandfathered tier-2 subordinated debt instruments (-177 million euros).

2 Audited figures (excluding 'IRB provision shortfall', 'Value adjustment due to requirements for prudent valuation' and 'Deduction regarding NPL backstops').

3 CRR ensures that prudent valuation is reflected in the calculation of available capital. This means that the fair value of all assets measured at fair value and impacting the available capital (by means of fair value changes in P&L or equity) needs to be brought back to its prudent value. The difference between the fair value and the prudent value (also called the 'additional value adjustment' or AVA) must be deducted from the CET1 ratio.

4 NPL backstops refer to the minimum coverage requirements on non-performing loans for loans originated after 26 April 2019 (CRR requires a deduction from CET1) and the ECB minimum coverage expectations on non-performing loans for exposures defaulted after 1 April 2018 but originated before 26 April 2019 (KBC decided to voluntary deduct from CET1 any shortfalls relative to supervisory expectations).

5 KBC issued a 750-million-euro AT1 on 5 September 2023 and linked this as a replacement instrument for the 500 million euros AT1 callable in March 2024. The 500-million-euro AT1 callable in March 2024 is therefore derecognised from own funds and consequently also from MREL.

6 The HVAR and SVAR multiplier used for the calculation of market risk is equal to 3.0.

The fully loaded CET1 ratio dropped slightly from 15.3% at year-end 2022 to 15.2% at year-end 2023, which is explained by the 2023 profit (impact of +3.1 percentage points), the proposed 4.15 euros-per-share dividend for 2023 (impact of -1.5 percentage points), the deduction of the 1.3-billion-euro share buyback (impact of -1.2 percentage points) and the increase in RWA (impact of -0.4 percentage points). As of the third quarter of 2023, the total RWA volume includes the effects of the ECB supervisory decisions regarding model reviews.

Moving towards the Basel 4 era, KBC projects (based on current EU consensus for Basel 4, a static balance sheet and all other parameters ceteris paribus, without any mitigation actions):

- on 1 January 2025: no first-time application impact;
- by 1 January 2033: a fully loaded impact of +8.0 billion euros in RWA.

The impact on the common equity ratio of the most significant acquisitions and disposals in 2023 and 2022 is described in Note 6.6 of the 'Consolidated financial statements' section.

Solvency at group level (consolidated; CRR/CRD, deduction method) (in millions of EUR)	**31-12-2023 Fully loaded**	**31-12-2023 Transitional**	**31-12-2022 Fully loaded**	**31-12-2022 Transitional**
Common equity	16 521	14 755	16 056	14 574
Total weighted risk volume	108 287	107 858	105 114	104 752
Common equity ratio	15.3%	13.7%	15.3%	13.9%

Condensed solvency calculations for KBC Bank and KBC Insurance can be found in Note 6.7 of the 'Consolidated financial statements' section.

Maximum Distributable Amount

Amounts for distribution (dividend payments, payments related to additional tier-1 instruments or variable remuneration) are limited when the combined buffer requirements described above are breached. This limitation is referred to as Maximum Distributable Amount (MDA) thresholds.

Buffer compared to the Overall Capital Requirement (consolidated; under CRR/CRD, Danish compromise method)[1]	**31-12-2023 Fully loaded**	**31-12-2023 Transitional**	**31-12-2022 Fully loaded**	**31-12-2022 Transitional**
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement to be satisfied with CET1	1.05%	1.05%	1.05%	1.05%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Systemic risk buffer	0.14%	0.21%	0.19%	0.19%
Entity-specific countercyclical buffer	1.24%	0.69%	0.75%	0.40%
Overall Capital Requirement (OCR) – with P2R split, CRD Article 104a(4)	10.92%	10.45%	10.49%	10.14%
CET1 used to satisfy shortfall in AT1 bucket (B)	0.30%	0.30%	0.48%	0.48%
CET1 used to satisfy shortfall in T2 bucket (C)[2]	0.45%	0.36%	0.84%	0.86%
CET1 requirement for MDA (A+B+C)	11.68%	11.11%	11.82%	11.48%
CET1 capital (in millions of EUR)	17 236	15 639	16 818	15 474
CET1 buffer (= buffer compared to MDA) (in millions of EUR)	4 036	3 082	3 820	2 846

1 Situation as known at 31 December 2023 (not taking into account changes communicated after that date).
2 The fully loaded tier-2 capital excludes the tier-2 instruments grandfathered under CRR2; these instruments are included in the actual (transitional) tier-2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework.

Solvency figures under FICOD

KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive. In line with this directive, available capital is calculated on the basis of the consolidated position of the group and the eligible items recognised as such under the prevailing sectoral rules, which are CRD for the banking business and Solvency II for the insurance business. The resulting available capital is to be compared with a capital requirement expressed as a risk-weighted asset amount. For this latter figure, the capital requirements for the insurance business (based on Solvency II) are multiplied by 12.5 to obtain a risk-weighted asset equivalent (instead of the 370% risk weighting applied to the equity value in the insurance company under the Danish compromise).
KBC is required to satisfy the pillar 1 requirements. No pillar 2 requirements or management target are defined at the level of the FICOD ratio.

Solvency at group level (consolidated; FICOD method) (in millions of EUR)	**31-12-2023 Fully loaded**	**31-12-2023 Transitional**	**31-12-2022 Fully loaded**	**31-12-2022 Transitional**
Common equity	18 625	17 536	17 873	17 405
Total weighted risk volume	128 965	128 956	123 755	123 740
Common equity ratio	14.4%	13.6%	14.4%	14.1%

Leverage ratio

Leverage ratio at group level (consolidated; under CRR/CRD, Danish compromise method) (in millions of EUR)	**31-12-2023 Fully loaded**	**31-12-2023 Transitional**	**31-12-2022 Fully loaded**	**31-12-2022 Transitional**
Tier-1 capital	18 986	17 389	18 318	16 974
Total exposure	333 791	333 894	346 481	346 538
Total assets	346 921	346 921	355 872	355 872
Deconsolidation of KBC Insurance	-30 980	-30 980	-30 267	-30 267
Transitional adjustment	0	103	0	57
Adjustment for derivatives	-1 341	-1 341	-3 032	-3 032
Adjustment for regulatory corrections in determining tier-1 capital	-2 286	-2 286	-2 347	-2 347
Adjustment for securities financing transaction exposures	1 357	1 357	813	813
Central bank exposures	0	0	0	0
Off-balance-sheet exposures	20 119	20 119	25 442	25 442
Leverage ratio	5.7%	5.2%	5.3%	4.9%

More details, including a description of the processes used to manage the risk of excessive leverage, can be found in KBC's Risk Report, which is available at www.kbc.com (the risk report has not been audited by the statutory auditor).

Minimum requirement for own funds and eligible liabilities (MREL)

Besides the ECB and NBB, which supervise KBC on a going concern basis, KBC is also subject to requirements set by the Single Resolution Board (SRB). The SRB is developing resolution plans for the major banks in the euro area.

The resolution plan for KBC is based on a Single Point of Entry (SPE) approach at KBC group level, with 'bail-in' as the primary resolution tool. Bail-in implies a recapitalisation and stabilisation of the bank by writing down certain unsecured liabilities or converting them into shares. The SPE approach at group level reflects KBC's business model, which relies heavily on integration, both commercially (e.g., banking and insurance) and operationally (e.g., risk, finance, treasury, ICT, etc.). Debt instruments that are positioned for bail-in are issued by KBC Group NV. This approach keeps the group intact in resolution and safeguards the bank-insurance model in going concern.

It is crucial that there are adequate liabilities eligible for bail-in. This is measured by the minimum requirement for own funds and eligible liabilities (MREL). The SRB defines the minimum MREL level for KBC. It communicated MREL targets to KBC expressed as a percentage of Risk-Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE):

- 28.30% of RWA as from 1 January 2024 (including a fully loaded Combined Buffer Requirement of 5.38%), with an intermediate target as from 1 January 2022, reaching 26.53% at year-end 2023 (including a Combined Buffer Requirement of 4.90%);
- 7.38% of LRE as from 1 January 2024 (with an intermediate target of 7.34% as from 1 January 2022).

Besides a total MREL amount, BRRD2 also requires KBC to maintain a certain part of MREL in subordinated form (i.e. instruments subordinated to liabilities, excluded from bail-in). The binding subordinated MREL targets are:

- 24.35% of RWA as from 1 January 2024 (including a fully loaded Combined Buffer Requirement of 5.38%), with an intermediate target as from 1 January 2022, reaching 18.40% at year-end 2023 (including a Combined Buffer Requirement of 4.90%);
- 7.38% of LRE as from 1 January 2024, with an intermediate target of 6.19% as from 1 January 2022.

MREL (in millions of EUR)	31-12-2023	31-12-2022
Own funds and eligible liabilities (transitional)	34 672	30 269
CET1 capital (consolidated, CRR/CRD, Danish compromise method)	15 639	15 474
AT1 instruments (consolidated, CRR/CRD)	1 750	1 500
T2 instruments (consolidated, CRR/CRD)	2 379	1 767
Subordinated liabilities (issued by KBC Group NV but not included in AT1 & T2)	8	6
Senior debt (issued by KBC Group NV, nominal amount, remaining maturity > 1 year)	14 897	11 522
Risk-Weighted Assets (RWA)	113 029	109 966
MREL as a % of RWA	30.7%	27.5%
Leverage Ratio Exposure Amount (LRE)	333 894	346 538
MREL as a % of LRE	10.4%	8.7%

Information on ICAAP, ORSA and stress testing is provided in KBC's Risk Report, available at www.kbc.com.

Corporate governance statement

The main aspects of our corporate governance policy are set out in the Corporate Governance Charter of KBC Group NV (the 'Charter', which is published at www.kbc.com). We have adopted the 2020 version of the Belgian Corporate Governance Code ('Code 2020') as our benchmark. It can be downloaded at www.corporategovernancecommittee.be. More factual information regarding corporate governance and on the application of certain statutory provisions is contained in this corporate governance statement.

Unless otherwise indicated, the period dealt with runs from 1 January 2023 to 31 December 2023.

A number of terms have been abbreviated as follows in this section of the annual report:

- Board of Directors: Board
- Executive Committee: EC
- Audit Committee: AC
- Risk & Compliance Committee: RCC
- Companies and Associations Code: CAC
- The Belgian Act of 25 April 2014 on the legal status and supervision of credit institutions: The Banking Act

Composition of the Board and its committees at year-end 2023

A list of the external offices held by all members of the Board is provided at www.kbc.com, as is a brief CV for each director. The number of meetings attended is shown in the columns relating to the committees.

Koenraad Debackere

Philippe Vlerick

Johan Thijs

Alain Bostoen

Erik Clinck

Sonja De Becker

Marc De Ceuster

Franky Depickere

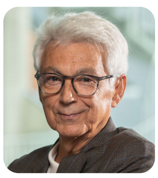
Frank Donck

Liesbet Okkerse

Vladimira Papirnik

Luc Popelier

Alicia Reyes Revuelta



Theodoros Roussis

Raf Sels

Christine Van Rijsseghem

Company	Primary responsibility	Period served on the Board in 2023	Expiry date of current term of office	Board meetings attended	Non-executive directors	Core share shareholders' representatives	Independent directors	EC	AC	RCC	Nomination Committee	Remuneration Committee
	Number of meetings in 2023			16					8	10	10	4
Koenraad Debackere	Chairman of the Board	Full year	2027	16	■		■				10 (c)	4 (c)
Philippe Vlerick	Deputy Chairman of the Board; CEO of the Vlerick Group	Full year	2025	16	■	■					8	4
Johan Thijs	President of the EC and Executive Director, KBC	Full year	2024	16				■ (c)				
Alain Bostoen	CEO, Christeyns Group	Full year	2027	16	■	■						
Erik Clinck	Executive Director, Enactus Belgium	Full year	2024	16	■	■						
Sonja De Becker	Chairperson, MRBB	Full year	2024	15	■	■				10	8	
Marc De Ceuster	Professor of Financial Economics, University of Antwerp	8 months	2027	10	■	■			4 (c)*			
Franky Depickere	Managing Director; CEO of Cera and KBC Ancora	Full year	2027	16	■	■				10 (c)	10	
Frank Donck	Managing Director, 3D	Full year	2027	15	■	■				9		
Liesbet Okkerse	Financial Director, Zoersel Municipality and Public Social Welfare Centre	Full year	2024	16	■	■						
Vladimira Papirnik	Retired Partner, Squire Patton Boggs (US) LLP	Full year	2024	16	■		■		8	10	10	
Luc Popelier	Executive Director, KBC	Full year	2025	16				■				
Alicia Reyes Revuelta	Director at several companies	Full year	2026	16	■		■		8			4
Raf Sels	CEO, MRBB	8 months	2027	10	■	■						
Theodoros Roussis	CEO, Ravago Group	Full year	2024	15	■	■						
Christine Van Rijsseghem	Executive Director, KBC	Full year	2026	13				■				

Statutory auditor: PricewaterhouseCoopers (PwC), represented by Damien Walgrave and Jeroen Bockaert.
Secretary to the Board: Wilfried Kupers.
(c) Chairman of this committee.

* Has attended every AC meeting since his appointment

Changes in the composition of the Board in 2023

- Katelijn Callewaert and Marc Wittemans resigned as directors with effect from the general meeting. Marc De Ceuster and Raf Sels were appointed as directors for a term of four years.
- Koenraad Debackere, Franky Depickere, Alain Bostoen and Frank Donck were re-appointed as directors for a four-year term of office.

Changes in the composition of the Board proposed to the General Meeting on 2 May 2024

- Vladimira Papirnik will resign as director with effect from the general meeting. The Board would like to express its gratitude for the contribution she has made to the KBC group over many years.
- On the advice of the Nomination Committee and subject to regulatory approval, the Board proposes that Diana Rádl Rogerová be appointed as an independent director for a four-year term of office, within the meaning of and in line with the relevant legal criteria and Code 2020.
- On the advice of the Nomination Committee, Johan Thijs, Erik Clinck, Sonja De Becker and Liesbet Okkerse are nominated for re-appointment as directors for a four-year term of office, and Theodoros Roussis is nominated for re-appointment as director for a one-year term of office.

Brief CV for the proposed new director:

- Born in Hradec Králové, Czech Republic, on 15 August 1972, Diana Rádl Rogerová holds a Master's Degree in International Trade, Monetary Economics and Banking (VŠE, University of Economics and Business in Prague). In 2006, she became an audit partner at Deloitte in Prague, where she was responsible for the audits of several major financial institutions. From 2016 to 2022, she was a managing partner of Deloitte Czech Republic. Between 2018 and 2022, she combined this responsibility with the role of Chief Strategy Officer of Deloitte Europe, overseeing the development and implementation of the global strategy across all of Deloitte's European business units (Audit, Tax and Legal, Consulting, Financial Advisory and Risk Advisory). In 2022, Diana founded Behind Inventions, an investment company that has a number of technological start-ups in its portfolio, and became its managing partner. In 2022, Diana was named 'Czech Manager of the Year'

The Corporate Governance Charter, CVs for members of the Board and the agenda for the General Meeting can be found at www.kbc.com.

The Group Executive Committee (EC)

Johan Thijs	Peter Andronov	Aleš Blažek	Erik Luts	David Moucheron	Luc Popelier	Christine Van Rijsseghem
°1965	°1969	°1972	°1960	°1973	°1964	°1962
Belgian	Bulgarian	Czech	Belgian	Belgian	Belgian	Belgian
Master's Degree in Science (Applied Mathematics) and Actuarial Sciences (KU Leuven)	Master's Degree in Finance (University of National and World economy in Sofia)	Master's Degree in Law (Charles University Law School in Prague)	Master's Degree in Pedagogy (KU Leuven)	Master's Degree in Law (UCL)	Master's Degree in Applied Economics (UFSIA Antwerp)	Master's Degree in Law (UGent)
Joined company in* 1988	Joined company in* 2007	Joined company in* 2014	Joined company in* 1988	Joined company in* 2015	Joined company in* 1988	Joined company in* 1987
Group CEO (Chief Executive Officer)	CEO of the International Markets Business Unit	CEO of the Czech Republic Business Unit	CIO (Chief Innovation Officer)	CEO of the Belgium Business Unit	CFO (Chief Financial Officer)	CRO (Chief Risk Officer)

* 'Joined company in …' refers to KBC Group NV, group companies or pre-merger entities (Kredietbank, Cera, ABB, etc.).

Changes in 2023:

- None.

Changes expected in 2024:

- None

Governance model

On 31 December 2023, the Board had 16 members, namely:
- Its Chairman, who is an independent director;
- Two independent directors;
- Three members of the EC (the CEO, the CFO and the CRO);
- Ten representatives of the core shareholders.

Given that the Banking Act stipulates that at least three members of the EC should also be directors (acting as 'executive directors'), it is legally not possible to implement a pure, dual governance structure with a clear split between the Board (dealing with strategy, risk appetite and the supervision of management) and the EC (operational management). The CEO, the CFO and the CRO are all executive directors.

The core shareholders (Cera, KBC Ancora, MRBB and the other core shareholders) have concluded a shareholder agreement in order to ensure shareholder stability and a long-term focus for the management of the group, as well as to support and coordinate its general policy. To this end, the core shareholders act in concert at the General Meeting of KBC Group NV and were represented on its Board by ten directors at year-end 2023.

Therefore, there is no majority of independent directors on the Board. However, KBC has placed a strong emphasis on selecting high-calibre, independent directors at the level of KBC Group NV, as well as on the boards of KBC Bank and KBC Insurance. These individuals are of high standing, come from diverse backgrounds and bring specific financial and governance expertise to the Board. Moreover, the boards of KBC Group NV, KBC Bank and KBC Insurance always hold joint meetings in practice. Since the boards of both KBC Bank and KBC Insurance also at all times include two independent directors, the joint Board meetings are actually attended by seven independent directors. The collective nature of the decision-making process generally used in these joint Board meetings also reflects the importance attached to the views of the independent directors.

The core shareholders' wish for their representatives to hold a majority on the Board and have a significant representation on the advisory committees is considered the corollary of the commitment they have made in the context of their shareholder agreement, with the aim of ensuring shareholder stability and guarantee continuity for the group. Given the long-term nature of their commitment, the core shareholders inherently pay particular attention to value creation, a solid capital base, prudent risk management and sustainability.

All members of the EC participate in the Board's meetings, except when it meets to discuss the operations of the EC and the remuneration to be granted to members of the EC.

Diversity policy

The Board has drawn up a policy regarding the desired amount of diversity in the composition of the Board itself and in the EC. The aim of this policy is to guarantee diversity in terms of know-how, experience, gender and geographical background. It aims to ensure that the Board and the EC can both fall back on a broad base of relevant competences and know-how and receive diverse opinions and input for their decision-making process.

The policy stipulates that the Board should have a balanced composition to ensure that it has suitable expertise in the area of banking and insurance, the requisite experience in executive management and a broad awareness of societal and technological developments.

The policy also stipulates that:
- At least one-third of the Board's members must be of a different gender than the other members;
- The members of the Board must be of different nationalities, with due account being taken of the different geographical areas where KBC is active;
- At least three directors must be independent within the meaning of and in line with the criteria set out in Article 7:87 of the CAC;
- Three members of the EC must also sit on the Board.

The Board usually holds its meetings together with the Boards of KBC Bank and KBC Insurance. The two additional independent directors on each of these two boards provide extra expertise and diversity.

The policy also stipulates that the EC should have a balanced composition to ensure that it has suitable expertise regarding the financial sector and the requisite know-how relating to all areas in which KBC operates.

The policy also stipulates that:
- At least one member of the EC must be of a different gender than the other members; the objective is to achieve a more balanced gender composition;
- The EC should strive towards achieving diversity in terms of the nationality and age of its members;
- All members of the EC have the necessary and diverse financial knowledge, professional integrity and management experience, but have followed different career paths.

The Board will see to it that this diversity policy is applied properly when deciding on the profile of a new director or a new member of the EC.

The Nomination Committee regularly checked to see whether this policy was being applied in practice and established that this was the case in 2023.

A complete CV for each member of the Board and the EC is provided at www.kbc.com > Corporate Governance > Leadership.

Composition of the Board and the EC 31 December 2023	Board	EC
Number of years on the Board or the EC		
0-2 years / 3-10 years / More than 10 years	4 members / 6 members / 6 members	3 members / 2 members/ 2 members
Average number of years	9 years	7 years
Age		
41-50 years of age / 51-60 years of age / Older than 60 years of age	1 member / 7 members / 8 members	1 member / 4 members / 2 members
Average age	59 years of age	57 years of age
Sex	11 men / 5 women	6 men / 1 woman
Nationality[1]	14 Belgian, 1 Spanish, 1 Czech/American	5 Belgian, 1 Czech, 1 Bulgarian
Qualifications[2]	law 28%, economics/finance 24%, MBA 17%, actuarial sciences/insurance 3%, other 28%	law 30%, economics/finance 20%, MBA 10%, actuarial sciences/insurance 10%, other 30%

1 For the boards of KBC Group NV, KBC Bank and KBC Insurance combined: Belgian, Czech, Czech/American, Irish, Swedish, Danish, Bulgarian, Spanish and French.
2 Rough percentage breakdown based on all qualifications (various individuals have more than one degree).

AC: application of Article 7:99 of the CAC and section 6.2.3 of the Charter

On 31 December 2023, the AC had two independent directors within the meaning of and in line with the criteria set out in Article 7:87 of the CAC and in Code 2020:

- Vladimira Papirnik, who holds a Juris Doctor Degree (Northwestern University, USA). She was a senior partner in the law firm of Squire Patton Boggs and – until June 2017 – worked in both Prague and Chicago. Ms Papirnik continues to work on projects for the firm and its clients. She specialises in corporate law (mergers and acquisitions, corporate governance). Diana Rádl Rogerová (see CV above) will succeed her as member of the AC with effect from the general meeting in 2024.
- Alicia Reyes Revuelta, who holds a Master's Degree in Law, Economics and Business Administration (ICADE, Madrid) and a PhD in Quantitative Methods and Financial Markets (ICADE, Madrid). She has held senior management positions at Bear Stearns, Olympo Capital and Wells Fargo, and is currently an independent Board Member of Ferrovial and Banco Sabadell and a Fellow Professor at the Institute of Finance and Technology (University College London).

The Chairman of the AC is:

- Marc De Ceuster (non-executive director), who holds a Doctor's degree in Applied Economics (UFSIA Antwerp) and a Master's Degree in Law (UIA Antwerp). He is Professor of Financial Economics at the University of Antwerp, as well as Executive Director of CERA and KBC Ancora.

It can be concluded on the basis of the profiles and competences of the members of the AC that the committee is constructed and has the requisite skills and experience in accordance with the requirements of Article 7:99 of the CAC and of section 6.2.3 of the Charter.

RCC: application of Article 56, §4 of the Banking Act and section 6.3.3 of the Charter

On 31 December 2023, the RCC of KBC Group NV had one independent director within the meaning of and in line with the criteria set out in Article 7:87 of the CAC and in Code 2020:

- Vladimira Papirnik: Diana Rádl Rogerová (see CVs above) will succeed her as member of the RCC with effect from the general meeting in 2024.

The other members of the RCC are:

- Franky Depickere (non-executive director), who holds Master's Degrees in Trade & Finance (UFSIA Antwerp) and in Financial Management (VLEKHO Business School). He was internal auditor at CERA Bank and has held positions and offices in various financial institutions. He is currently Managing Director at Cera and KBC Ancora. Mr Depickere is the Chairman of the RCC.
- Frank Donck (non-executive director), who holds a Master's Degree in Law (UGent) and a Master's Degree in Finance (Vlerick Business School). He is Managing Director of 3D NV, Chairman of Atenor Group NV and of Barco NV, and an independent director at Elia System Operator Group NV and Luxempart SA. He also holds directorships at several unlisted companies. Mr Donck is a member of the Belgian Corporate Governance Commission.
- Sonja De Becker (non-executive director), who holds a Master's Degree in Law (KU Leuven). She has held several positions at Boerenbond and Landelijke Gilden, where she was Chair from 2015 to 2022. She is currently the Chair of MRBB, Arvesta, Agri Investment Fund, SBB Accountants & Adviseurs and Aktiefinvest, and Director of Acerta.

It can be concluded on the basis of the profiles and competences of the members of the RCC that the committee is constructed in accordance with the requirements of the Charter and it possesses the requisite skills and experience.

Remuneration Committee: application of Article 56, §4 of the Banking Act and section 6.5.2 of the Charter

On 31 December 2023, the Remuneration Committee had two independent directors within the meaning of and in line with the criteria set out in Article 7:87 of the CAC and in Code 2020:

- Koenraad Debackere (independent director and Chairman of the Board), who holds a Master of Science in Electromechanical Engineering and a Doctor's degree in Management. He is an ordinary Professor at the Faculty of Economics and Business at KU Leuven and Chairman of the KU Leuven Association. He is also an independent director at Umicore NV. Koenraad Debackere chairs the Remuneration Committee.
- Alicia Reyes Revuelta (see CV above).

The other member of the Remuneration Committee is:

- Philippe Vlerick (non-executive director), who holds a Bachelor's Degree in Philosophy, a Master's Degree in Law (KU Leuven), a Master's Degree in Management (Vlerick Business School in Ghent) and an MBA degree (Indiana University, Bloomington, USA). He is Executive Chairman of Vlerick Group and of UCO, Chairman of Raymond Uco Denim, BIC Carpets, Pentahold, Besix Group and Smartphoto, Non-Executive Director of Exmar, Concordia Textiles, B.M.T, L.V.D., Mediahuis, and Vlerick Business School and Chairman of Festival of Vlaanderen, Stichting Professor Vlerick and Europalia.

It can be concluded on the basis of the profiles and competences of the members of the Remuneration Committee that the committee is constructed in accordance with the requirements of the Charter and it possesses the requisite skills and experience.

Nomination Committee: application of Article 56, §4 of the Banking Act and section 6.4.2 of the Charter

On 31 December 2023, the Nomination Committee of KBC Group NV had two independent directors within the meaning of and in line with the criteria set out in Article 7:87 of the CAC and in Code 2020:

- Koenraad Debackere, Chairman of the Nomination Committee (see CV above)
- Vladimira Papirnik: Diana Rádl Rogerová (see CVs above) will succeed her as member of the Nomination Committee with effect from the general meeting in 2024.

The other members of the Nomination Committee are:

- Franky Depickere (see CV above)
- Philippe Vlerick (see CV above)
- Sonja De Becker (see CV above)

It can be concluded on the basis of the profiles and competences of the members of the Nomination Committee that the committee is constructed in accordance with the requirements of the Charter and it possesses the requisite skills and experience.

Application of and non-compliance with Code 2020

The corporate governance statement included in the annual report must indicate whether any provisions of Code 2020 have not been complied with and state the reasons for non-compliance (the 'comply-or-explain principle'). This involves the following provisions:

Provision 4.19 of Code 2020 stipulates that the Board should set up a nomination committee composed of a majority of independent non-executive directors.

As specified above, on 31 December 2023 the Nomination Committee was composed of five directors, one of whom was the Chairman of the Board (who is also an independent director), a second independent director, and three who represented the core shareholders. Therefore, two independent directors sit on this committee. Furthermore, an independent director of KBC Bank is invited to attend every meeting of the Nomination Committee. In this way, three independent directors are involved in its activities.

When selecting the members of the Nomination Committee, the group takes due account of the specific shareholder structure and, in particular, of the presence of the core shareholders. Given their long-term engagement, the Board considered it appropriate to involve them in a suitable manner in the activities of this committee.

Code 2020 also stipulates that the 'Corporate governance statement' must contain all relevant information on events that affected governance. No such events occurred in 2023.

Statutory auditor

The statutory auditor, PwC Bedrijfsrevisoren BV (PwC), was represented by Messrs Damien Walgrave and Jeroen Bockaert. Details of the statutory auditor's remuneration are provided in Note 6.4 of the 'Consolidated financial statements' section.

Report on the activities of the Board and its committees in 2023

Board

Besides carrying out the activities required by law, reviewing the quarterly results and the activities of the AC, RCC, Nomination Committee and Remuneration Committee, and handling and taking decisions on the dossiers submitted by these committees, the Board also dealt with the following matters:

- The KBC strategy update;
- The strategy and operations in the Belgium, Czech Republic and Slovakia business units/countries, and in Markets, Corporate HR, KBC Asset Management, KBC Securities and Shared Services;
- The phasing out of the operations of KBC Ireland;
- Managing the impact of the geopolitical liquidity crisis;
- The capital policy and dividend policy;
- Share buybacks;
- The implementation of IFRS 17;
- The IT strategy and digital transformation (including Kate and strategy, transformation and innovation trends);
- The Rainbow project (creation of a platform ensuring high-quality financial, risk and treasury reports);
- Implementing the (re)insurance strategy;
- Reviewing the corporate sustainability strategy and the Sustainable Finance Programme;
- The HR policy;
- The ICAAP-ILAAP Report;
- The Risk Appetite Statement;
- The risk reports;
- The compliance reports and the compliance function;
- Reviewing the Internal Control Statement;
- The Board's self-assessment.

The EC reported monthly on the trend in the results and the general course of business at the group's various business units. In addition, the Board focused on the strategy and specific challenges for the different areas of activity.

Regular training sessions were also organised for all members of the Board (newly appointed directors also followed an extensive induction programme). The following topics were addressed: ESG, money laundering regulations, IFRS 17, regulatory framework and regulatory developments, data protection, cybersecurity and operational resilience.

Sustainability parameters have been incorporated into the KBC Sustainability Dashboard to enable the situation within the KBC group to be monitored and adjustments to be made, where necessary. The Board assesses the performance of these parameters twice a year. More information in this regard can be found in our Sustainability Report (available at www.kbc.com).

Audit Committee (AC)

The AC is tasked with a number of responsibilities, including advising the Board on the integrity of financial reporting and the effectiveness of the internal control process and risk management. It provides guidance to the internal audit function and supervises the external auditor. The AC of KBC Group NV acts in the same capacity for KBC Global Services. The AC met in the presence of the President of the EC, the Group CRO, the Group CFO, the internal auditor, the compliance officer and the statutory auditors. Besides reviewing the company and consolidated financial statements, the annual report, the half-year and quarterly figures, approving the relevant press releases and discussing the auditor's findings, it also discussed the quarterly reports drawn up by the internal auditor (including the approved annual audit plan).

The AC also examined:

- The statement of effective management with regard to the assessment of internal control systems and the monitoring of the resulting action plans;
- Intra-group conflicts of interest;
- The results of inspections performed by the supervisory authorities and the action plans drawn up by management;
- The evaluation of the internal audit function and the corresponding remuneration;
- The selection process for the external auditor's term of office;
- The first-time adoption of the IFRS 17 rules.

Risk & Compliance Committee (RCC)

The RCC advises the Board on current and future risk tolerance and on risk strategy, and assists it in supervising how the EC implements this strategy. It ensures that the prices of assets and liabilities and of categories of off-balance-sheet products that are offered to clients, factor in the risks run by the institution, with due account taken of its business model and risk strategy, viz. risks – especially reputational risks – that might arise from the types of product offered to clients. The RCC monitors the risk and compliance functions. The RCC of KBC Group NV acts in the same capacity for KBC Global Services.

The RCC met in the presence of the President of the EC, the Group CRO, the Group CFO, the internal auditor, the compliance officer and the statutory auditors. Besides discussing the periodic reports from the risk function and the compliance officer, it also examined the reports drawn up by the legal, tax and branch inspection departments.

The RCC paid special attention to:

- ESG and climate-related risks as part of the periodic reports from the risk function;
- Major digitalisation projects such as Rainbow and Temenos;
- Progress reports on the implementation of the EU data policy (GDPR, Schrems II), and other specific regulations, such as AML and MiFID, including the EC regulations;
- The statement of effective management with regard to the assessment of internal control systems and the monitoring of the resulting action plans;
- The ICAAP-ILAAP Report for 2023;
- The KBC ORSA Report for 2023;
- The KBC Recovery Plan for 2023;
- Information Security and Cyber Risk;
- The results of inspections performed by the supervisory authorities and the action plans drawn up by management;
- The updated Compliance Charter;
- The updated Integrity Policy;
- The updated Incompatibility Code;
- The Compliance Annual Report to the Board;
- The Data Protection Officer Report;
- The Conflict of Interest Report;
- The Anti-Money Laundering Committee Report;
- The Enterprise-Wide Risk Assessment;
- The Taping & the Conflict of Interest Policy;
- The Complaints Handling Report;
- The Acceptance Policy;
- The Whistleblower Policy;
- The Group Treasury Frameworks.

Nomination Committee

The Nomination Committee of KBC Group NV acts in the same capacity for KBC Insurance, KBC Bank and KBC Global Services.

The main matters dealt with were:

- Appointments and re-appointments to the Board;
- Succession planning for the Board;
- Assessment of the collective suitability of the EC and the Board;
- Creation of a profile for each Board member and the related education portfolio;
- The HR policy;
- Evaluation of the operations and composition of the Board and the Nomination Committee.

Remuneration Committee

The Remuneration Committee of KBC Group NV acts in the same capacity for KBC Insurance, KBC Bank and KBC Global Services. The Remuneration Committee met each time in the presence of the Chairman of the RCC, with the President of the EC usually in attendance too.

The main matters dealt with were:

- The assessment of the criteria for evaluating the EC in 2022;
- The criteria for evaluating the EC in 2023;
- The annual Remuneration Review;

- Application of the indexation of the remuneration of the CEO and other EC members;
- The preparation of the remuneration report;
- The retention bonuses for KBC Ireland.

For a general description of how the Board and its committees function, see sections 5 and 6 of the Charter of KBC Group NV (at www.kbc.com).

Principal features of the evaluation process for the Board, its committees and its members

Under the leadership of its Chairman and assisted by the Nomination Committee, the Board evaluates at least once every three years its own performance, how it interacts with the EC, and its scope, composition and operations, as well as that of the committees.

Each Board committee carries out an evaluation of its own composition and operations at least once every three years, before reporting its findings and, where necessary, making proposals to the Board.

Directors who are nominated for re-appointment are subject to an individual evaluation regarding their attendance at Board and committee meetings and their contribution to and constructive involvement in discussions and decision-making. This evaluation is conducted by the Nomination Committee.

On the initiative of the President of the EC, the full EC discusses its objectives and assesses its performance once a year. Each year, the President of the EC evaluates each member of the EC individually. after which the evaluations are discussed in the Remuneration Committee and approved by the Board. The individual evaluation of the President is performed by the Chairman of the Board in consultation with the Remuneration Committee before being approved by the Board.

Conflicts of interest that fell within the scope of Article 7:115, 7:116 or 7:117 of the CAC

During financial year 2023, the Board's decision on the assessment of the Executive Committee members required the application of Article 7:115 of the CAC. The proposal was discussed at the Board meeting of 8 February 2023, the relevant minutes of which are provided below:
The Board discusses upon the proposal of the Remuneration Committee as to the individual performance score of the ExCo members (except the CEO). The Board agrees.
The CEO then leaves the meeting and the Board discusses and agrees upon the proposal of the Remuneration Committee as to the individual performance score of the CEO.
The Chair further explains that the Remuneration Committee discussed the (collective) ExCo KPI's for 2022 and came to a global score of 97.79% (compared to 96.4% in 2021). As for the CRO the risk & control parameters count double and the business parameters are not taken into account (due to regulatory requirements), the final score for the CRO is 97.46%.

In addition, the Board's decision to grant discharge to the Executive Committee members – in implementation of Article 7:109, §3 of the CAC – required the application of Article 7:115 of the CAC. The proposal was discussed at the Board meeting of 16 March 2023, the relevant minutes of which are provided below:

It is explained that KBC Group NV has a dual governance model, though hybrid as at least three members of the Executive Committee must also be member of the Board of Directors. Article 7:109, §3 of the CCA provides that, after adoption of the annual accounts, the Board has to decide on granting discharge to the members of the Executive Committee. The Board has to describe the pecuniary consequences of the proposed decision and the justification for its decision.
The Board recognises that there is a conflict of interest of a patrimonial nature, but that there is no patrimonial impact since the Board does not intend to bring a claim for damages against the Executive Committee and its members.
The Board decides to grant discharge to the members of the Executive Committee.

There were no conflicts of interest that required the application of Article 7:116 or 7:117 of the CAC.

> *Ethical behaviour and integrity are essential components of sound business practice. Honesty, integrity, transparency and confidentiality, together with sound risk management, are part of the strict ethical standards that KBC stands for – both in the letter and the spirit of the regulations.*

Transactions between the company and its directors and members of the EC, not covered by the statutory regulations governing conflicts of interest

None.

Measures regarding insider dealing and market manipulation

The Dealing Code requires a list of key employees to be drawn up, annual blocking periods to be set, and transactions by persons with managerial responsibility and with persons connected with them to be reported to the Belgian Financial Services and Markets Authority (FSMA).

Main features of the internal control and risk management systems

Part 1: Description of the main features of the internal control and risk management systems at KBC

A clear strategy, organisational structure and division of responsibilities set the framework for the proper performance of business activities

We examine the strategy and organisational structure of the KBC group in the 'Our business model' and 'Our strategy' sections of this annual report.

The KBC group has a dual governance structure based on the Belgian model:

- The Board is responsible for defining general strategy and policy. It exercises all the responsibilities and activities reserved to it by law and – based on a proposal by the EC –

decides on the overall risk appetite. It appoints the members of the EC.
- The EC is responsible for the operational management of the company within the confines of the general strategy and policy approved by the Board. To assume its specific responsibility towards financial policy and risk management, the EC appoints a chief financial officer (CFO) and a chief risk officer (CRO) from among its ranks.

The Charter describes the respective responsibilities of both management bodies, their composition and operations, as well as the qualifications their members must possess.

Corporate culture and integrity policy

Our principles are set out in the integrity policy, as well as in specific codes, procedures and codes of conduct, and are also incorporated into specific training courses and campaigns for staff. The main policy guidelines and codes of conduct are communicated in a transparent manner and can be found at www.kbc.com > Corporate Sustainability > Setting rules and policies.

One of the topics covered by the integrity policy is 'conduct risk', a concept that identifies the risk arising from the inappropriate provision of financial services. To address this matter, KBC has drawn up a comprehensive policy that includes prevention, monitoring and reporting. Extensive, group-wide communication campaigns and training courses on dealing with dilemmas ensure that the necessary awareness of this risk is in place. Managing conduct risk is crucial for safeguarding the interests of clients, especially in the areas of investor protection and insurance policyholder protection.

The integrity policy focuses primarily on the following areas, for which – where appropriate – specific group-wide compliance rules have been issued, i.e. for:
- Preventing the financial system being used for laundering money and funding terrorism, observing embargoes, and preventing proliferation financing of weapons of mass destruction;
- Preventing fiscal irregularities including special mechanisms and DAC 6;
- Protecting investors;
- Protecting privacy, including banking secrecy, privacy in electronic communication, confidentiality of information and the professional duty of discretion;
- Fostering ethics;
- Coordinating fraud prevention;
- Protecting insurance policyholders;
- Complying with anti-discrimination legislation;
- Respecting rules on consumer protection: market practices, payment and lending services, complaints handling by companies, rules on SME funding and Payment Services Directive II;
- Respecting the governance aspects of CRD IV and V, Solvency II and/or local laws, including the separation of duties between executive management and supervisory bodies, the functioning of committees, incompatibility of offices, sound remuneration policy, 'Fit & Proper' requirements, conflicts of interest, loans made to members of the EC and directors (and persons associated with them) and to shareholders with a significant participation, and the provision of advice on outsourcing and sustainability regulations.

The integrity policy also maintains a strong and comprehensive focus on ethics and combating fraud:

- By running focused campaigns and training courses, KBC proactively ensures that this ethical attitude is ingrained in the DNA of each employee. The elements of this policy are firmly embedded in the 'KBC Group Ethics & Fraud Policy' and various other policy guidelines referred to in this section.
- Various departments such as Compliance, Inspection, Internal Audit – as well as KBC's business side – engage in the prevention and detection of fraud. For complex fraud cases and/or incidents with an impact at group level, investigations are conducted and/or coordinated by Group Compliance in its capacity as the group competence centre for fraud.
- The 'Policy for the Protection of Whistleblowers in the KBC group' ensures that employees and former employees or external parties who act in good faith to report fraud and gross malpractice are protected (see below).
- Inspired by the UK's Modern Slavery Act, KBC has published a 'Modern Slavery Act Statement' in which it resolves to combat every form of 'modern slavery' in its business activities.

The 'Code of Conduct for KBC Group Employees' is a generalised document based on a set of group values that outlines how all members of staff should conduct themselves. It forms the basis for developing more specialised codes of conduct for specific target groups and for drawing up policy guidelines at group level. It is also the source of inspiration for awareness-raising campaigns and training courses.

Combating corruption and bribery

KBC has pursued a zero-tolerance policy towards any and all forms of corruption for years and does not tolerate any exceptions to this policy.

The 'KBC Anti-Corruption & Bribery Policy' not only affirms KBC's position in the fight against corruption, but is also geared towards preventing corruption in all its activities, including the activities carried out by KBC staff and by persons or entities who work for KBC or who represent KBC in any capacity.

Combating corruption and avoiding conflicts of interest, in general, are dealt with as part of both an authoritative training course and various digital training courses (see also the table below).
Another element of the Anti-Corruption & Bribery Policy is the 'policy on gifts, donations and sponsorship' through which KBC endeavours to protect its employees and the other parties involved by means of clear and unambiguous criteria that have been drawn up to foster transparent and reasonable behaviour. Gifts, donations, entertainment, invitations and/or sponsorship, whose equivalent value exceeds a certain sum (on an annual basis), must be reported to and approved by the competent executive committee/management level in advance. In 2023, 18 reports of this kind were approved in Belgium. In Central Europe, too, gifts and donations above a certain value have to be reported. Two such reports were approved in the Czech Republic, two in Hungary, one in Slovakia and three in Bulgaria.

Anti-money laundering practices

Given that KBC does not want to be involved in any activity that could be considered as money laundering or the funding of terrorism, an anti-money laundering policy has been developed at group level which is clearly embedded across the organisation. The aim of this policy is to establish a general framework for combating money laundering and the funding of terrorism (including proliferation financing of weapons of mass destruction and compliance with embargoes). Each group entity has developed its own anti-money laundering programme based on group-wide compliance rules covering the minimum requirements, but also ensuring that there is scope to implement local legislation.
In order to properly identify all the risks, an annual risk assessment is carried out at all entities.
Training courses are provided at regular intervals to all employees, tied agents and their staff (see the following table).

Furthermore, employees, tied agents and their staff are expected to strictly follow established procedures and guidelines and to exercise due vigilance. This vigilance is promoted by applying a risk-based approach depending on a client's risk classification when identifying clients and checking transactions. If in doubt or where they detect a suspicious transaction, they are required to report this to Compliance.

An integrated, group-wide AI platform based on models and machine learning was developed to facilitate transaction monitoring and was rolled out in Belgium and in the Central European countries where the group operates.

Responsible taxpayer

The basic principle behind the KBC tax strategy is that KBC Group NV and all its entities must act as responsible taxpayers, basing themselves on professionally executed compliance with tax laws, legitimate tax planning and supported by valid business objectives that take precedence over tax considerations. KBC does not take aggressive tax positions simply because it wishes to safeguard its reputation as a responsible taxpayer, and it adheres to a strict tax risk management policy based on these principles. KBC staff are not allowed to provide clients with advice of a nature that might prompt them to commit tax fraud. Any tax advice or tax information provided must be legally correct and clearly worded. All of KBC's tax returns and tax payments are filed correctly and on time. When conducting tax audits, full disclosure in line with prevailing local tax legislation is the guiding principle. KBC reacts in good time to all legislative changes by investing in the necessary IT systems and by adapting its tax processes to ensure they comply with the new rules. Proper governance is in place to follow up and monitor the KBC Tax Strategy. The policy on the prevention of fiscal irregularities is regularly updated and was brought into line with NBB's instructions on special mechanisms, which were modified in 2021. KBC Group NV has the procedures in place that it needs to comply with the DAC 6 requirements. KBC meets all CRS and FATCA requirements.

See Note 3.11 in the 'Consolidated financial statements' section.

Whistleblower policy

KBC updated its policy regarding whistleblowers while taking account of new European regulations on the protection of whistleblowers. It expects its employees, tied agents and their staff – when going about their work – to look out for signs of crime, any serious infringements of rules or regulations and other malpractice on the part of employees and clients. All KBC employees, tied agents and their staff

have a basic moral duty – and the legal means – to report any suspicions of such conduct.
KBC facilitates anonymous reports and may also report directly and anonymously to the respective supervisors in their areas of competence.
KBC undertakes to protect the identity of whistleblowers and to protect them against any detrimental consequences of acting in good faith to voice their suspicions in the way set out in the internal rules. By doing so, KBC likewise protects and respects the rights of the person about whom concerns are reported. Group Compliance oversees how this policy is implemented in practice. In principle, the local compliance function is the entity where all the reports and files are centralised. It has to inform the Group Compliance's Ethics Unit about every whistleblowing file. The whistleblower policy is published internally and externally (available under 'Corporate Sustainability' at www.kbc.com).
In 2023, 28 reports were received at group level: 11 from Belgium, 11 from the Czech Republic, 0 from Hungary, 5 from Slovakia and 1 from Bulgaria.

Data protection
The Internal Group Compliance rule on data protection sets out a strict privacy framework, which has to be observed as a minimum standard and implemented in every KBC Group entity. Each entity has appointed a data protection officer to inform and advise management and employees on their obligations in the field of privacy and data protection and to monitor compliance with regulations and policies relating to the protection of personal data.
We check the status of relevant topics through regular compliance monitoring programmes and use awareness campaigns and training to hold people's attention and ensure their knowledge remains up-to-date.

Given the importance of privacy and data protection, we keep our Executive Committee and the Risk and Compliance Committee of the Board of Directors informed through a quarterly report. For more information about data protection and privacy, see 'The client is at the centre of our business culture' in the 'Our strategy' section.

Training courses completed, as % of the selected target audience, 2023	Training on ethics, avoiding conflicts of interest and combating corruption	Anti-money laundering training	Data protection training
Belgium (KBC Bank, KBC Insurance, KBC Securities, KBC Asset Management, tied insurance agents and their staff)	99%	97%	99%
Czech Republic (ČSOB Bank / ČSOB Pojišťovna)	99% / 100%	99% / 100%	99% / 100%
Slovakia (ČSOB Bank / ČSOB Poisťovňa)	97% / 98%	98% / 98%	99% / 99%
Hungary (K&H Bank / K&H Insurance)	97% / 93%	95% / 87%	97% / 98%
Bulgaria (UBB / DZI)	96% / 94%	96% / 91%	96% / 91%

The 'Three Lines of Defence' model

1 The business side

The business operations side is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, that self-assessment of the business side is of a sufficiently high standard, that there is adequate awareness of risk and that sufficient priority/capacity is allocated to risk themes.

2 The Group risk, compliance and actuarial functions, and – for certain matters – Finance, Legal and Tax, constitute the second line of defence.

Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting KBC. In this way, they can oversee the control environment and the risks taken, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. To ensure that the risk function is respected, the chief risk officers have a veto right, which can be used in the various committees where important decisions are made.
The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the group, and supervise how they are applied.
Compliance is an independent function within the group, characterised by its specific status (as provided for by law and regulations and described in the Compliance Charter), its place in the organisation chart (hierarchically under the CRO with a functional reporting line to the President of the EC) and associated reporting lines (reporting to the RRC and even to the Board in certain cases). Its prime objective is to prevent KBC from running a compliance risk or from incurring loss/damage – regardless of its nature – due to non-compliance with applicable laws, regulations or internal rules that fall either within the scope of the compliance function or within the areas assigned to it by the EC. Hence, the compliance function devotes particular attention to adherence to the integrity policy.
The actuarial function is an independent function that ensures additional quality control by providing expert technical actuarial advice to the Board, the RCC, the EC of KBC Group NV, and to the KBC Insurance group and all reinsurance and insurance entities within the group. Such advice covers the calculation of the technical provisions for insurance liabilities, the reinsurance policy and underwriting risk. The independence of this function is supported by its modified status, as described in the 'actuarial function Charter'.

3 As independent third line of defence, Internal Audit provides support to the EC, AC, RCC and the Board in monitoring the effectiveness and efficiency of the internal control and risk management system.

Internal Audit provides reasonable assurance about whether the internal control and risk management processes, including corporate governance, are effective and efficient. As independent third line of defence reporting to the AC, it performs risk-oriented audits to this end and ensures that policy measures and processes are in place that are consistently applied within the group to guarantee the continuity of operations.
Responsibilities, features, organisational structure and reporting lines, scope, audit methods, cooperation between internal audit departments of the KBC group, and outsourcing of internal audit activities are set out in the Audit Charter of KBC Group NV.
In accordance with international professional audit standards, an external entity screens the audit function on a regular basis This screening was conducted in 2023. The results of that exercise, which were very positive, were reported to the EC and the AC.

The AC and RCC play a central role in monitoring the internal control and risk management systems

Each year, the EC evaluates whether the internal control and risk management system is still compliant and reports its findings to the AC and RCC.
These committees supervise, on behalf of the Board, the integrity and effectiveness of the internal control measures and the risk management system set up under the EC, with the AC paying special attention to correct financial reporting. They also examine the procedures set up by the

company to see whether they comply with the law and other regulations.
Their role, composition and operations, along with the qualifications of their members, are laid down in their respective charters, which are included under the Charter. More information on these committees is provided elsewhere in this section.

Part 2: Description of the main features of the internal control and risk management systems in relation to the financial reporting process

Periodic reporting at company level is based on a documented accounting process. Accounting procedures and financial reporting process have been documented in a comprehensive manual. Periodic financial statements are prepared directly from the general ledger. Bookkeeping

accounts are examined to see whether they correspond to underlying inventories. The result of these controls can be demonstrated. Periodic financial statements are prepared in accordance with local accounting policies and periodic reports on own funds in accordance with the most recent National Bank of Belgium (NBB) resolutions.

The main affiliated companies have their own accounting and administrative organisation, as well as a set of procedures for internal financial controls. The consolidation process is explained in a descriptive document. The consolidation system and the consolidation process have been operational for some time and have numerous built-in consistency controls.

The consolidated financial statements are prepared in accordance with IFRS accounting policies that apply to all the companies included in the scope of consolidation. The relevant senior financial managers (CFOs) of the subsidiaries certify to the accuracy and completeness of the financial figures reported in accordance with group accounting policies. The Approval Committee, which is chaired by the general managers of the Investor Relations Office and of Experts, Reporting & Accounting, monitors compliance with IFRS accounting policies and the completeness of IFRS disclosure requirements.

Pursuant to the Banking Act, the EC of KBC Group NV evaluated the internal control system for the financial reporting process and prepared a report on its findings.

The group-wide roll-out of 'fast close' procedures, the monitoring of intercompany transactions within the group, and permanent follow-up of a number of key risk, performance and quality indicators continually help raise the quality of both the accounting process and the financial reporting process.

The internal control of the accounting process has been based on Group Key Control Accounting and External Financial Reporting standards since 2006. These rules for managing the main risks attached to the accounting process involve the establishment and maintenance of accounting process architecture, the establishment and maintenance of accounting policies and accounting presentations, compliance with authorisation rules and the separation of responsibilities when transactions are registered in the accounts, and the establishment of appropriate first- and second-line account management.

The Challenger Framework and Data Management Framework define a solid governance structure and clearly describe the roles and responsibilities of the various players in the financial reporting process. The aim here is to radically reduce reporting risks by challenging input data and improving the analysis of – and therefore insight into – the reported figures.

Each year, when preparing the Internal Control Statement for the supervisory authorities, the legal entities have to assess themselves as to whether they comply with the Group Key Control Accounting and External Financial Reporting standards. The findings of this self-assessment are registered in the risk function's Group Risk Assessment Tool. Business process management (BPM) techniques are also applied, using process inventories, process descriptions (turtle diagrams) and analyses of the potential risks in the processes (Failure Mode & Effects Analysis (FMEA)), supplemented by the questionnaire completed by the CFOs. In this way, the CFOs formally confirm by substantiated means that all the defined roles and responsibilities relating to the end-to-end process for external financial reporting have been properly assumed within their entity.

KBC Group NV's Internal Audit function conducts an end-to-end audit of the accounting process and external financial reporting process at both company and consolidated level.

Disclosure under Article 34 of the Belgian Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments admitted to trading on a regulated market

1 Capital structure on 31 December 2023

The share capital was fully paid up and was represented by 417 305 876 shares of no nominal value. For more information, see the 'Additional information' section.

2 Restrictions on transferring securities as laid down by law or the Articles of Association

Each year, KBC Group NV carries out a capital increase for its employees and the employees of certain of its Belgian subsidiaries. If the issue price of the new shares is less than the set closing price, the employee may not transfer these new shares for two years, starting from the payment date, unless he or she dies. The shares subscribed to by employees under the capital increase decided upon by the Board in November 2023 are issued on an undiscounted basis and therefore not blocked. The shares issued under the capital increase in 2022 remain blocked (until 14 December 2024).

3 Holders of any securities with special control rights

None.

4 Systems of control of any employee share scheme where the control rights are not exercised directly by the employees

None.

5 Restrictions on exercising voting rights as laid down by law or the Articles of Association

The voting rights attached to the shares held by KBC Group NV and its direct and indirect subsidiaries are suspended. See Note 5.10 in the 'Consolidated financial statements' section.

6 Shareholder agreements known to KBC Group NV that could restrict the transfer of securities and/or the exercise of voting rights

The core shareholders of KBC Group NV comprise KBC Ancora NV, its parent company Cera CV, MRBB BV, and a group of legal entities and individuals referred to as 'Other core shareholders'.

Based on the most recent notifications provided to KBC, their shareholdings are:

- KBC Ancora NV 77 516 380
- Cera CV 15 555 143
- MRBB BV 47 887 696*
- Other core shareholders 30 945 409
- Total 171 904 628 (41.19% of total number of shares at 31 December 2023)

* MRBB reported the purchase of 79 000 additional KBC shares on 5 January 2024 (not included in this overview which reflects the situation as at 31 December 2023).

A shareholder agreement was concluded between these core shareholders that provides for a contractual shareholder syndicate. It sets out the rules for the syndicated shares, management of the syndicate, syndicate meetings, voting rights within the syndicate, preferential subscription rights in the event of the transfer of syndicated shares, withdrawal from the agreement, and duration of the agreement. Apart from a limited number of decisions, the syndicate meeting may take decisions by a two-thirds majority vote, on the understanding that none of the shareholder groups can block a decision. The agreement was extended for a ten-year period, with effect from 1 December 2014.

7 Rules governing the appointment and replacement of board members and the amendment of the Articles of Association of KBC Group NV

Appointment and replacement of members of the Board:
Following the approval of or notification to the supervisory authority, proposals to appoint nominated directors or to re-appoint directors are submitted by the Board to the General Meeting for approval. Each proposal is accompanied by a documented recommendation from the Board, based on the advice of the Nomination Committee. Without prejudice to the applicable legal provisions,

nominations are communicated as a separate agenda item for the General Meeting at least thirty days before it is held. When nominating an independent director, the Board will state whether the individual meets the independence criteria set out in Article 7:87 of the CAC. The General Meeting appoints directors by a simple majority of votes cast. From among its non-executive members, the Board elects a chairman and one or more deputy chairmen, if necessary. Outgoing directors are always eligible for re-appointment. If, during the course of a financial year, a directorship falls vacant as a result of decease, resignation, dismissal or for any other reason, the remaining directors may provisionally arrange for a replacement and appoint a new director. In that case, the next General Meeting will proceed to a definitive appointment.

Amendment of the Articles of Association:
The General Meeting is entitled to amend the Articles of Association. Accordingly, the General Meeting may only validly deliberate and take decisions about such amendments if they have been accurately proposed in the convening notice and if the shareholders present or represented at the meeting represent at least half the capital. If the latter condition is not satisfied, a second convening notice is required and the new meeting can validly deliberate and take decisions, regardless of the share of capital represented by the shareholders present or represented at the meeting. An amendment is only adopted if it receives three-quarters of the votes cast (Article 7:153 of the CAC).
If an amendment to the Articles of Association pertains to the object of the company, the Board must justify the proposed amendment in a detailed report that is referred to in the agenda. An amendment will then only be adopted if it receives at least four-fifths of the votes cast (Article 7:154 of the CAC).

8 Powers of the Board with regard to the issue and repurchase of treasury shares

The General Meeting authorised the Board until 22 May 2028 to increase, in one or more steps, the share capital in cash or in kind, by issuing shares. The Board is also authorised until the same date to decide on one or several occasions to issue convertible bonds (whether subordinated or otherwise) or warrants that may or may not be linked to bonds (whether subordinated or otherwise) that could result in capital being increased. This authorisation related to a sum of 146 000 000 euros, where the Board is entitled – in the company's interest – to suspend or restrict the preferential subscription rights of existing shareholders, and to a sum of 554 000 000 euros, without the Board having the power to suspend or restrict preferential subscription rights. On 8 November 2023, the Board decided to use its authorisation to increase capital by issuing shares with preferential subscription rights cancelled to employees. For more information, see 'Notes to the company annual accounts' in the 'Additional information' section.
The General Meeting of 5 May 2022 authorised the Board, for a period of four years calculated from the announcement of the resolution, to acquire a maximum of 10% of the KBC Group NV shares on Euronext Brussels or another regulated market at a price per share that may not exceed the last closing price on Euronext Brussels preceding the date of acquisition plus 10%, and that may not be lower than one euro. Under this authorisation, the Board acquired 8 797 069 shares in 2023 (2.11% of the number of shares in circulation). For information on KBC Group NV shares belonging to KBC Group NV and its subsidiaries, see Note 5.10 in the 'Consolidated financial statements' section.

9 Significant agreements to which KBC Group NV is a party and which take effect, alter or terminate upon a change of control of KBC Group NV following a public takeover bid

None.

10 Agreements between KBC and its directors or employees providing for compensation if the directors resign or are made redundant, or if employees are made redundant, without valid reason following a public takeover bid

None.

Shareholder structure on 31 December 2023

Notifications of shareholdings are provided under the Act of 2 May 2007, under the Act on public takeover bids or on a voluntary basis. A summary containing the most recent disclosures is provided under 'Our business model' in the 'Report of the Board of Directors' section. It should be noted that the figures provided below may differ from the current number of shares in possession, as a change in the number held does not always give rise to a new notification.

Shareholder structure based on notifications received under the Act of 2 May 2007 concerning the disclosure of significant participations in issuers whose shares are admitted to trading on a regulated market

Shareholder structure on 31 December 2023 (based on the most recent notifications received pursuant to the Act of 2 May 2007)	Address	Number of KBC shares/voting rights (as a % of the current number of shares/voting rights)*	Notification relating to
Core shareholders			
KBC Ancora NV	Muntstraat 1, 3000 Leuven, Belgium	77 516 380 / 18.58%	1 December 2014
Cera CV	Muntstraat 1, 3000 Leuven, Belgium	11 127 166 / 2.67%	1 December 2014
MRBB BV	Diestsevest 32/5b, 3000 Leuven, Belgium	47 889 864 / 11.48%	1 December 2014
Other core shareholders	C/o Ph. Vlerick, Ronsevaalstraat 2, 8510 Bellegem, Belgium	32 020 498 / 7.67%	1 December 2014
Other shareholders			
BlackRock Inc.	55 East 52nd Street, New York, NY 10055, United States	20 651 401 / 4.95%	1 December 2022

* Includes the 'voting rights that may be acquired if the instrument is exercised' as stated under 'B) Equivalent financial instruments' in the transparency notification. Any shareholders falling below the 3% notification threshold are no longer included in the table (unless they are a core shareholder). KBC publishes these notifications on www.kbc.com.

Disclosures under Article 74 of the Belgian Act on public takeover bids

Within the framework of this law, KBC Group NV received a number of updated disclosures in August 2023. The entities and individuals referred to below act in concert.

A Disclosures by (a) legal entities and (b) individuals holding 3% or more of securities carrying voting rights[1]

Shareholder	Shareholding (quantity)	%[2]	Shareholder	Shareholding (quantity)	%[2]
KBC Ancora NV	77 516 380	18.58%	Niramore International SA	400 000	0.10%
MRBB BV	47 887 696	11.48%	Cecan Invest NV	397 563	0.10%
CERA CV	15 555 143	3.73%	Robor NV	359 606	0.09%
Plastiche Finance NV	4 380 500	1.05%	Rodep Comm. VA	320 000	0.08%
VIM CVBA	4 032 141	0.97%	Dufinco	300 000	0.07%
SAK AGEV	2 807 731	0.67%	Beluval NV	267 698	0.06%
Almafin SA	1 625 127	0.39%	Bareldam SA	260 544	0.06%
Anchorage	1 550 000	0.37%	Algimo NV	210 000	0.05%
De Berk BV	1 138 208	0.27%	Gavel NV	200 000	0.05%
Cecan NV	1 087 697	0.26%	Ibervest	190 000	0.05%
SAK PULA	981 450	0.24%	STAK Iberanfra	120 107	0.03%
Rainyve SA	950 000	0.23%	Promark International NV	110 000	0.03%
Alia SA	938 705	0.22%	Agrobos NV	85 000	0.02%
Stichting Amici Almae Matris	917 731	0.22%	Wiljam NV	65 000	0.02%
3D NV	911 893	0.22%	Filax Stichting	38 529	0.01%
Alginvest NV	840 901	0.20%	Hendrik Van Houtte CVA	36 000	0.01%
Ceco CVA	661 499	0.16%	Kristo Van Holsbeeck BVBA	18 720	0.00%
Van Holsbeeck NV	524 656	0.13%	IBP Ravago OFP	9 833	0.00%
Sereno SA	502 408	0.12%			

B Disclosures by individuals holding less than 3% of securities carrying voting rights (the identity of the individuals concerned does not have to be disclosed)

	Shareholding (quantity)	%[2]		Shareholding (quantity)	%[2]
–	900 000	0.22%	–	63 562	0.02%
–	884 000	0.21%	–	50 000	0.01%
–	285 000	0.07%	–	41 446	0.01%
–	285 000	0.07%	–	38 000	0.01%
–	250 000	0.06%	–	33 318	0.01%
–	167 498	0.04%	–	30 000	0.01%
–	125 200	0.03%	–	23 131	0.01%
–	102 944	0.02%	–	18 167	0.00%
–	89 562	0.02%	–	10 542	0.00%
–	81 212	0.02%	–	9 765	0.00%
–	75 000	0.02%	–	3 431	0.00%
–	71 168	0.02%	–	887	0.00%
–	67 329	0.02%			

1 No such disclosures were received.

2 The calculation is based on the total number of shares on 31 December 2023. MRBB reported the purchase of 79 000 additional KBC shares on 5 January 2024 (not included in this overview which reflects the situation as at 31 December 2023).

Remuneration report for financial year 2023

Procedures for developing the remuneration policy and for determining the remuneration granted to individual directors and members of the EC

The remuneration policy for the Board and EC is based on prevailing legislation, the Corporate Governance Code and market data. It is monitored and regularly checked by the Remuneration Committee to see whether it complies with changes in the law, the Code, and prevailing market practices and trends. The Chairman of the Remuneration Committee informs the Board of the committee's activities and advises it of any changes to the remuneration policy and its implementation. The minutes of the meetings of the Remuneration Committee are provided to the Board for information purposes. The Board may also instruct the Remuneration Committee to examine potential changes to the remuneration policy and to advise it accordingly. If required by law, the Board will submit any policy changes to the General Meeting for approval.
The RCC assists the Board in drawing up a sound remuneration policy and also checks each year whether that policy is consistent with healthy and effective risk management, and whether or not the incentives in the system promote risks.

On the basis of advice obtained from the Remuneration Committee, the Board decides on proposals to change the remuneration package for its members and, where necessary, submits such proposals for approval at the General Meeting.

On the basis of advice obtained from the Remuneration Committee and taking account of the established remuneration policy, the Board determines the remuneration to be granted to members of the EC, and assesses this amount at regular intervals. The amount in question is split into a fixed component and a variable (result-related/ performance-related) component.

Non-compliance with the Corporate Governance Code

- The Corporate Governance Code stipulates that members of the Board should receive a portion of their remuneration in the form of company shares as a way of encouraging them to act as long-term shareholders or, as phrased by the Corporate Governance Commission, to ensure that the directors have 'skin in the game'. While agreeing with the thinking behind it, the Remuneration Committee did not consider it expedient to follow this rule given KBC's specific shareholder structure, where – with the exception of the independent directors – all non-executive directors at KBC are representatives of the core shareholders. These core shareholders, by their very nature, are long-term shareholders who together hold more than 40% of KBC's shares. So it is fairly safe to say there is 'skin in the game'. Adding a limited number of shares by means of their remuneration would, therefore, not have any impact whatsoever. Consequently, the Remuneration Committee believes it is not necessary to implement this rule to achieve the intended objective. The Board followed the advice of the committee.
- The Corporate Governance Code also stipulates that the Board should determine the minimum number of shares that members of the EC may hold in a personal capacity. The reasoning behind this position is to bring the interests of executive management into line with those of the shareholders and because it would contribute to sustainable value creation. In this regard, too, the Corporate Governance Commission reiterates the importance of having 'skin in the game'. Moreover, a positive correlation is believed to exist between shareholdings by senior management and future operating profit. The Remuneration Committee advised the Board not to implement this particular provision of the Code. The Board followed the advice of the committee based on the fact that the idea behind this provision and the positive impact of shareholdings by senior management are already deeply embedded in the current structure of the remuneration package currently in place for members of the EC. Not only is payment of 60% of their variable remuneration deferred over a period of five years, half of the variable remuneration is also paid in the form of phantom stocks. In other words, half of the variable remuneration is linked to the development of the value of the KBC share over a period of seven years following the year for which the variable remuneration was awarded. So we can safely conclude there is already quite some 'skin in the game'. Continuing good results and a positive share price performance are therefore as important to members of the EC as they are to the shareholders. The additional requirement of having members of the EC hold a package of KBC shares would make an overly large portion of their assets dependent on the KBC share price.

General framework

The policy for remunerating members of the Board and the EC is published in the Remuneration Policy for the Board of Directors and Members of the Executive Committee, which the General Meeting approved by nearly 90% of the votes on 5 May 2022. An update of this policy will be submitted for decision to the General Meeting of Shareholders of 2 May 2024.

The main principles for setting variable remuneration are set out below:

- Variable remuneration must always comprise a result-related component (for the EC as a collective body) and a performance-related component (for individual achievements).
- 60% of variable remuneration awarded to members of the EC may not be paid straightaway but its payment is to be spread over a period of five years.
- Half of the total amount of variable remuneration is to be awarded in the form of equity-related instruments (phantom stocks or other instrument specified by a local regulator). This ensures that the size of the variable emolument partly depends on the longer-term effects of the policy pursued.
- No advance payments may be made in relation to the variable component and clawback/holdback provisions are in place.
- The variable remuneration may not exceed half of the fixed remuneration components.
- The criteria for assessing the performance of the EC member responsible for the risk function may not refer in any way to the results of the KBC group.
- Some of the criteria used for assessing the performance of members of the EC must always relate to risk. The sustainability policy is another element that is taken into account when setting variable remuneration.

Clawback provisions

- Payment of the total annual variable remuneration is not only spread over time; half of it is also awarded in the form of phantom stocks that are subject to a retention period of one year (i.e. they are only converted into cash one year after being awarded). The variable remuneration component, including the deferred part, is only acquired when this can be reconciled with the financial situation of the entire institution and justified by the performances of the KBC group and the EC.
- Action can be taken regarding payment of deferred amounts that have still to be acquired (malus arrangement) in certain situations. In exceptional circumstances, some or all of the variable remuneration already awarded can also be clawed back, which is decided on by the Board on the advice of the Remuneration Committee.

Remuneration awarded to non-executive directors

- The remuneration paid to non-executive directors consists solely of an annual fixed component of 20 000 euros (non-performance-related and non-results-based) plus the fee received for each meeting attended (5 000 euros). If meetings coincide with Board meetings of KBC Bank and/or KBC Insurance, the attendance fee will be paid just once to directors sitting on more than one of these Boards. Given his duties, the Deputy Chairman receives a higher fixed component (an additional 30 000 euros).
- In light of the considerable time he devotes to the ongoing supervision of KBC group affairs, the Chairman of the Board receives a different remuneration package that comprises solely a fixed component, which is set separately by the Remuneration Committee and approved by the Board. It amounts to 200 000 euros for the chairman of KBC Group NV and to 50 000 euros each for the chairmen of KBC Bank NV and KBC Insurance NV.
- The directors sitting on the AC and/or RCC receive an additional fixed emolument of 30 000 euros for the work they perform in that regard. Similarly, if meetings coincide with AC or RCC meetings of KBC Bank and/or KBC Insurance, the emolument will be paid just once to directors sitting on different committees. The chairmen of the AC and RCC receive a higher fixed emolument (an additional 30 000 euros and 100 000 euros, respectively). Directors sitting on either the Nomination Committee or the Remuneration Committee do not receive additional remuneration for the work they perform in that regard.
- In light of the considerable time required for directors residing outside Belgium to attend Board meetings, additional remuneration (attendance fees) of 2 500 euros is paid to them for each meeting attended. This does not apply to meetings held virtually or to virtual attendance of in-person meetings.

- KBC Group NV does not grant loans to directors. Loans or guarantees may, however, be granted by KBC Group NV banking subsidiaries pursuant to Article 72 of the Banking Act, meaning that loans may be granted at terms applying to clients and approved by the Board.

Individual remuneration awarded to non-executive directors of KBC Group NV

- The non-executive directors of KBC Group NV – and, where relevant, of other companies of the KBC group – received the amounts set out in the following table.
- The members of the EC who also sit on the Board as executive directors did not receive either a fixed remuneration or any attendance fees.

Remuneration per individual director (on a consolidated basis, in EUR)	Remuneration (for FY 2023)	Remuneration for AC and RCC members (for FY 2023)	Attendance fees (for FY 2023)	Total
Koenraad Debackere	300 000	–	–	300 000
Alain Bostoen	30 000	–	65 000	95 000
Eric Clinck	30 000	–	65 000	95 000
Sonja De Becker	40 000	–	60 000	100 000
Marc De Ceuster	41 667	40 000	43 750	125 417
Franky Depickere	65 000	130 000	71 250	266 250
Frank Donck	30 000	30 000	60 000	120 000
Katelijn Callewaert (until 4 May 2023)	13 333	–	25 000	38 333
Liesbet Okkerse	36 667	–	65 000	101 667
Vladimira Papirnik	30 000	30 000	92 500	152 500
Alicia Reyes Revuelta	30 000	30 000	92 500	152 500
Theodoros Roussis	30 000	–	65 000	95 000
Raf Sels	20 000	–	40 000	60 000
Philippe Vlerick	60 000	–	65 000	125 000
Marc Wittemans (until 4 May 2023)	13 333	20 000	25 000	58 333

Remuneration paid to the President and the other members of the EC

- The remuneration of individual EC members is made up of the following components:
  - A fixed monthly emolument;
  - A defined pension contribution in a defined contribution plan;
  - An annual, result-related variable emolument (the amount of which depends on the performance of the EC as a whole and on the performance of the institution);
  - An annual, individual variable emolument based on the performance by each member of the EC and on the example they set in respecting the group's values;
  - Any emolument for offices performed on behalf of KBC Group NV (exceptional).
- A quantitative risk-adjustment mechanism – the 'risk gateway' – is used to set the variable remuneration. It comprises a number of capital and liquidity parameters that have to be met before the variable remuneration component may be awarded. The parameters are set each year by the Board. If one of these parameters is not met, not only will this remuneration component not be awarded, but payment of deferred amounts relating to previous years will be suspended in that year, too.
- For members of the EC, the **individual variable component** is set on the basis of an assessment of the performance of the member in question. The Remuneration Committee broadly assesses each member of the EC against the aspects of our corporate culture and the aspect of being *Respectful* as a core value for the entire KBC organisation. On the basis of this assessment, the Remuneration Committee proposes a percentage between 0 and 100% to the Board. The Board then decides on this final score, which ultimately determines the size of the individual variable emolument.

Criteria for awarding members of the EC the individual variable remuneration component	Explanation*
Performance	We strive for excellent results and do what we promise to do.
Empowerment	We offer every employee the chance to develop their creativity and talent.
Accountability	We meet our personal responsibility towards our clients, colleagues, shareholders and society.
Responsiveness	We anticipate and respond proactively to the questions, suggestions, contributions and efforts of our clients, colleagues and management.
Local Embeddedness and group-wide cooperation	We view the diversity of our teams and of our clients in the different core markets as a strength and we stay close to our clients.
Respect	We treat people as our equals, we are transparent, we trust them and appreciate them for what they do and who they are.

* See 'What makes us who we are?'

- On the advice of the Remuneration Committee, the Board sets the **collective result-related variable component** on the basis of an assessment of a number of pre-agreed criteria relating to the performances of the EC and the company (see table). These criteria are centred on four broad areas, viz. implementing strategy, realising financial plans, strengthening the risk control environment, and the satisfaction of all stakeholders. The performance of the EC in each of these four areas determines the size of this variable remuneration component (with each area accounting for 25% of the final outcome). This assessment of these criteria is reflected in a percentage between 0% and 100% that is applied to the maximum result-related variable emolument. The size of the variable emolument, therefore, depends to a small extent on achieving financial results. Other aspects such as risk management and stakeholder management are equally important in this regard. And, as it determines at least 30% of the result-related variable emolument, sustainability is also an increasingly important factor.

Criteria for awarding members of the EC the result-related variable remuneration component	Explanation	Weighting*
Implementing strategy	Besides achieving any specific targets, the main focus is on what has been achieved in terms of client centricity, sustainability, encouraging responsible conduct, and innovation. In 2023, this primarily involved further steps in the implementation of the strategy (progress made in the areas of bank-insurance, digital sales, etc.), progress on key sustainability indicators, the integration exercise in Bulgaria, the execution of the exit plan in Ireland and the implementation of the Temenos platform.	25%
Realising financial plans	Comprises a number of financial parameters (return, profit, capital, and cost of credit) and assessment of the progress made in terms of income diversification.	25%
Strengthening the risk control environment	Assessed based on liquidity, capital and funding criteria, implementing recommendations made by Audit and the regulator, and the degree to which the internal control environment, including compliance, has improved. In 2023, great emphasis was again placed on cyber risks. In addition to strengthening the risk control environment, a number of these aspects also enhance the company's good governance.	25%
Stakeholder satisfaction	Assessed based on results from client and employee satisfaction surveys and on progress made in terms of sustainability. A sustainability dashboard that contains numerous parameters is used for measuring sustainability in a range of areas, including our banking and insurance activities (e.g., the share of renewable energy loans in the loan portfolio and reducing financing of the coal sector), our role in society (e.g., our own ecological footprint), sustainable growth (e.g., managing risk and creating long-term value), reputation and HR policy.	25%

* For the variable remuneration of the CRO, the realisation of financial plans is not taken into account, but the relative weighting of risk-related criteria is doubled.

- The variable remuneration of the members of the EC is not only based on the results of a single financial year, but also considers the long-term impact. This is embedded in the structure of the payment of the variable remuneration:
  - Half of the remuneration is linked to the development of the price of the KBC share over a period of seven years following the performance year (by distributing phantom stocks);
  - 60% of the variable remuneration is not paid immediately, but is spread over a period of six years following the performance year. Events that have a material negative impact on KBC's results or reputation

  may give rise to non-payment or reduced payment of the variable remuneration.
- Members also benefit from a retirement and survivor's pension scheme, which comprises a supplementary retirement pension or – if the insured dies while still in employment and leaves a spouse – a survivor's pension (and, where applicable, an orphan's pension), and also provides cover in the event of disability.

Provisions concerning severance payments for executive directors and members of the EC of KBC Group NV

- In compliance with legal and regulatory limits, for members of the EC who have worked six years or less, such payments have been set at 12 months' remuneration, for those who have worked between six and nine years, they are equal to 15 months' remuneration, and for those who have worked more than nine years, they are equal to 18 months' remuneration. In this context, remuneration is taken to be the fixed remuneration component for the current year and the variable component for the last full year preceding termination of office.

Relative importance of the different components of remuneration

- The variable component is split into a collective result-related variable emolument and an individual variable emolument. For 2023,
  - a maximum of 704 463 euros applies for the result-related variable component for the President of the EC and a maximum of 373 331 euros for the individual variable component.
  - The limits for these components are 316 576 and 142 263 euros, respectively, for the other members of the EC.
- The final amount is set by the Board on the advice of the Remuneration Committee, based on an assessment of the individual and collective achievements during the previous financial year.

Characteristics of performance-related bonuses in the form of shares, options, or any other rights to acquire shares

- The total amount of annual variable remuneration (i.e. both the result-related and individual components) for members of the EC is paid over a period of six years, with 40% being paid in the first year and the rest spread equally over the next five years.
- Payment of these deferred amounts is subject to the clawback provisions outlined above.
- Of the total annual variable remuneration, 50% is awarded in the form of equity-related instruments called phantom stocks, the value of which is linked to the price of the KBC Group NV share (though not in the Czech Republic, where a specific non-cash instrument is used whose value changes in lockstep with ČSOB's results and the underlying factors determining the value of the phantom stocks). These stocks must be retained for one year after being allocated. The period over which they are allocated is also six years. The average price of the KBC share during the first three months of the year is used to calculate the number of phantom stocks to which each member of the EC is entitled. These stocks are then converted into cash a year later on the basis of the average price of the KBC share during the first three months of that year. They are subject to the allocation and acquisition conditions described under 'Clawback provisions'.

Pension arrangements, disability cover and death cover

- The members of the EC have a separate defined contribution plan that is funded entirely by KBC. When drawing up this plan, account was taken of the fact that the career of a member (and especially the President) of the EC is shorter than that of an average employee. In the pension formula, therefore, the first ten years that an individual sits on the EC are the ones in which a significant part of the supplementary pension is built up. The contribution that KBC makes to the pension plan amounts to 32% of the fixed emolument during those first ten years, 7% for the next five years and 3% starting from the sixteenth year of plan membership. A minimum return of 0% (capped at 8.25%) is guaranteed on the contributions. During the first ten years, the size of the payment made into the pension fund is rather large, but declines to a fraction of what it had been previously starting from the eleventh year and even more markedly from the sixteenth year.
- The plan applies to all members of the EC who are resident in Belgium. The other members of the EC are covered by an insurance policy that reflects the provisions of the Belgian pension plan.
- The pension plan includes a death benefit, which equals four times the amount of the fixed emolument (or, if higher, the reserves that have been built at the time of death). Where applicable, there is also an orphan's pension, comprising a one-off benefit of 231 387 euros and an annuity of 7 504 euros per year.
- The invalidity benefit provided under the plan amounts to 891 120 euros per year.

Fixed and variable remuneration for 2023

- Figures for the fixed and variable remuneration components are given in the table.
- The Board decided that the members of the EC should be awarded collective result-related variable remuneration for 2023 that equalled 98.92% of the maximum amount (98.58% for the CRO).

2023 score	Explanation	Score decided on
A Implementing strategy	Further progress was made with implementing the 'Next Level' strategy. Significant progress was made in the area of sustainability. All sustainability indicators that weigh heavily in these assessments and are monitored in the sustainability dashboard were achieved (for example: the percentage of 'green' loans (for real estate, renewable energy, electric vehicles, etc.), the share of responsible investments, and so on). The integration exercise in Bulgaria is on track, as is the exit from Ireland. The implementation of the Temenos platform in Slovakia is on schedule, whereas in Hungary this project had to be restarted.	97.00%
B Realising financial plans	The financial targets were met or exceeded, leading to more than respectable results.	100.00%
C Strengthening the risk control environment	The majority of the KPIs were met (audit recommendations, liquidity, funding and capital planning, historically low level of operating losses, etc.). Despite substantial efforts, a few areas – such as data quality, GDPR and anti-money laundering issues – still require some work. This is partly due to the regulator consistently raising the bar in this area. All criteria related to the group's good governance practices were met.	98.67%
D Stakeholder satisfaction	The already high level of employee satisfaction increased slightly further. Substantial progress was made in terms of sustainability, as the sustainability report also shows. KBC is recognised as a frontrunner in this area in the financial sector, which among other things resulted in excellent sustainability ratings. Virtually all KBC entities met their NPS target as well as their reputation targets. Employee satisfaction, NPS scores and reputation also benefited from good governance and responsible behaviour, to which considerable attention is paid.	100.00%
Total weighted score (percentage that is applied to the maximum result-related variable emolument)	DC members excl. CRO ((97 x 25%) + (100 x 25%) + (98.67 x 25%) + (100 x 25%))	98.92%
	CRO ((97 x 25%) + (100 x 0%) + (98.67 x 50%) + (100 x 25%))	98.58%

- Half of the variable remuneration component is paid in cash and the other half is awarded in the form of phantom stocks. As regards the cash component, 40% will be paid in 2024 and the remaining 60% spread equally over the next five years (2025 to 2029, inclusive). The amounts awarded are included in the table below.
- *Phantom stocks for 2023:* The number of phantom stocks is calculated on the basis of the average price of the KBC share during the first quarter of 2024. Like the other variable components, 40% will be awarded in 2024 and the remaining 60% spread equally over the next five years. Given that phantom stocks are to be retained for one year, they are paid out in cash one year after being awarded, which means that payment is spread over 2025 to 2030, inclusive. The amounts for which phantom stocks were awarded in this way for 2023 are given in the table below:

Amounts awarded in the form of phantom stocks (in EUR)	Total	Vesting in 2024	Vesting in 2025	Vesting in 2026	Vesting in 2027	Vesting in 2028	Vesting in 2029
Johan Thijs	531 360	212 545	63 763	63 763	63 763	63 763	63 763
Erik Luts	221 782	88 713	26 614	26 614	26 614	26 614	26 614
Luc Popelier	218 226	87 290	26 187	26 187	26 187	26 187	26 187
Christine Van Rijsseghem	217 688	87 075	26 123	26 123	26 123	26 123	26 123
David Moucheron	218 226	87 290	26 187	26 187	26 187	26 187	26 187
Peter Andronov	221 782	88 713	26 614	26 614	26 614	26 614	26 614
Aleš Blažek*	129 631	51 851	15 556	15 556	15 556	15 556	15 556

* Specific instruments in the Czech Republic, as set out above.

Variable remuneration relating to previous years

- A portion of the (deferred) variable remuneration component awarded for 2018-2022 will be paid in 2024.
- A portion of the phantom stocks awarded for 2017-2021 was converted into cash at 66.52 euros per share in April 2023.
- The amounts paid are given in the table.

Severance payments in 2023

- None.

Other benefits

- Each member of the EC has a company car, the personal use of which is charged in accordance with the prevailing regulations. Other benefits which members of the EC receive include hospitalisation insurance, assistance insurance and accident insurance. The value of these benefits is given in the table. These figures do not include the flat-rate expenses allowance of 335 euros which each member of the EC receives each month.

Overview

- The tables below show the remuneration paid to a) the former members of the EC and b) the current members of the EC.
- Employment status of the members of the EC: self-employed.

a) Remuneration paid to former members of the EC of KBC Group NV, 2023	**Luc Gijsens**		**Daniel Falque**		**Hendrik Scheerlinck**		**John Hollows**	
	Awarded	Paid	Awarded	Paid	Awarded	Paid	Awarded	Paid
Base remuneration (fixed)	–	–	–	–	–	–	–	–
Individual remuneration for financial year (variable)		–	–	–	–	–	–	–
- cash	–	–	–	–	–	–	–	–
- phantom stocks	–	–	–	–	–	–	–	–
Result-related remuneration for financial year (variable)	–	–	–	–	–	–	–	–
- cash	–	–	–	–	–	–	–	–
- phantom stocks	–	–	–	–	–	–	–	–
Remuneration for previous financial years								
- individual variable remuneration	–	0	–	14 724	–	15 893	–	22 439
- result-related variable remuneration	–	0	–	48 862	–	48 862	–	65 838
- phantom stocks	–	22 417	–	117 075	–	86 055	–	201 458
Sub-total (variable remuneration)	–	22 417	-	180 661	-	160 810	-	289 735
Defined contribution pension plan (contribution) (excl. taxes)	–	–	–	–	–	–	–	–
Other benefits	–	–	–	–	–	–	–	–
Total	–	22 417	–	180 661	–	160 810	–	289 735
Ratio of fixed to variable remuneration (%)	–	–	–	–	–	–	–	–

b) Remuneration paid to the current members of the EC of KBC Group NV (2023)	Johan Thijs (CEO)		Peter Andronov		Aleš Blažek*		Erik Luts		David Moucheron		Luc Popelier		Christine Van Rijsseghem	
	Awarded	Paid	Awarded	Paid	Awarded	Paid	Awarded	Paid	Awarded	Paid	Awarded	Paid	Awarded	Paid
Base remuneration (fixed)	1 922 210	1 922 210	1 011 753	1 011 753	682 324	682 324	1 011 753	1 011 753	1 011 753	1 011 753	1 011 753	1 011 753	1 011 753	1 011 753
Individual remuneration for financial year (variable)														
- cash	182 932	73 173	65 204	26 082	32 943	13 177	65 204	26 082	61 648	24 659	61 648	24 659	61 648	24 659
- phantom stocks	182 932	–	65 204	–	32 943	–	65 204	–	61 648	–	61 648	–	61 648	–
Result-related remuneration for financial year (variable)														
- cash	348 427	139 371	156 578	62 631	96 688	38 675	156 578	62 631	156 578	62 631	156 578	62 631	156 040	62 416
- phantom stocks	348 427	–	156 578	–	96 688	–	156 578	–	156 578	–	156 578	–	156 040	–
Remuneration for previous financial years														
- individual variable remuneration	–	59 327	–	11 403	–	2 457	–	28 789	–	10 585	–	26 145	–	27 791
- result-related variable remuneration	–	139 373	–	29 221	–	7 638	–	78 083	–	29 221	–	78 083	–	78 556
- phantom stocks	–	274 661	–	45 034	–	0	–	143 284	–	44 302	–	162 641	–	165 169
Sub-total (variable remuneration)	1 062 718	685 905	443 564	174 371	259 262	61 947	443 564	338 869	436 452	171 398	436 452	354 159	435 376	358 591
Defined contribution pension plan (contribution) (excl. taxes)	615 775	615 775	256 700	256 700	256 700	256 700	323 761	323 761	323 761	323 761	323 761	323 761	323 761	323 761
Other benefits	19 534	19 534	8 562	8 562	4 679	4 679	14 000	14 000	7 589	7 589	18 064	18 064	8 939	8 939
Total	3 620 237	3 243 424	1 720 579	1 451 386	1 202 965	1 005 650	1 793 078	1 688 383	1 779 555	1 514 501	1 790 030	1 707 737	1 779 830	1 703 045
Ratio of fixed to variable remuneration (%)	71/29	79/21	74/26	88/12	78/22	94/6	75/25	80/20	75/25	89/11	76/24	79/21	76/24	79/21

* The net remuneration paid to Aleš Blažek is the same as that for the other members of the EC.

Top management remuneration in perspective

- To put developments in the remuneration of top management in perspective, we have provided an overview of the total remuneration earned by the current members of the EC, the average salary of KBC Group NV employees (in FTE), the lowest salary of a KBC Group NV employee (in FTE) and certain indicators of KBC's performance.
- The remuneration awarded to non-executive directors has not been included in the overview due to the fact that it has remained unchanged during the past five years.

Top management remuneration in perspective	2019	2020	(year-on-year change)	2021	(year-on-year change)	2022	(year-on-year change)	2023	(year-on-year change)
Remuneration of EC members (in EUR)									
Johan Thijs	2 361 493	2 245 548	-5%	2 421 147	+8%	3 067 231	+27%	3 620 237	+18%
Peter Andronov	–	–	–	1 506 087 (12/12)	–	1 602 089	+6%	1 720 579	+7%
Aleš Blažek	–	–	–	–	–	1 111 584 (12/12)	–	1 202 965	+8%
Erik Luts	1 494 112	1 426 805	-5%	1 534 287	+8%	1 643 993	+7%	1 793 078	+9%
David Moucheron	–	–	–	1 520 236 (12/12)	–	1 627 611	+7%	1 779 555	+9%
Luc Popelier	1 488 162	1 420 447	-5%	1 527 022	+8%	1 633 710	+7%	1 790 030	+10%
Christine Van Rijsseghem	1 500 277	1 424 458	-5%	1 529 211	+7%	1 632 959	+7%	1 779 830	+9%
Average (excluding CEO[1])	1 491 388	1 422 900	-5%	1 522 517	+7%	1 541 991	+7%[2]	1 677 673	+9%
Average salary of Belgian employees of KBC Group NV (in EUR)									
Average salary	90 780	92 124	+1%	94 312	+2%	109 106	+16%[3]	112 376	+3%
Lowest salary	43 259	46 448	+7%	47 767	+3%	53 559	+12%	54 704	+2%
Ratio of highest to lowest salary	1/55	1/48		1/51		1/57		1/66	
Performance indicators									
Group's net result (in millions of EUR)	2 489	1 440	-42%	2 614	+82%	2 818[4]	+5%	3 402	+21%
Group's total income (in millions of EUR)	7 629	7 195	-6%	7 558	+5%	10 035[4]	+12%	11 224	+12%
Own greenhouse gas emissions (in tonnes of CO2 per FTE)	1.97	1.54	-22%	1.02	-34%	1.49[5]	-	1.48	-1%
Volume of responsible investment funds (in billions of EUR)	12.0	16.8	+40%	31.7	+89%	32.3	+2%	40.7	+26%
Common equity ratio (fully loaded)	17.1%	17.6%	+3%	15.5%	-12%	15.3%	-1%	15.2%	-0%

1 This calculation was based on the EC's composition at the time.
2 Excluding Aleš Blažek.
3 The increase was impacted by the separation of KBC Global Services.
4 According to IFRS 17. Percentage increase from 2021 without considering IFRS 17.
5 Recalculated based on the disposal of KBC Ireland and the inclusion of the private use of our own or KBC-managed vehicle fleet.

Remuneration from 2024

- An updated version of the Remuneration Policy for members of the Board and of the EC will be submitted for approval to the General Meeting of Shareholders of 2 May 2024. This update involves only one change. The impact of not meeting the various risk gateway parameters (ex-ante risk adjustment) is adjusted in line with the applicable legislation. If one of the risk gateway parameters is not met, the law stipulates that no variable remuneration may be awarded for that year. We added a further stipulation in our policy: not only was this remuneration component not awarded for the year concerned, but payment of deferred amounts relating to previous years, which would normally be paid that year, was also suspended. The latter stipulation will be deleted in the update. The remuneration policy applicable to all staff members will also be updated with this change.
- The final step in adjusting the remuneration of the CEO as decided in 2021 will be implemented with effect from 2024.
- A proposal to increase the remuneration of the AC and RCC members by 30 000 euros per year with effect from 2024 will be submitted for approval to the General Meeting of Shareholders of 2 May 2024. These committees' tasks have increased exponentially in both volume and complexity over the past few years, while their remuneration has remained unchanged for at least a decade.

Sustainability statement

(non-financial information)

In keeping with our commitment to integrated reporting, we have incorporated our consolidated sustainability-related information (as required by Articles 3:6 §4 and 3:32 §2 of the Companies and Associations Code and the EU Taxonomy) in various sections of this report. Information on our business model is provided in the 'Our business model' section. The table below indicates where the other non-financial information required by law can be found in this report.

	Staff	Environment (including climate)	Human Rights	Other social matters	Combating corruption and bribery	Information on the EU Taxonomy
Reference in this annual report	• See 'Our employees, capital, network and relationships' in the 'Our business model' section	• See 'Our role in society' and 'Focus on the climate and the environment' in the 'Our strategy' section • See the 'How do we manage our risks?' section	• See 'Focus on human rights' in the 'Our strategy' section	• See 'The client is at the centre of our business culture' and 'Our role in society' in the 'Our strategy' section	• See 'Combating corruption and bribery' and 'Corporate culture and integrity policy' in the 'Corporate governance statement' section	• See 'Focus on the climate and the environment' in the 'Our strategy' section

When drawing up our annual report, we take as much account as possible of the guidelines issued by the International Integrated Reporting Council and base our consolidated non-financial statement on the Global Reporting Initiative (GRI) Sustainability Reporting Standards. The GRI is a sustainability reporting framework, providing universal guidelines for sustainability reporting and disclosing non-financial information. It sets out the quality principles and indicators for measuring and reporting on the economic, environmental and social performance impact, including the human rights impact. Full implementation of the 2021 GRI Sustainability Reporting Standards and the GRI/ SASB Content Index are discussed in our Sustainability Report, which is published at www.kbc.com.

The progress report on sustainability and other targets of the group's loan portfolio, calculations of our environmental footprint, and our Principles for Responsible Banking (PRB) for self-assessment has been externally verified.

2 Consolidated financial statements

Abbreviations used

- AC = amortised cost
- BBA = building block approach
- CSM = contractual service margin
- FVO = fair value option (designated upon initial recognition at fair value through profit or loss)
- FVOCI = fair value through other comprehensive income
- FVPL = fair value through profit or loss
- HFT = held for trading
- IFIE = Insurance finance income and expense
- MFVPL = mandatorily measured at fair value through profit or loss
- OCI = other comprehensive income
- PAA = premium allocation approach
- POCI = purchased or originated credit impaired assets
- VFA = variable fee approach

On 1 January 2023, IFRS 17 replaced the former IFRS 4 (Insurance Contracts); see Note 1.5

Consolidated income statement

(in millions of EUR)	Note	2023	2022
Net interest income	3.1	5 473	5 162
Interest income	*3.1*	*20 170*	*11 225*
Interest expense	*3.1*	*-14 697*	*-6 063*
Insurance revenues before reinsurance	3.6	2 679	2 423
Non-life	*3.6*	*2 280*	*2 050*
Life	*3.6*	*399*	*373*
Dividend income	3.2	59	59
Net result from financial instruments at fair value through profit or loss	3.3	322	252
Net fee and commission income	3.4	2 349	2 218
Fee and commission income	*3.4*	*2 991*	*2 800*
Fee and commission expense	*3.4*	*-642*	*-581*
Insurance finance income and expense (for insurance contracts issued)	3.6	-313	-96
Other net income	3.5	656	16
TOTAL INCOME		**11 224**	**10 035**
Operating expenses (excluding directly attributable to insurance contracts)	3.7	-4 616	-4 327
Total operating expenses excluding bank and insurance tax	*3.7*	*-4 438*	*-4 159*
Bank and insurance tax	*3.7*	*-687*	*-646*
Less: operating expenses attributed to insurance service expenses	*3.7*	*509*	*478*
Insurance service expenses before reinsurance	3.6	-2 120	-1 908
Of which: insurance commissions paid	*3.6*	*-340*	*-308*
Non-life	*3.6*	*-1 870*	*-1 733*
Of which Non-life claim-related expenses	*3.6*	*-1 157*	*-1 077*
Life	*3.6*	*-251*	*-174*
Net result from reinsurance contracts held	3.6	-90	-20
Impairment	3.9	-215	-282
on financial assets at amortised cost and at fair value through OCI	*3.9*	*16*	*-154*
on goodwill	*3.9*	*-109*	*-5*
other	*3.9*	*-122*	*-123*
Share in results of associated companies and joint ventures	3.10	-4	-10
RESULT BEFORE TAX		**4 179**	**3 488**
Income tax expense	3.11	-778	-670
Net post-tax result from discontinued operations	–	0	0
RESULT AFTER TAX	**–**	**3 401**	**2 818**
attributable to minority interests	–	-1	0
attributable to equity holders of the parent	**–**	**3 402**	**2 818**
Earnings per share (in EUR)			
Ordinary	3.12	8.04	6.64
Diluted	3.12	8.04	6.64

- We have dealt with the main items in the income statement in the 'Report of the Board of Directors' under the 'Our financial report' and 'Our business units' sections. The statutory auditor has not audited these sections.
- The breakdown of interest income and interest expense on financial instruments calculated using the effective interest rate method and on other financial instruments (not calculated using the effective interest rate method) is provided in Note 3.1.
- The impact of the most important acquisitions and disposals made in 2023 and 2022 is set out in Note 6.6.

Consolidated statement of comprehensive income

(in millions of EUR)	2023	2022
RESULT AFTER TAX	**3 401**	**2 818**
attributable to minority interests	-1	0
attributable to equity holders of the parent	3 402	2 818
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**370**	**257**
Net change in revaluation reserve (FVOCI debt instruments)	499	-2 166
Fair value adjustments before tax	635	-2 930
Deferred tax on fair value changes	-144	711
Transfer from reserve to net result	7	53
Impairment	*1*	*-1*
Net gains/losses on disposal	*7*	*69*
Deferred taxes on income	*-1*	*-14*
Net change in hedging reserve (cashflow hedges)	358	171
Fair value adjustments before tax	387	165
Deferred tax on fair value changes	-74	-55
Transfer from reserve to net result	45	61
Gross amount	*61*	*80*
Deferred taxes on income	*-15*	*-19*
Net change in translation differences	-115	-15
Gross amount	-115	-15
Deferred taxes on income	0	0
Hedge of net investments in foreign operations	52	-4
Fair value adjustments before tax	84	-65
Deferred tax on fair value changes	-23	12
Transfer from reserve to net result	-10	49
Gross amount	*-13*	*66*
Deferred taxes on income	*3*	*-16*
Insurance finance income and expense for (re)insurance contracts issued	-428	2 288
Present value adjustments before tax	-561	3 039
Deferred tax on present value changes	134	-751
Transfer from reserve to net result	0	0
Gross amount	*0*	*0*
Deferred taxes on income	*0*	*0*
Insurance finance income and expense of reinsurance contracts held	6	-19
Gross amount	*7*	*-25*
Deferred taxes on income	*-2*	*6*
Net change in respect of associated companies and joint ventures	0	0
Gross amount	0	0
Deferred taxes on income	0	0
Other movements	-1	1
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**125**	**-40**
Net change in revaluation reserve (FVOCI equity instruments)	159	-263
Fair value adjustments before tax	161	-268
Deferred tax on fair value changes	-2	5
Net change in defined benefit plans	-34	222
Remeasurements	-43	299
Deferred tax on remeasurements	10	-77
Net change in own credit risk	0	1
Fair value adjustments before tax	0	1
Deferred tax on fair value changes	0	0
Net change in respect of associated companies and joint ventures	0	0
Remeasurements	0	0
Deferred tax on remeasurements	0	0
TOTAL COMPREHENSIVE INCOME	**3 896**	**3 035**
attributable to minority interests	-1	0
attributable to equity holders of the parent	3 897	3 035

- Revaluation reserves in 2023:
  - The net change in the 'revaluation reserve (FVOCI debt instruments)' came to +499 million euros, which was mainly accounted for by the lower interest rates and the unwinding effect of the negative outstanding revaluation reserve.
  - The net change in the hedging reserve (cashflow hedge) of +358 million euros was mainly attributable to the unwinding effect of the negative outstanding hedging reserve and positive mark-to-market on receiver swaps due to lower interest rates.
  - The net change in defined benefit plans of -34 million euros was accounted for by the impact of the lower discount rate applied to the liabilities, partly offset by the lower expected inflation rate and the positive returns on plan assets.
  - The net change in the 'revaluation reserve (FVOCI equity instruments)' came to +159 million euros, which was largely attributable to positive changes in fair value driven by higher stock markets.
  - The net change in translation differences of -115 million euros was caused primarily by the depreciation of the Czech koruna against the euro, partly offset by the appreciation of the Hungarian forint against the euro. This was partly offset by the hedge of net investments in foreign entities (+52 million euros). The hedging policy of foreign exchange participations is aimed at stabilising the group capital ratio (and not the equity).
  - The net change in insurance finance income and expense for (re)insurance contracts issued and held (-422 million euros) was mainly accounted for by the lower interest rates and the unwinding effect of the outstanding positive insurance finance income and expense through OCI.
- Revaluation reserves in 2022:
  - The net change in the 'revaluation reserve (FVOCI debt instruments)' came to -2 166 million euros, which was mainly accounted for by higher interest rates, related primarily to government bonds of European countries.
  - The net change in the hedging reserve (cashflow hedge) of +171 million euros was mainly attributable to the positive mark-to-market on net payer swap positions due to higher interest rates.
  - The net change in defined benefit plans (+222 million euros) was accounted for by the impact of the higher discount rate applied to the liabilities, partly offset by the negative returns on plan assets and higher inflation.
  - The net change in the 'revaluation reserve (FVOCI equity instruments)' of -263 million euros was primarily attributable to negative changes in fair value due to lower stock markets.
  - The net change in translation differences (-15 million euros) was caused primarily by the depreciation of the Hungarian forint against the euro and the realisation of positive valuation differences in Czech koruna due to the dividend payout in the group, largely offset by the appreciation of the US dollar and the Czech koruna against the euro. The hedge of net investments in foreign entities (-4 million euros) was negatively impacted by the appreciation of the US dollar and the Czech koruna (only limited volumes of hedging instruments in Hungarian forint).
  - The net change in insurance finance income and expense for (re)insurance contracts issued and held (+2 269 million euros) was mainly accounted for by higher interest rates.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2023	31-12-2022
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions	–	34 530	51 427
Financial assets	4.0	306 047	290 840
Amortised cost	*4.0*	*263 625*	*251 770*
Fair value through OCI	*4.0*	*18 587*	*16 617*
Fair value through profit or loss	*4.0*	*23 539*	*21 911*
of which held for trading	*4.0*	*8 327*	*8 471*
Hedging derivatives	*4.0*	*295*	*542*
Reinsurance assets	5.6	64	55
Profit/loss on positions in portfolios hedged against interest rate risk	–	-2 402	-4 335
Tax assets	5.2	900	1 175
Current tax assets	*5.2*	*176*	*174*
Deferred tax assets	*5.2*	*724*	*1 001*
Non-current assets held for sale and disposal groups	5.11	4	8 054
Investments in associated companies and joint ventures	5.3	30	32
Property and equipment and investment property	5.4	3 702	3 560
Goodwill and other intangible assets	5.5	2 355	2 331
Other assets	5.1	1 691	1 406
TOTAL ASSETS		346 921	354 545
LIABILITIES AND EQUITY			
Financial liabilities	4.0	303 116	312 759
Amortised cost	*4.0*	*280 874*	*289 885*
Fair value through profit or loss	*4.0*	*21 840*	*22 297*
of which held for trading	*4.0*	*7 050*	*9 096*
Hedging derivatives	*4.0*	*401*	*577*
Insurance contract liabilities	5.6	16 784	16 158
Non-life	*5.6*	*2 922*	*2 714*
Life	*5.6*	*13 862*	*13 444*
Profit/loss on positions in portfolios hedged against interest rate risk	–	-505	-1 443
Tax liabilities	5.2	472	462
Current tax liabilities	*5.2*	*99*	*150*
Deferred tax liabilities	*5.2*	*373*	*312*
Liabilities associated with disposal groups	5.11	0	2 020
Provisions for risks and charges	5.7	183	418
Other liabilities	5.8	2 611	2 353
TOTAL LIABILITIES		322 661	332 727
Total equity	5.10	24 260	21 819
Parent shareholders' equity	5.10	22 010	20 319
Additional tier-1 instruments included in equity	5.10	2 250	1 500
Minority interests	–	0	0
TOTAL LIABILITIES AND EQUITY		346 921	354 545

- The impact of the most important acquisitions and disposals made in 2023 and 2022 is set out in Note 6.6.
- An analysis of the most material items on the balance sheet can be found in the 'Report of the Board of Directors' section under 'Our financial report'. The statutory auditor has not audited these sections.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent sharehol-ders' equity	Additional tier-1 instru-ments included in equity	Minority interests	Total equity
2023									
Balance at the beginning of the period	1 461	5 542	0	12 626	690	20 319	1 500	0	21 819
Net result for the period	0	0	0	3 402	0	3 402	0	-1	3 401
Other comprehensive income for the period	0	0	0	-1	497	495	0	0	495
Subtotal	0	0	0	3 400	497	3 897	0	-1	3 896
Dividends	0	0	0	-1 663	0	-1 663	0	0	-1 663
Coupon on additional tier-1 instruments	0	0	0	-50	0	-50	0	0	-50
Issue/repurchase of additional tier-1 instruments	0	0	0	-3	0	-3	750	0	747
Capital increase	0	6	0	0	0	7	0	0	7
Transfer from revaluation reserves to retained earnings upon realisation	0	0	0	21	-21	0	0	0	0
Purchase/sale of treasury shares	0	0	-497	0	0	-497	0	0	-497
Change in scope	0	0	0	0	0	0	0	1	1
Change in minority interests	0	0	0	0	0	0	0	0	0
Total change	0	6	-497	1 705	476	1 691	750	0	2 441
Balance at the end of the period	1 461	5 548	-497	14 332	1 166	22 010	2 250	0	24 260
2022									
Balance at the beginning of the period	1 460	5 528	0	13 289	627	20 904	1 500	0	22 404
Net result for the period	0	0	0	2 818	0	2 818	0	0	2 818
Other comprehensive income for the period	0	0	0	1	215	217	0	0	217
Subtotal	0	0	0	2 819	215	3 035	0	0	3 035
Dividends	0	0	0	-3 585	0	-3 585	0	0	-3 585
Coupon on additional tier-1 instruments	0	0	0	-50	0	-50	0	0	-50
Capital increase	1	14	0	0	0	15	0	0	15
Transfer from revaluation reserves to retained earnings upon realisation	0	0	0	152	-152	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minority interests	0	0	0	0	0	0	0	0	0
Total change	1	14	0	-663	63	-585	0	0	-585
Balance at the end of the period	1 461	5 542	0	12 626	690	20 319	1 500	0	21 819

- An explanation of the changes in the revaluation reserves is provided under 'Consolidated statement of comprehensive income'.
- For information on the shareholder structure, see the 'Report of the Board of Directors' in the 'Corporate governance statement' section.
- For information on capital increases, additional tier-1 instruments, treasury share buybacks and the number of shares, see Note 5.10.
- The 'Dividends' item in 2022 (3.6 billion euros) includes the final dividend of 7.60 euros per share (paid in May 2022) and the interim dividend of 1.00 euro per share (paid in November 2022). The 'Dividends' item in 2023 (1.7 billion euros) includes the final dividend of 3.00 euros per share (paid in May 2023) and the interim dividend of 1.00 euro per share (paid in November 2023).
- We propose to the General Meeting of Shareholders of 2 May 2024 a total dividend of 4.15 euros per share entitled to dividend related to 2023, comprising the interim dividend of 1.00 euro paid in November 2023 and a final dividend of 3.15 euros, payable in May 2024. Note that shares repurchased under the current share buyback programme are excluded from the calculation of the number of shares entitled to dividend (see also 'Abridged company annual accounts' elsewhere in this annual report). In line with our capital allocation plan for 2023, in the first half of 2024 the Board of Directors will decide at its own discretion on the distribution of the surplus capital exceeding a 15% fully loaded common equity ratio.

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	31-12-2023	31-12-2022
Total	1 166	690
Revaluation reserve (FVOCI debt instruments)	-596	-1 095
Revaluation reserve (FVOCI equity instruments)	222	84
Hedging reserve (cashflow hedges)	-579	-937
Translation differences	-240	-125
Hedge of net investments in foreign operations	127	75
Remeasurement of defined benefit plans	434	467
Own credit risk through equity	0	0
Insurance finance income and expense after reinsurance	1 799	2 221

Consolidated cashflow statement

(in millions of EUR)	Reference[1]	2023	2022
OPERATING ACTIVITIES			
Result before tax	Cons. income statement	4 179	3 488
Adjustments for:	–		
Result before tax from discontinued operations	*Cons. income statement*	*0*	*0*
Depreciation, impairment and amortisation of property and equipment, intangible fixed assets, investment property and securities	*3.9, 4.2, 5.4, 5.5*	*650*	*532*
Profit/Loss on the disposal of investments	–	*-461*	*-85*
Change in impairment on loans and advances	*3.9*	*-17*	*155*
Change in insurance contract liabilities (before reinsurance)	*5.6*	*-246*	*-419*
Change in reinsurance contracts held	*5.6*	*90*	*20*
Change in other provisions	*5.7*	*-145*	*155*
Other unrealised gains/losses	–	*421*	*1 332*
Income from associated companies and joint ventures	*3.10*	*4*	*10*
Cashflows from operating profit before tax and before changes in operating assets and liabilities	–	4 473	5 188
Changes in operating assets (excluding cash and cash equivalents)	–	-7 709	-7 879
Financial assets at amortised cost (excluding debt securities)	*4.1*	*-4 990*	*-12 669*
Financial assets at fair value through OCI	*4.1*	*-1 208*	*1 201*
Financial assets at fair value through profit or loss	*4.1*	*-1 645*	*2 173*
of which financial assets held for trading	*4.1*	*97*	*454*
Hedging derivatives	*4.1*	*246*	*-253*
Reinsurance assets	–	*-44*	*13*
Operating assets associated with disposals, and other assets	–	*-68*	*1 657*
Changes in operating liabilities (excluding cash and cash equivalents)	–	-16 426	14 007
Financial liabilities at amortised cost	*4.1*	*-16 475*	*16 406*
Financial liabilities at fair value through profit or loss	*4.1*	*-452*	*161*
of which financial liabilities held for trading	*4.1*	*-2 013*	*1 783*
Hedging derivatives	*4.1*	*212*	*-353*
Insurance contract liabilities	*5.6*	*302*	*-312*
Operating liabilities associated with disposal groups, and other liabilities	–	*-13*	*-1 894*
Income taxes paid	3.11	-532	-525
Net cash from or used in operating activities		-20 194	10 791
INVESTING ACTIVITIES			
Purchase of debt securities at amortised cost	4.1	-11 124	-13 369
Proceeds from the repayment of debt securities at amortised cost	4.1	7 620	10 111
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)	6.6	-4	-94
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)	–	6 480	111
Purchase of shares in associated companies and joint ventures	–	-1	-5
Proceeds from the disposal of shares in associated companies and joint ventures	–	23	0
Dividends received from associated companies and joint ventures	–	0	0
Purchase of investment property	5.4	-35	-85
Proceeds from the sale of investment property	5.4	87	15
Purchase of intangible fixed assets (excluding goodwill)	5.5	-370	-345
Proceeds from the sale of intangible fixed assets (excluding goodwill)	5.5	3	3
Purchase of property and equipment	5.4	-988	-575
Proceeds from the sale of property and equipment	5.4	290	246
Net cash from or used in investing activities		1 982	-3 986
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Cons. statement of changes in equity	-497	0
Issue or repayment of promissory notes and other debt securities	4.1	5 958	1 033
Proceeds from or repayment of subordinated liabilities	4.1	519	-795
Proceeds from the issuance of share capital	Cons. statement of changes in equity	7	15
Issue of additional tier-1 instruments	Cons. statement of changes in equity	747	0
Dividends paid	Cons. statement of changes in equity	-1 663	-3 585
Coupon on additional tier-1 instruments	Cons. statement of changes in equity	-50	-50
Net cash from or used in financing activities		5 021	-3 382

CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents	–	-13 191	3 424
Cash and cash equivalents at the beginning of the period	–	67 481	63 554
Effects of exchange rate changes on opening cash and cash equivalents	–	-330	503
Cash and cash equivalents at the end of the period	–	53 961	67 481
ADDITIONAL INFORMATION			
Interest paid[2]	3.1	-14 697	-6 063
Interest received[2]	3.1	20 170	11 225
Dividends received (including equity method)	3.2 and 5.3	59	59
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Cons. balance sheet	34 530	51 427
Term loans to banks at not more than three months (excluding reverse repos)	4.1	222	1 237
Reverse repos up to three months with credit institutions and investment firms	4.1	25 345	19 903
Deposits from banks repayable on demand	4.1	-6 136	-5 085
Cash and cash equivalents belonging to disposal groups	–	0	0
Total	–	53 961	67 481
of which not available	–	*0*	*0*

1 The notes referred to do not always contain the exact same amounts as those included in the cashflow statement, as – among other things – adjustments have been made to take account of acquisitions or disposals of subsidiaries, as set out in IAS 7.
2 'Interest paid' and 'Interest received' in this overview are the equivalent of the 'Interest expense' and 'Interest income' items in the consolidated income statement. Given the large number of underlying contracts that generate interest expense and interest income, it would take an exceptional administrative effort to establish actual cashflows. Moreover, it is reasonable to assume that actual cashflows for a bank-insurance company do not differ much from the accrued interest expense and accrued interest income, as most rate products pay interest regularly within the year.

- KBC uses the indirect method to report on cashflows from operating activities.
- Net cash from or used in operating activities:
  - In 2023, this item included a repayment of part of the amount borrowed under TLTRO III (12.9 billion euros), lower demand deposits and savings deposits (partly due to the outflow to the Belgian State Note in September 2023), lower repos and higher mortgage loans and term loans, partly offset by growth in certificates of deposit and time deposits;
  - In 2022, this item included the realised result and strong deposit growth (mainly customer deposits) and repos, partly offset by a growing home loan and term loan portfolio and repayment of part of the amount borrowed under TLTRO III (9.1 billion euros);
- Net cash from or used in investing activities:
  - In 2023, this item included the cash proceeds from the finalisation of the sale in Ireland, partly offset by additional investments in debt securities at amortised cost.
  - In 2022, this item included additional investments in debt securities at amortised cost, as well as -42 million euros related to the acquisition of the Bulgarian operations of Raiffeisenbank, -52 million euros related to the acquisition of a property company and +111 million euros related to the sale of KBC Verzekeringen Vastgoed Nederland BV.
- Net cash from or used in financing activities:
  - In 2023, this item included the dividend payout (-1.7 billion euros), treasury share buybacks (-0.5 billion euros) and the issue or repayment of promissory notes and other debt securities (+6.0 billion euros); KBC IFIMA, KBC Group NV, ČSOB in the Czech Republic and KBC Bank NV accounted for the bulk of the figure for 2023, which related primarily to 8.6 billion euros' worth of these instruments being issued and 2.7 billion euros being redeemed. This item also included the proceeds from or repayment of subordinated liabilities (+0.5 billion euros; KBC Group NV accounted for the bulk of the figure for 2023) and the issue of an additional tier-1 instrument (+0.75 billion euros).
  - In 2022, this item included the dividend payout (-3.6 billion euros) and the issue or repayment of promissory notes and other debt securities. KBC IFIMA, KBC Group NV, ČSOB in the Czech Republic and KBC Bank NV accounted for the bulk of the figure for 2022, which related primarily to 5.6 billion euros' worth of these instruments being issued and 4.9 billion euros being redeemed. This item also included the proceeds from or repayment of subordinated liabilities. KBC Group NV accounted for the bulk of the figure for 2022, which related primarily to redemptions.

1.0 Notes on the accounting policies

Note 1.1: Statement of compliance

The consolidated financial statements of KBC Group NV, including all the notes, were authorised for issue on 14 March 2024 by the Board of Directors. They have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS') and present one year of comparative information. All amounts are shown in millions of euros and rounded to the million (unless otherwise stated).

The following standards became effective on 1 January 2023:
- IFRS 17, with significant consequences for KBC (see Note 1.5).
- Amendments to IAS 1 Presentation of Financial Statements: the amended IAS 1 requires that companies provide information about material accounting policies rather than a list of their main accounting policies. The impact of these amendments was limited for KBC.
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules: the amended IAS 12 provides companies with a temporary exception to the recognition and disclosure requirements for deferred tax assets/liabilities related to Pillar Two income taxes and introduces specific disclosure requirements for companies affected by this tax reform (see Note 3.11).

The following IFRS standards were issued but not yet effective in 2023. KBC will apply these standards when they become mandatory.
- The IASB has published several limited amendments to existing IFRSs and IFRICs. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.

As a bank-insurance group, KBC presents banking and insurance information in its financial statements on an integrated basis. Information relating specifically to our banking business and to our insurance business is provided separately in the respective annual reports of KBC Bank and KBC Insurance under 'Information on KBC Bank' and 'Information on KBC Insurance' at www.kbc.com/en/investor-relations.

Note 1.2: Summary of material accounting policies

General / Basic principle

The general accounting principles of KBC Group NV ('KBC') are based on the International Financial Reporting Standards (IFRS), as adopted by the European Union, and on the IFRS Framework. The financial statements of KBC are prepared based on the going concern assumption. KBC presents each material class of similar items separately. Dissimilar items are presented separately unless they are immaterial, and items are only offset when explicitly required or permitted by the relevant IFRS.

Financial assets

KBC has applied all the requirements of IFRS 9 since 1 January 2018, except for hedge accounting transactions, which continue to be accounted for in accordance with IAS 39.

Financial assets – recognition and derecognition

Recognition: financial assets and liabilities are recognised in the balance sheet when KBC becomes party to the contractual provisions of the instruments. Regular-way purchases or sales of financial assets are recognised using settlement date accounting. All financial assets – except those measured at fair value through profit or loss – are measured initially at fair value plus transaction costs directly attributable to their acquisition.

Derecognition and modification: KBC derecognises a financial asset when the contractual cashflows from the asset expire or when KBC transfers its rights to receive contractual cashflows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. If the terms and conditions change during the term of a financial asset, KBC assesses whether the new terms are substantially different from the original ones and whether the changes indicate that the rights to the cashflows from the instrument have expired. If it is concluded that the terms are substantially different, the transaction is accounted for as a financial asset derecognition, which means that the existing financial asset is removed from the balance sheet and that a new financial asset is recognised based on the revised terms. Conversely, when KBC assesses that the terms are not substantially different, the transaction is accounted for as a financial asset modification.

Write-offs: KBC writes off the gross carrying value of financial assets (or the part of the gross carrying value) it deems uncollectable. This means that there is no reasonable expectation that KBC will recover any interest or principal in a timely manner. The timing of write-offs depends on several factors, including the portfolio, the existence and type of collateral, the settlement process in each jurisdiction, and local legislation. If a loan is uncollectable, the gross carrying value is written off directly against the corresponding impairment. Recoveries of amounts previously written off are recognised as reversals of impairments in the income statement. KBC differentiates between write-offs for financial reporting purposes (which are still subject to credit enforcement activities) and debt forgiveness. The latter entails the forfeiture of the legal right to recover all or part of the debt outstanding to the client.

Classification of debt instruments and equity instruments

On initial recognition of a financial asset, KBC first assesses the contractual terms of the instrument in order to classify it as an equity instrument or a debt instrument. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets. To satisfy this condition, KBC checks that the instrument does not include a contractual obligation requiring the issuer to deliver cash or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer. Any instruments that do not meet the criteria to qualify as equity instruments are classified as debt instruments by KBC, with the exception of derivatives.

Classification and measurement – debt instruments

If KBC concludes that a financial asset is a debt instrument, then – upon initial recognition – it can be classified in one of the following categories:
- Measured at fair value through profit or loss (FVPL);
  - Mandatorily measured at fair value through profit or loss (MFVPL) – this category includes held-for-trading instruments (HFT);
  - Designated upon initial recognition at fair value through profit or loss (FVO);
- Measured at fair value through other comprehensive income (FVOCI);
- Measured at amortised cost (AC).

Debt instruments have to be classified in the FVPL category where (i) they are not held within a business model whose objective is to hold assets in order to collect contractual cashflows or within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets or, alternatively, (ii) they are held within a business model but, on specified dates, the contractual terms of the instrument give rise to cashflows that are not solely payments of principal and interest on the principal amount outstanding.

Furthermore, KBC may in some cases – on initial recognition – irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at fair value (FVO) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated to be measured at FVO:
- The asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets;
- The contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated to be measured at FVO:
- The asset is held within a business model whose objective is to hold assets in order to collect contractual cashflows;
- The contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model is assessed to determine whether debt instruments should be measured at AC or FVOCI. In performing the assessment, KBC reviews at portfolio level the objective of the business model in which an asset is held because this best reflects how the business is managed and how information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and how those policies operate in practice (in particular, whether management's strategy focuses on earning contractual interest income, maintaining a specific interest rate profile, matching the duration of the financial assets to that of the liabilities that fund those assets, or realising cashflows through the sale of the assets);
- how the performance of the portfolio is evaluated and reported to KBC's Executive Committee and Board of Directors;
- the risks that affect the performance of the business model (and the financial assets held within that model) and how those risks are managed;
- how managers of the business are rewarded (for instance, whether remuneration is based on the fair value of the assets managed or the contractual cashflows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and KBC's expectations of future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how KBC's stated objective for managing the financial assets is achieved and how cashflows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVPL, because they are neither held for collecting contractual cashflows, nor held for both collecting contractual cashflows and selling financial assets.

Assessment whether contractual cashflows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. In assessing whether contractual cashflows are solely payments of principal and interest, KBC considers the contractual terms of the instrument, which entails assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that the instrument would not meet this condition. In making the assessment, KBC considers:

- contingent events that could change the amount and timing of cashflows;
- leverage features;
- prepayment and extension terms;
- terms that limit KBC's claim to cashflows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g., periodic resets of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition except in a period after KBC changes its business model for managing financial assets, which can occur when KBC begins or ceases to perform an activity that is significant to its operations (e.g., when KBC acquires, disposes of, or terminates a business line). Reclassification takes place from the start of the reporting period immediately following the change.

Classification and measurement – equity instruments

Financial equity instruments are classified in one of the following categories:

- Mandatorily measured at fair value through profit or loss (MFVPL) – only includes equity instruments held for trading (HFT);
- Equity instruments elected to be measured at fair value through other comprehensive income (FVOCI).

There is a rebuttable presumption that all equity instruments are to be regarded as FVOCI if held for neither trading nor a contingent consideration in a business combination to which IFRS 3 applies. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis, which is interpreted by KBC as a share-by-share basis. Equity instruments categorised as FVOCI are subsequently measured at fair value, with all value changes recognised in other comprehensive income and without any recycling to the income statement, even when the investment is disposed of. The only exception applies to dividend income, which is recognised in the income statement under 'Dividend income'.

Classification and measurement – derivatives (trading and hedging)

KBC can recognise derivative instruments either for trading purposes or as hedging derivatives. They can be accounted for as assets or liabilities depending on their current market value.

Trading derivatives
Derivatives are always measured at fair value and KBC draws distinctions as follows:

- Derivatives that are held with the intent of hedging, but for which hedge accounting cannot be or is not applied (economic hedges): hedging instruments can be acquired with the intention of economically hedging an external exposure but without applying hedge accounting. The interest component of these derivatives is recognised under 'Net interest income', while all other fair value changes are recognised under 'Net result from financial instruments at fair value through profit or loss'.
- Derivatives held with no intent of hedging (trading derivatives): KBC entities can also contract derivatives without any intention to hedge a position economically. Such activity can relate to closing or selling an external position in the near term or for short-term profit-taking purposes. All fair value changes (including interest) on such derivatives are recognised under 'Net result from financial instruments at fair value through profit or loss'.

Hedging derivatives
Hedging derivatives are derivatives that are specifically designated in a hedging relationship. The process for accounting for such derivatives is detailed in 'Hedge accounting'.

Financial assets – impairment

Definition of default

KBC defines defaulted financial assets in the same way as the definition for internal risk management purposes and in line with the guidance and standards of financial industry regulators. A financial asset is considered in default if any of the following conditions is fulfilled:

- There is a significant deterioration in creditworthiness;
- The asset is flagged as non-accrual;
- The asset is forborne and meets the default criteria in accordance with the internal policies for forbearance (for example, when an additional forbearance measure is extended to a forborne asset that did not reach default status within two years of the first forbearance measure being granted, or when a forborne asset becomes more than 30 days past due within the two-year period);
- KBC has filed for the borrower's bankruptcy;
- The counterparty has filed for bankruptcy or sought similar protection measures;
- The credit facility granted to the client has been terminated.

KBC applies a backstop for facilities whose status is '90 days or more past due'. In this context, a backstop is used as a final control to ensure that all the assets that should have been designated as defaulted are properly identified.

Expected credit loss model (ECL model) – general

The ECL model is used to measure impairment of financial assets.

The scope of the ECL model is based on how financial assets are classified. The model is applicable to the following financial assets:

- Financial assets measured at AC and at FVOCI;
- Loan commitments and financial guarantees;
- Finance lease receivables;
- Trade and other receivables.

No ECLs are calculated for investments in equity instruments.

Financial assets that are in scope of the ECL model carry impairment in an amount equal to the lifetime ECL if the credit risk increases significantly after initial recognition. Otherwise, the loss allowance is equal to the 12-month ECL (see below for more information on the significant increase in credit risk).

To distinguish the various stages with regard to quantifying ECL, KBC uses the internationally accepted terminology for 'Stage 1', 'Stage 2' and 'Stage 3' financial assets.
Unless they are already credit impaired, all financial assets are classified in 'Stage 1' at the time of initial recognition and 12-month ECL is recognised. Once a significant increase in credit risk occurs after initial recognition, the asset is moved into 'Stage 2' and lifetime ECL is recognised. Once an asset meets the definition of default, it is moved into 'Stage 3'.
For trade receivables, IFRS 9 allows for a practical expedient. The ECL for trade receivables can be measured in an amount equal to their lifetime ECL. KBC applies this practical expedient to trade and other receivables.
Impairment gains and losses on financial assets are recognised under the 'Impairment' heading in the income statement.
Financial assets that are measured at AC are presented in the balance sheet at their net carrying value, which is the gross carrying value less impairment. Debt instruments measured at FVOCI are presented in the balance sheet at their carrying value, which is their fair value on the reporting date. The adjustment for the ECL is recognised as a reclassification adjustment between the income statement and OCI.

Significant increase in credit risk since initial recognition

In accordance with the ECL model, financial assets attract lifetime ECL once their credit risk increases significantly after initial recognition. Therefore, the assessment of a significant increase in credit risk is important for the staging of financial assets. The assessment of a significant increase in credit risk is a relative assessment based on the credit risk that was assigned upon initial recognition. This is a multi-factor assessment and, therefore, KBC has developed a multi-tier approach.

Multi-tier approach (MTA) – bond portfolio

For the bond portfolio, the MTA consists of three tiers:
- Low-credit exception: 12-month ECL is always recognised for bonds if they have a low credit risk on the reporting date (i.e. 'Stage 1'). KBC uses this exception for investment grade bonds.
- Internal rating: [only applicable if the first-tier criterion is not met] this is a relative assessment that compares the probability of default (PD) upon initial recognition to that on the reporting date. KBC does the assessment at facility level for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.
- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first two tiers of the MTA. Examples of idiosyncratic events are unexpected developments in the macroeconomic environment (including due to the coronavirus crisis), uncertainties about geopolitical events and the secondary impact of material defaults (e.g., on the suppliers, clients and employees of a defaulted company).

If none of these triggers results in a move into 'Stage 2', the bond remains in 'Stage 1'. A financial asset is considered as 'Stage 3' as soon as it meets the definition of default. The MTA is symmetrical, i.e. credit that has been moved into 'Stage 2' or 'Stage 3' can revert to 'Stage 1' or 'Stage 2' if the tier criterion that triggered the migration is not met on a subsequent reporting date.

Loan portfolio

For the loan portfolio, KBC uses a five-tier approach. This MTA is a waterfall approach (i.e. if assessing the first tier does not result in a move into 'Stage 2', the second tier is assessed, and so on). In the end, if all tiers are assessed without triggering a migration to 'Stage 2', the financial asset remains in 'Stage 1'.
- Internal rating: this rating is used as the main criterion for assessing an increase in credit risk. It is a relative assessment that compares the PD upon initial recognition to that on the reporting date. KBC does the assessment at the level of the facility (i.e. contract) for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.
- Forbearance: forborne financial assets are always considered as 'Stage 2' unless they are already defaulted, in which case they are moved into 'Stage 3'.
- Days past due: KBC uses the backstop defined in the standard. A financial asset that is more than 30 days past due is moved into 'Stage 2'.
- Internal rating backstop: KBC uses an absolute level of PD as a backstop for financial assets that have to be moved into 'Stage 2'. This backstop corresponds to the highest PD (i.e. PD 9 based on KBC's internal rating) before a financial asset is considered defaulted.
- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first four tiers of the MTA (see above for a number of examples).

A financial asset in scope of the ECL model is considered as 'Stage 3' as soon as it meets the definition of default. The MTA is symmetrical, i.e. credit that has been moved into 'Stage 2' or 'Stage 3' can revert to 'Stage 1' or 'Stage 2' if the tier criterion that triggered the migration is not met on the reporting date.

Measurement of ECL

ECL is calculated as the product of probability of default (PD), estimated exposure at default (EAD) and loss given default (LGD).

ECL is calculated to reflect:
- an unbiased, probability-weighted amount;
- the time value of money; and
- information about past events, current conditions and forecast economic conditions.

Lifetime ECL represents the sum of ECL over the lifetime of the financial asset discounted at the original effective interest rate.
The 12-month ECL represents the portion of lifetime ECL resulting from a default in the 12-month period after the reporting date.

KBC uses specific IFRS 9 models for PD, EAD and LGD in order to calculate ECL. As much as possible and to promote efficiency, KBC uses modelling techniques similar to those developed for prudential purposes (i.e. Basel models). More information on the credit risk models developed by KBC is provided in the 'Internal Modelling' section of the Risk Report at www.kbc.com. That said, KBC ensures that the Basel models are adapted so they comply with IFRS 9.
- KBC removes the conservatism that is required by the regulator for Basel models;
- KBC adjusts how macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a 'point-in-time' estimate rather than one that is 'through the cycle' (as required by the regulator);
- KBC applies forward-looking macroeconomic information in the models.

As regards loans that are in default, the ECL is also calculated as the product of the PD, EAD and LGD. In this specific case, however, the PD is set at 100%, the EAD is known given the default status and the LGD takes into account the net present value of the (un)recoverable amount.

KBC uses the IRB and Standardised models to assign the Basel PD, which then serves as input for IFRS 9 ECL calculations and staging. If there is no Basel PD model with a similar scope to the IFRS 9 model, the long-term observed default rate is used as the PD for all facilities in the portfolio. For low default portfolios, there may have been no or only a small number of defaults in the period being considered, in which case the PD is determined based on expert input and external ratings.

KBC considers forward-looking information in the calculation of ECL via macroeconomic variables and based on management's assessment of any idiosyncratic events. KBC's Chief Economist develops three different macroeconomic scenarios (base-case, up and down) for all the KBC Core Countries and sets a corresponding probability for each scenario. On a quarterly basis, KBC updates the economic scenarios and attributed weightings to be used for the ECL calculation based on the input of the Chief Economist. The incorporation of the macroeconomic variables included in these scenarios in the PD, EAD and LGD components of the ECL calculation is based on statistical correlation in historical datasets.

The maximum period for measurement of ECL is the maximum contractual period (including extensions), except for specific financial assets that include a drawn and an undrawn amount available on demand, and KBC's contractual ability to request repayment of the drawn amount and cancel the undrawn commitment does not limit the exposure to credit risk to the contractual period. Only for such assets can a measurement period extend beyond the contractual period.

Purchased or originated credit impaired (POCI) assets

KBC defines POCI assets as financial assets in scope of the IFRS 9 impairment standard that are already defaulted at origination (i.e. they then meet the definition of default). POCI assets are initially recognised at an amount net of impairment and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods, any changes to the lifetime ECL are recognised in the income statement. Favourable changes are recognised as an impairment gain, even if the lifetime ECL on the reporting date is lower than the lifetime ECL at origination.

Significant judgements and uncertainties

Calculating ECL (and the significant increase in credit risk since initial recognition) requires significant judgement of various aspects, including the borrowers' financial position and repayment capabilities, the value and recoverability of collateral, projections and macroeconomic information. KBC applies a neutral, bias-free approach when dealing with uncertainties and making decisions based on significant judgements.

Cash, cash balances with central banks and other demand deposits with credit institutions

Cash comprises cash on hand and demand deposits, e.g., cheques, petty cash and cash balances at central and other banks.

Financial liabilities

Financial instruments or their component parts are classified on initial recognition as liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments. A financial instrument is classified as a liability if:

- KBC has a contractual obligation to deliver cash or another financial asset to the holder or to exchange another financial instrument with the holder under conditions that are potentially unfavourable to KBC; or
- KBC has a contractual obligation to settle the financial instrument in a variable number of its own shares.

A financial instrument is classified as an equity instrument if neither condition is met. In that case, it is accounted for in the way set out under 'Equity'.

Financial liabilities – recognition and derecognition

KBC recognises a financial liability when it becomes party to the contractual provisions of the relevant instrument. This is typically the date when the consideration in the form of cash or some other financial asset is received. Upon initial recognition, the financial liability is recognised at fair value less transaction costs directly attributable to issuance of the instrument, except for financial liabilities at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, i.e. the obligation specified in the contract is discharged or cancelled, or it expires. KBC can also derecognise the financial liability and recognise a new one where an exchange takes place between KBC and the lenders of the financial liability, each with substantially different terms, or if there are substantial modifications to the terms of the existing financial liabilities. In assessing whether terms differ, KBC compares the discounted present value of cashflows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, and the discounted present value of the remaining cashflows of the original financial liability. If the difference is 10% or more, KBC derecognises the original financial liability and recognises a new one. Where the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Financial liabilities – classification and measurement

KBC classifies recognised financial liabilities in three different categories, as provided for by IFRS 9:

- Financial liabilities held for trading (HFT). Held-for-trading liabilities are those incurred principally for generating a profit from short-term fluctuations in price or dealer's margin. A liability also qualifies as a trading liability if it belongs to a portfolio of financial instruments held for trading separately by the trading desk and for which there is a recent pattern of short-term profit-taking. Held-for-trading liabilities can include derivatives, short positions in debt and equity instruments, time deposits and debt certificates. Derivative liabilities are split by KBC into trading and hedging derivatives as in the case of derivative assets. Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting period, derivative liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.

- Financial liabilities designated by the entity as liabilities at fair value through profit or loss upon initial recognition (FVO). Under IFRS 9, a financial liability or group of financial liabilities can be measured upon initial recognition at fair value, whereby fair value changes are recognised in the income statement except for fair value changes related to changes in own credit risk, which are presented separately in OCI. The fair value designation is used by KBC for the following reasons:
  - managed on an FV basis: KBC designates a financial liability or a group of financial liabilities at fair value where it is managed and its performance is evaluated on a fair value basis. It is used to account for (unbundled) deposit components (i.e. financial liabilities that do not include a discretionary participation feature);
  - Accounting mismatch: the fair value option can be used when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases;
  - Hybrid instruments: a financial instrument is regarded as hybrid when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely-related embedded derivative from the host contract, in which case the entire hybrid instrument can be designated at fair value. This means that both the embedded derivative and the host contract are measured at fair value. KBC uses this option when structured products contain non-closely-related embedded derivatives, in which case both the host contract and the embedded derivative is measured at fair value.
- Financial liabilities measured at amortised cost (AC). KBC classifies most of its financial liabilities under this category, including those used to fund trading activities where no trading intent is present in them (e.g., issued bonds). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently, they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued but not yet paid are recorded under accruals and deferrals.

Financial liabilities – own credit risk

For financial liabilities designated at fair value, IFRS 9 requires the financial liability to be measured at fair value upon initial recognition. Any changes in fair value are subsequently recognised in the income statement, except for changes in own credit risk, which are presented separately in OCI.
Accordingly, movements in the fair value of the liability are presented in different places: changes in own credit risk are presented in OCI and all other fair value changes are presented in the income statement under 'Net result from financial instruments at fair value through profit or loss'. Amounts recognised in OCI relating to own credit risk are not recycled to the income statement even if the liability is derecognised and the amounts are realised. Although recycling is prohibited, KBC does transfer the amounts in OCI to retained earnings within equity upon derecognition. The only situation in which presentation of own credit risk in OCI is not applied is where this would create an accounting mismatch in the income statement. This could arise if there is a close economic relationship between the financial liability designated at fair value (for which the own credit risk is recognised in OCI), while all changes in fair value of the corresponding financial asset are measured and recognised at fair value through profit or loss. This is the case with unit-linked investment contracts, where changes in fair value of the liability position are fully offset by the asset position.

Financial liabilities – financial guarantee contract

A financial guarantee contract is one that requires KBC to make specified payments to reimburse holders for losses they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at fair value and is subsequently measured at the higher of (a) the amount determined in accordance with the impairment provisions of IFRS 9 (see 'Financial assets – impairment') and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition principle of IFRS 15.

Reverse repos and repos

A reverse repo is a transaction in which KBC purchases a financial asset and simultaneously enters into an agreement to sell the asset (or a similar asset) at a fixed price on a future date; this agreement is accounted for as a loan or advance, and the underlying asset is not recognised in the financial statements.

In a repo transaction, KBC sells a security and simultaneously agrees to repurchase it (or a substantially similar asset) at a fixed price on a future date. KBC continues to recognise the securities in their entirety because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and the financial liability is recognised for the obligation to pay the repurchase price.

Offsetting

KBC offsets and presents only a net amount of a financial asset and financial liability in its balance sheet if and only if (i) it currently has a legally enforceable right to set off the recognised amounts and (ii) it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value

KBC defines 'fair value' as 'the price that would be received for sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. An imbalance between supply and demand (e.g., fewer buyers than sellers, thereby forcing prices down) is not the same as a forced transaction or distress sale.

Market value adjustments are recognised on all positions that are measured at fair value, with fair value changes being reported in the income statement or in OCI. They relate to close-out costs, adjustments for less-liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk (credit value adjustment) and funding costs:

- Credit value adjustments (CVAs) are used when measuring derivatives to ensure that their market value is adjusted to reflect the credit risk of the counterparty. In making this adjustment, both the mark-to-market value of the contract and its expected future fair value are taken into account. These valuations are weighted based on the counterparty credit risk that is determined using a quoted credit default swap (CDS) spread, or, if there is no such spread, on the counterparty credit risk that is derived from bonds whose issuers are similar to the derivative counterparty in terms of rating, sector and geographical location. A debt value adjustment (DVA) is made for contracts where the counterparty is exposed to KBC. It is similar to a CVA, but the expected future negative fair value of the contracts is taken into consideration.
- A funding value adjustment (FVA) is a correction made to the fair value of uncollateralised derivatives in order to ensure that the (future) funding costs or income attached to entering into and hedging such instruments are factored in when measuring their value.

Hedge accounting

KBC has elected to apply the hedge accounting principles under IAS 39 (EU carve-out version). KBC designates certain derivatives held for risk management purposes, as well as certain non-derivative financial instruments, as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, KBC formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. KBC makes an assessment, both at inception of the relationship and on an ongoing basis, of whether the hedging instrument(s) is/are expected to be highly effective in offsetting the changes in the fair value or cashflows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. KBC makes an assessment for a cashflow hedge of a forecast transaction of whether it is highly probable to occur and presents an exposure to variations in cashflows that could ultimately affect the income statement.

KBC uses the following hedge accounting techniques: cashflow hedges, fair value micro hedges, fair value hedges for a portfolio of interest rate risk, and hedges of net investments in foreign operations.

Cashflow hedges: if a derivative is designated as the hedging instrument in a hedge of the variability in cashflows attributable to a particular risk associated with a recognised asset, liability or highly probable forecast transaction that could affect the income statement, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve (cashflow hedge) within OCI. Any ineffective portion of changes in the fair value of a derivative is immediately recognised in the income statement under 'Net result from financial instruments at fair value through profit or loss'. The amount recognised in OCI is reclassified to the income statement (as a reclassification adjustment in the same period as the hedged cashflows affect the income statement) under 'Net interest income'. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cashflow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised under 'Net result from financial instruments at fair value through profit or loss' when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately recycled to the income statement under 'Net result from financial instruments at fair value through profit or loss'.

Fair value micro hedging: when a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability (portfolio of recognised assets or liabilities) or a firm commitment that could affect the income statement, changes in the fair value of the derivative are immediately recognised in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same item in the income statement as the hedged item). However, accrued interest income from interest rate swaps is recognised in 'Net interest income'. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to the point of discontinuation that is made to a hedged item for which the effective interest method is used is amortised to the income statement as part of the recalculated effective interest rate of the item over its remaining life or recognised directly when the hedged item is derecognised.

Fair value hedges for a portfolio of interest-rate risk (macro hedging): the EU's macro hedging carve-out means that a group of derivatives (or proportions of them) can be viewed in combination and jointly designated as a hedging instrument, and removes some of the limitations on fair value hedge accounting relating to hedging core deposits and underhedging strategies. Under the EU carve-out, hedge accounting may be applied to core deposits and will be ineffective only when the revised estimate of the amount of cashflows in scheduled time buckets falls below the designated amount of that bucket. KBC hedges the interest rate risk of the financial asset portfolios and the financial liability portfolios. Interest rate swaps are measured at fair value, with fair-value changes being reported in the income statement. Accrued interest income from interest rate swaps is recognised in 'Net Interest Income'. The hedged amount of financial assets and liabilities is measured at fair value as well, with fair value changes being reported in the income statement. For hedged items measured at amortised cost, the fair value of the hedged amount is presented as a separate item on the assets or liabilities side of the balance sheet. If a hedge is ineffective, the cumulative fair value change in the hedged amount that was presented as a separate item on the balance sheet will be amortised to the income statement over the remaining lifetime of the hedged assets or will be immediately removed from the balance sheet if ineffectiveness is due to derecognition of the corresponding financial assets and liabilities.

Hedge of net investments in foreign operations: when a derivative instrument or a non-derivative financial instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation having a different functional currency than the direct holding company of the foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in the hedging reserve (investment in foreign operation) in OCI. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the income statement. The amount recognised in OCI is reclassified to the income statement as a reclassification adjustment on disposal of the foreign operation (which includes a dividend distribution or capital decrease).

Insurance contracts

General

KBC applies all the requirements of IFRS 17 as from 1 January 2023.

Scope

In order to qualify as an insurance contract, the associated insurance risk must be significant even if the insured event is extremely unlikely to occur, for example catastrophic events such as earthquakes.
Whether insurance risk is significant is assessed on initial recognition of each individual contract on a present value basis.
In general, the following types of contracts within KBC are in scope of IFRS 17: Non-life insurance contracts, reinsurance contracts (accepted & ceded), Life insurance contracts being the non-unit-linked contracts, the unit-linked contracts, the hybrid products and investment contracts with discretionary participating features if issued by a KBC insurance entity.
In general, the following types of contracts are out of scope of IFRS 17: investment contracts without discretionary participating features (IFRS 9), most unit-linked contracts of KBC Insurance Belgium (IFRS 9) as these insurance contracts do not contain significant insurance risk, credit cards including certain cover issued by a KBC bank entity (IFRS 15), and roadside assistance contracts (IFRS 15).
Distinct non-insurance components are separated from the insurance components in the contract and thus accounted for in accordance with the appropriate IFRS.

Level of aggregation

IFRS 17 calculations are performed at an aggregated level, rather than contract by contract, taking into account the following four dimensions:
- IFRS 17 portfolio (aggregation of contracts subject to similar risks and managed together);
- Annual cohort (year of inception of the policy);
- Profitability of the group of contracts (onerous, profitable, doubtful; assessed at inception);
- Set of contracts (aggregation of contracts with a homogeneous profitability expectation).

Aggregation by IFRS 17 portfolio
IFRS 17 portfolios are country-specific and driven by the local product mix (similar risks) and the way in which the local insurance business is managed (managed together). As a minimum, the portfolios are broken down into:
- Life
  - Unit-linked
  - Non-unit-linked
  - Hybrid products
- Non-life insurance
  - Personal insurance
  - Liabilities – MTPL
  - Liabilities – other than MTPL
  - Property (including other) other than fully comprehensive
  - Fully comprehensive
  - Accepted reinsurance
- Ceded reinsurance

Aggregation by annual cohort
KBC applies annual cohorts (a cohort is a time bucket of contracts issued in the same year), aligned with the start and end of the financial year of KBC. On 23 November 2021, the EU published a Regulation endorsing IFRS 17 Insurance Contracts, including the amendments to the original IFRS 17 and a solution for the annual cohort requirement for certain types of insurance contracts, for use in the European Union. KBC will not apply the European optional exemption from the annual cohort requirement.

Aggregation by group of contracts: onerous, profitable or doubtful

BBA and VFA – Expected profitability on initial recognition
For contracts measured according to the Building Block Approach (BBA, see below) and the Variable Fee Approach (VFA, see below), the allocation to the onerous, profitable or doubtful group of contracts (GoC) is determined based on the presence of a Contractual Service Margin (CSM is the unearned profit in the group of contracts at inception) under different risk adjustment levels (i.e. compensation for uncertainty in the amount and timing of future cashflows):
- If CSM < 0 when risk adjustment is calculated at a 75% confidence level, the onerous group of contracts
- If CSM > 0 when risk adjustment is calculated at a 75% confidence level AND
  - if CSM < 0 when the risk adjustment is calculated at a 90% confidence level, the doubtful group of contracts
  - if CSM > 0 when the risk adjustment is calculated at a 90% confidence level, the profitable group of contracts

PAA – Expected profitability on initial recognition
For the Premium Allocation Approach (PAA), facts and circumstances indicating that the group of contracts can be onerous are assessed by the IFRS 17 expected economic combined ratio exceeding 100%. This ratio differs from the externally published combined ratio. The IFRS 17 expected economic combined ratio is calculated for a set of contracts on an annual basis. Consequently, the new business of a year is assigned to one specific group of contracts under IFRS 17. In exceptional cases, when qualitative information reveals facts and circumstances indicating a negative trend in the IFRS 17 expected economic ratio, a recalculation is performed during the financial year.

Aggregation by set of contracts
A set of contracts is an aggregation of contracts with a homogeneous profitability expectation. A set of contracts (SoC) is defined such that the conclusion on the expected profitability of the SoC and the associated classification (i.e. profitable, doubtful or onerous) equals the conclusion that would have been reached if the expected profitability assessment had been carried out at the level of the individual contract.

Recognition – derecognition

KBC recognises a group of insurance contracts (and accepted reinsurance contracts) it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due;
- For a group of onerous contracts, when the group becomes onerous.

If there is no contractual due date, the first payment from the policyholder is deemed to be due when it is received.
As time progresses in the cohort, new business can be added to a group of contracts if it meets the initial recognition criteria.
KBC recognises a group of ceded reinsurance contracts held from the earlier of the following:
- The beginning of the coverage period of the group of reinsurance contracts held;
- The date the entity recognises an onerous group of underlying insurance contracts, if the entity entered into the related ceded reinsurance contract in the group of reinsurance contracts held at or before that date.

KBC delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.
An insurance liability is derecognised from the balance sheet when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Valuation

IFRS 17 applies uniform measurement principles for insurance liabilities that take into account the insurance contract characteristics.
- The general model, the Building Block Approach (BBA), is applied to most Life products.
- The optional Premium Allocation Approach (PAA) is a simplified measurement model that can be used when meeting the PAA eligibility criteria and is applied to most Non-life products and reinsurance contracts.
- The Variable Fee Approach (VFA) is an adjusted Building Block Approach for Life insurance contracts where cashflows to be paid to the policyholder significantly depend on the return of the invested assets. This is a mandatory measurement model when fulfilling the VFA eligibility criteria and is applied to unit-linked products and some hybrid products of Central European entities.

Only one measurement model can be applied to each IFRS 17 portfolio.

The insurance liabilities represent all rights and obligations arising from insurance contracts issued and consist of two components, namely a Liability for Remaining Coverage (LRC) and a Liability for Incurred Claims (LIC).

Measurement of Life insurance liabilities

The Life insurance liabilities are mostly valued according to either the BBA or the VFA model:
- Valuation according to the BBA is applied to calculate the liability for non-unit-linked life insurance contracts and for some hybrid products.
- Valuation according to the VFA is applied in Central European entities to calculate the liability for unit-linked contracts and some hybrid products where the cashflows to be paid to the policyholder depend significantly on the return of the invested assets.

Valuation according to the Building Block Approach (BBA)

The insurance liability consists of the following four blocks:
- Actuarially estimated value of expected future cashflows;
- Discounting to convert the estimation into a present value;
- Risk adjustment as compensation for the uncertainty in the amount and timing of the expected future cashflows;
- Contractual Service Margin (CSM), being the unearned profit that is released from the balance sheet in P&L over the term of the contract based on services provided, i.e. there are no day one gains.

Estimation of expected future cashflows

The basic principle is that Solvency II cashflows are used to ensure consistency with IFRS 17.
The IFRS 17 estimation of future cashflows deviates from Solvency II on the following points:
- Under Solvency II all expenses are included in the Best Estimate. Under IFRS 17 expenses are divided into directly attributable costs and non-directly attributable costs. Directly attributable costs are expenses directly related to insurance contracts. Only these directly attributable costs are included in the estimation of expected future cashflows.
- Under Solvency II contracts where the insurer is at risk, tacit renewals and contracts where the coverage period starts in the future are within the Solvency II contract boundary. Under IFRS 17 cashflows are within the contract boundary if they arise from rights and obligations that exist during the reporting period
  - in which the entity can compel the policyholder to pay the premiums; or
  - in which the entity has a substantive obligation to provide services.

Contracts under which the insurer provides cover, i.e. under which the insurer is at risk, are within the IFRS 17 contract boundaries. Tacit renewals for Non-life insurance contracts and contracts with a coverage period starting in the future are outside the IFRS 17 contract boundaries.
Level of aggregation of projected cashflows: the Solvency II aggregation levels are Lines of Business (LoBs) and risk buckets. The IFRS 17 unit of account is based on portfolios, cohorts and expected profitability.

Discounting – time value of money

A discount rate is created per currency, in line with the currency of the cashflows. The starting point for the creation of the curves are observable market prices of a set of assets with multiple durations.
The inflation assumptions for the nominal cashflows and the discount rates are consistent. Inflation is taken into account in the projection of the cashflows. Notwithstanding the reference to 'cashflows', the standard allows the same discount curve to be applied to all cashflows in the same contract. This simplification is applied at KBC.

For cashflows that vary with underlying items, the discount rate is determined by means of a top-down approach.
Cashflows that vary with underlying items are typically cashflows such as interest-rate guarantees on future premiums that are not fixed at inception of the contract, future profit sharing, future lapses, etc. A top-down approach is achieved by using a risk-free rate adjusted with a spread based on a reference portfolio of assets. Such a portfolio is based on the current asset mix an entity holds. In addition, the discount curve must only reflect the characteristics of the insurance liabilities. The risk-taking curve is adjusted to exclude the part not related to the insurance liabilities.
Per currency, a last liquid point (LLP) is set at the level of KBC that is consistent for all entities. The last liquid points per currency are defined by taking the last available tenor for the risk-free rate in the relevant currency.

For long-term Life insurance contracts, the cashflows are modelled over a duration of 110 years. The Ultimate Forward Rate (UFR) is the rate of the 110-year tenor to which the discount curve must converge. This UFR is defined as the sum of an expected real rate and an expected inflation rate.

For cashflows that do not vary with underlying items, KBC chooses to apply the bottom-up approach. The bottom-up approach is determined by adding an illiquidity premium on top of a risk-free rate, so that the discount curve reflects the illiquidity characteristics of the insurance contract liabilities. This approach is used for Non-life liabilities for incurred claims. The illiquidity premium is the premium demanded by the policyholder because the insurance contract liabilities cannot be easily converted into cash at fair market value.

Risk adjustment of Life insurance liabilities

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cashflows that arises from non-financial risk. It is a buffer on top of the Best Estimate future cashflows which represents a 50% probability of being able to fulfil future obligations and thus a 50% probability of not being able to meet future obligations for outstanding contracts.
Life insurance liabilities are characterised by (long-term) cashflows based on biometric parameters.
The risk adjustment is defined as the difference between the Value at Risk (VaR) and the best estimate of future cashflows as part of the fulfilment cashflows. The VaR is calculated at a 75% confidence level.
Non-financial risks included in the VaR model are mortality risk, longevity risk, morbidity/disability risk, lapse risk, expense risk and revision risk. The correlations between the different risk types are in line with the correlation matrix of Solvency II.

Contractual service margin

The contractual service margin (CSM) represents the unearned profit the insurer will recognise in P&L as services are provided under the insurance contracts. The CSM is recognised in the balance sheet as part of the insurance liability on initial recognition in order to avoid a day one gain. The CSM on the balance sheet is released gradually over time, on the basis of services provided in the period, and should be zero at the end of the coverage period for a group of contracts.
The CSM release pattern is based on coverage units in the GoC. The number of coverage units is the quantity of services provided by the insurer under the contracts in that GoC, determined by considering for each contract the quantity of the benefits provided to the policyholder under a contract and its expected coverage period. The CSM amount recognised in P&L is the amount of coverage units allocated to the current period for the insurance coverage provided in the current period. The number of coverage units is reassessed at the end of each reporting period to reflect the most up-to-date assumptions of the contract.
KBC has opted to reflect the time value of money on coverage units. By discounting the coverage units, a more stable allocation of the CSM to P&L is achieved.
For contracts providing multiple services, i.e. insurance coverage, investment return services and investment management services, KBC works with so-called ‘multivariate coverage units’, taking the following into consideration:
- Coverage units are determined based on the individual benefit components separately;
- Weights are assigned to each component to reflect an appropriate level of service to be provided.

Such weightings appropriately reflect the release of CSM based on the quantity of the benefits provided for each service. Analogous to coverage units, these weights are also reassessed at the end of each reporting period.
Coverage units cannot be negative. They have a positive sign and are floored to zero. In case of zero coverage units in a given period, no CSM is allocated to P&L as no services have been provided in the period. This is possible in some cases, for instance where contracts provide for ‘waiting periods’. In such cases, the contract has been signed by the policyholder but there is a mandatory waiting period for the client to be able to benefit from insurance coverage.

Valuation according to the Variable Fee Approach (VFA)

Under the VFA, the CSM mainly reflects the fee that KBC expects to earn on the market value of the Assets under Management (AUM), also referred to as ‘underlying items’.
The CSM is determined as the net of the fair value of the underlying items and the total entity obligation to the policyholder.
The change in the variable fee that impacts the CSM is determined as the net of:
- the change in the fair value of the underlying items; and
- the change in the total entity obligation to the policyholder.

KBC applies the simplification of a combined amount rather than the different CSM unlocking adjustments separately.
Under the VFA, the difference in measurement from BBA lies in the subsequent measurement of direct participating contracts.
All changes in fulfilment cashflows are absorbed by the CSM, until the CSM becomes negative and a loss is recognised in P&L.

In Belgium, the insurance company has discretion over the amount of profit sharing allocated to policyholders. The policyholder does not have an ‘enforceable right’ to participate in the returns of the insurance company, which means that the VFA eligibility criteria are not fulfilled and the BBA is applied.

Measurement of Non-life insurance liabilities

Valuation according to the PAA is applied for the liability for most Non-life products. The PAA Liability for Remaining Coverage (LRC) reflects the premium receipts and the acquisition cashflows adjusted for amounts recognised in the income statement on a pro rata temporis basis. When an insured claim arises, a Liability for Incurred Claims (LIC) is recognised, which is similar to the BBA LIC (see below).
In the case of onerous contracts, an additional liability to cover expected future losses is added to the LRC on the balance sheet and a loss is recognised immediately in P&L.

Valuation according to the Premium Allocation Approach

The PAA LRC reflects only premiums received and acquisition cashflows. As such, to appropriately present the insurance liability on a cash basis, an adjustment is performed by netting insurance payables and receivables against the LRC value.
Under the PAA, KBC will not make use of the option to expense acquisition costs when incurred.
At the end of each reporting period, acquisition cashflows are amortised (i.e. recorded as an insurance service expense) and some of the premium receipts are earned (i.e. recorded as insurance revenues). Both components of the LRC are allocated to P&L on the basis of passage of time or the expected timing of incurred claims and benefits, if that pattern better reflects the release from risk.

Measurement of the Liability for Incurred Claims (LIC) for claims outstanding

The Liability for Incurred Claims is measured separately. A discounted best estimate of future cash outflows subject to a risk adjustment as a safety margin is provisioned on the balance sheet. No CSM is included in the LIC as there is no future coverage in scope of the liabilities for incurred claims, i.e. it contains fulfilment cashflows related to past service.
A provision for the internal cost of settling claims is included, which is calculated as a percentage based on past experience.
The risk adjustment for Non-life insurance liabilities is only calculated for claims incurred. Consequently, only reserve risk is taken into account. Comparable with Life insurance liabilities, a Value at Risk method (VaR) is used, but here it is calculated at a 90% confidence level.

Subsequent measurement

BBA/VFA – Liability for Remaining Coverage

At the end of each reporting period, subsequent to initial recognition, KBC updates its estimates and assumptions to reflect the most up-to-date situation. As a result of these updates, the carrying amount of fulfilment cashflows will vary from one period to another.
Subsequent measurement under BBA/VFA for the LRC is driven by:
- experience adjustments (either absorbed by the CSM (i.e. related to future service) or recorded in the insurance result (i.e. related to current or past service)) and portfolio rollforward;
- non-economic parameter updates to the fulfilment cashflows;
- economic parameter updates to the fulfilment cashflows;
- CSM release.

PAA – Liability for Remaining Coverage

Under the PAA, the LRC is unwound on a pro rata temporis basis to obtain the so-called 'earned premiums', i.e. the premium reserve and the deferred acquisition commission reserve. At the end of each reporting period, acquisition cashflows are amortised (i.e. recorded as an insurance service expense) and some of the premium receipts are earned (i.e. recorded as insurance revenues). Both components of the LRC are allocated to P&L on the basis of passage of time or the expected timing of incurred claims and benefits, if that pattern better reflects the release from risk.

BBA/VFA/PAA – Liability for Incurred Claims

Any changes to the Liability for Incurred Claims are recorded in the income statement. Depending on the driver of such changes, they are either recorded in:
- Insurance service expenses
  - Main drivers: updates of fulfilment cashflows, i.e. higher or lower total expected claim payments, changes in the statistical percentage of internal claims handling expenses, etc.; or
- Insurance finance income and expense
  - Main drivers: a change in the discount rate, interest from deposits at the ceding company.

Other matters

KBC has opted for a year-to-date approach, i.e. a recalculation of previously reported quarters, with the impact of the recalculation being included in the current period.
KBC chooses to disaggregate insurance finance income and expense between P&L and OCI. This means recognising in P&L the interest expense on the insurance liability over the reporting period, with this interest expense being calculated using the locked-in rate (i.e. the rate curve applicable at the inception of the IFRS 17 contract) and recognising in OCI the impact of changes in the market interest rate over the reporting period.
The liability position of insurance contracts and the asset position of reinsurance contracts is presented in the balance sheet on a received basis. Ceded reinsurance contracts (i.e. reinsurance contracts held) are required to be accounted for and presented separately from the underlying contracts to which they relate.
Upon the acquisition of another insurance company or a portfolio transfer, the consideration received or paid partly consists of the Value of Business In-force (VBI). Insurance contracts acquired in a business combination are measured in the same way as insurance contracts issued by the entity except that the fulfilment cashflows are recognised at the acquisition date.

Leasing

All leases are required to be classified as either finance leases or operating leases. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.
This classification is crucial for positions as a lessor, but less important for positions as a lessee, since both classifications result in similar recognition and measurement of the lease on the balance sheet and in the income statement.

Equity

Equity represents the residual interest in KBC's total assets after deduction of all its liabilities (referred to as 'net assets') and encompasses all shares issued by KBC, reserves attributable to the holders of the shares and minority interests.

KBC classifies all issued financial instruments as equity or as a financial liability based on the substance of the contractual arrangements. The critical feature that distinguishes a financial liability from a share is whether KBC has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.
Minority interests represent the equity in a subsidiary that is not attributable to the holders of KBC shares. When the proportion of the equity held by the minority interests changes, KBC adjusts the carrying value of the controlling and minority interests to reflect changes in their relative interests in the consolidated companies. KBC recognises in equity any difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received, and allocates it to its controlling stake.

KBC can buy back its own shares within the legal framework. These treasury shares (ordinary shares) are initially recognised on the balance sheet on the transaction date under the 'treasury shares' heading. The acquisition price (including transaction costs) is deducted from equity. The dividend income from 'treasury shares' is recognised in equity.

Employee benefits

Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences, performance-related cash awards and social security contributions, are recognised over the period in which the employees provide the corresponding services. The related expenses are presented in the income statement as 'Operating expenses' under the 'Staff expenses' heading.

Post-employment benefits

KBC offers its employees pension schemes in the form of defined contribution or defined benefit plans. Under the defined contribution plans, KBC's statutory or constructive obligation is limited to the amount that it agrees to contribute to the fund. The amount of the post-employment benefit to be received by the employee is determined by the amount of the contributions paid by KBC and the employee into the post-employment benefit plan, as well as by the investment returns arising from those contributions. The actuarial risk is borne by the employee.
Conversely, under the defined benefit plans, KBC's obligation is to provide the agreed benefits to current and former employees and, in substance, the actuarial risk and investment risk fall on KBC. This means that if, from an actuarial or investment viewpoint, things turn out worse than expected, KBC's obligation may be increased.
In Belgium, defined contribution plans have a legally guaranteed minimum return and the actual return can be lower than the legally required return. In addition, these plans have defined benefit plan features and KBC treats them as defined benefit plans.
Liabilities under the defined benefit plans and the Belgian defined contribution plans (or pension liabilities) are included under 'Other liabilities' and relate to the obligations for retirement and survivor's pensions, early retirement benefits and similar pensions and annuities.
The pension obligations for employees under the defined benefit plans are calculated using the projected-unit-credit method, with each period of service granting additional entitlement to pension benefits.
Actuarial valuations are performed every reporting period. The defined benefit liabilities are discounted using rates equivalent to the yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have a maturity similar to the related pension liabilities.
Changes in the net defined benefit liability/asset, apart from cash movements, are grouped into three main categories and recognised in operating expenses (service costs), interest expenses (net interest costs) and other comprehensive income (remeasurements).

Net fee and commission income

Most net fee and commission income falls under the scope of IFRS 15 (Revenue from Contracts with Customers), as it relates to the services that KBC provides to its clients and is outside the scope of other IFRS standards. For the recognition of revenue, KBC identifies the contract and defines the promises (performance obligations) in the transaction. Revenue is recognised only when KBC has satisfied the performance obligation.
The revenue presented under 'Securities and asset management' falls under the scope of IFRS 15 and, in principle, entails KBC keeping assets in a trust for the beneficiary ('fund') and being responsible for investing the amounts received from clients to their benefit. These transactions are straightforward, because KBC provides a series of distinct services which clients use at the same time when receiving the benefits. In return, KBC receives a monthly or quarterly management fee, which is calculated as a fixed percentage of the net asset value, or a subscription fee retained from the beneficiary. The fees do not include a variable component.
Revenue reported as 'Margin on life insurance investment contracts without DPF' represents the amount realised on investment contracts without a discretionary participation feature, i.e. a fixed percentage or fixed amount is withheld from the client's payments, enabling the insurance company to cover its expenses.
Payment services, where KBC charges clients for certain current-account transactions, domestic or foreign payments, payment services provided through ATMs, etc., are usually settled when the actual transaction is carried out, enabling the relevant fee to be recognised directly at that time.

Levies

Public authorities can impose various levies on KBC. The size of the levies can depend on the amount of revenue (mainly interest income) generated by KBC, the amount of deposits accepted from clients, and the total balance sheet volume, including corrections based on certain, specific ratios. In accordance with IFRIC 21, levies are recognised when the obligating event that gives rise to recognition of the liability has occurred as stated in the relevant legislation. Depending on the obligating event, levies can be recognised at a single point in time or over time. Most of the levies imposed on KBC have to be recognised at a single point in time, which is mainly the beginning of the financial year. KBC recognises levies under 'Operating expenses'.

Income tax

Income tax consists of three items, namely taxes paid/payable over the reporting period, underprovisioning/overprovisioning in previous years, and changes in deferred tax assets/deferred tax liabilities. It is accounted for either in the income statement or in other comprehensive income, depending on where the items that triggered the tax are recorded. Income taxes that are initially accounted for in other comprehensive income and that relate to gains or losses that are subsequently recognised in the income statement are recycled to the income statement in the same period in which that item is accounted for in the income statement.

Deferred and current tax assets and liabilities are offset when there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax assets/liabilities

Current tax for the period is measured at the amount expected to be paid to or recovered from the tax authorities, using the rates of tax in effect during the reporting period.

Deferred tax assets/liabilities

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base. They are measured using the tax rates that are substantively enacted at the reporting date and expected to be in effect on realisation of the assets or settlement of the liabilities to which they relate and that reflect the tax consequences following from the manner in which the entity expects to recover or settle the carrying value of the underlying asset or liability at the balance sheet date.
Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, as well as for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. KBC calculates deferred tax assets to carry forward unused tax losses. When estimating the period over which tax losses can be set off against future taxable profits, KBC uses projections for a period of eight to ten years.
Deferred tax assets/liabilities that relate to business combinations are recorded directly in goodwill.
Deferred tax assets/liabilities are not discounted.

Property and equipment

Property and equipment are recognised initially at cost (including directly allocable acquisition costs). KBC subsequently measures property and equipment at the initial cost less accumulated depreciation and impairment. The rates of depreciation are determined on the basis of the estimated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use. Property and equipment are derecognised upon disposal or when the relevant asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses upon derecognition are recognised in the income statement in the period in which derecognition occurs.
Property and equipment are subject to impairment testing when there is an indication that the asset might have been impaired.

Depreciation charges, impairment losses and gains or losses on disposal are recognised under 'Operating expenses' in the income statement, with the exception of assets that are leased under operating leases (KBC as a lessor), for which the costs are recognised in 'Other net income'. Where a disposal falls within the definition of a discontinued operation, the net results are reported in a single line in the income statement (see 'Discontinued operations' below).

Investment property

Investment property is defined as a property built, purchased or acquired by KBC under a finance lease and is held to earn rentals or for the purpose of capital appreciation rather than being used by KBC for the provision of services or for administrative purposes.
Investment property is initially recognised at cost (including directly attributable costs). KBC subsequently measures it at the initial cost less accumulated depreciation and impairment.
The depreciation charge is recognised under 'Other net income' in the income statement.

Intangible assets

Intangible assets include goodwill, software developed in-house, software developed externally and other intangible assets. Intangible assets can be (i) acquired as part of a business combination transaction (see 'Business combinations and goodwill' below), (ii) acquired separately or (iii) developed internally.

Separately acquired intangible assets (mainly software developed externally) are initially recognised at cost. Internally developed intangible assets (mainly software developed in-house) are recognised only if they arise from development and KBC can demonstrate:
- the technical feasibility of completing them;
- an intention to complete for use or sale;
- an ability to use or sell them;
- how the intangible assets will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets;
- reliable measurement of the expenditure attributable to the intangible assets during their development.

Internally generated intangible assets are initially measured at the development costs directly attributable to the design and testing of the unique software controlled by KBC.
Directly attributable costs capitalised as part of the software developed in-house include software development employee costs and directly attributable overheads.
Research expenses, other development expenditure, costs associated with maintaining software and investment projects (large-scale projects introducing or replacing an important business objective or model) that do not meet the recognition criteria are recognised as an expense in the period they are incurred.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use as intended by management. Software is amortised as follows:
- System software (initial purchased software forming an integral part with hardware) is amortised at the same rate as hardware.
- Standard software and customised software developed by a third party or developed in-house are amortised over five years according to the straight-line method from the time the software is available for use.
- Core systems (typically including deposit account processing, loan and credit processing, interfaces to the general ledger and reporting tools) are amortised according to the straight-line method over a minimum period of eight years.

Impairment of non-financial assets

When KBC prepares financial statements, it ensures that the carrying value of the non-financial asset does not exceed the amount that could be obtained from either using or selling it ('recoverable amount'). Property and equipment, investment property and software are subject to the impairment review only when there is objective evidence of impairment. Goodwill and intangible assets with an indefinite useful life are subject to impairment reviews at least annually and also reviewed for impairment indicators every quarter.
Indications that an impairment loss is required may stem from either an internal source (e.g., the condition of the asset) or an external source (e.g., new technology or a significant decline in the asset's market value).

When an impairment indicator is present, KBC reviews the asset's recoverable amount and the asset is impaired if its recoverable amount is lower than its carrying value at the reporting date. The recoverable amount is defined as the higher of the value in use and the fair value less cost to sell.
Value in use is defined as the discounted future cashflows expected to be derived from an asset or a cash-generating unit.
Impairment is borne at individual asset level, but when the individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the so-called 'cash-generating unit' (CGU) to which the asset or group of assets belongs. In forming the CGUs, KBC applies its own judgement to define the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This process mainly applies to goodwill that has been recognised in relation to acquisitions.
Impairment losses are recognised in the income statement for the period in which they occur. An impairment loss can be reversed if the condition that triggered it is no longer present, except for goodwill, which can never be reversed. Impairment gains are recognised in the income statement for the period in which they occur.

Provisions, contingent liabilities and contingent assets

Provisions are recognised on the reporting date if and only if the following criteria are met:
- There is a present obligation (legal or constructive) due to a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. When the effect of time is material, the amount recognised as a provision is the net present value of the best estimate.
Due to its inherent nature, a provision requires management judgement regarding the amount and timing of probable future economic outflows.

Consolidated financial statements / interim financial statements

All material entities (including structured entities) over which KBC exercises direct or indirect control as defined in IFRS 10 are consolidated according to the method of full consolidation. Changes in ownership interests (that do not result in a loss of control) are accounted for as equity transactions. They do not affect goodwill or profit or loss.

Subsidiaries that are not included in the consolidated financial statements because of immateriality are classified as equity instruments at fair value through other comprehensive income, with all fair value changes being reported in other comprehensive income, except for dividend income, which is recognised in the income statement. Material companies over which joint control is directly or indirectly exercised and material investments in associates (companies over which KBC has significant influence) are all accounted for using the equity method.

Consolidation threshold: subsidiaries are effectively included in the consolidated financial statements using the full consolidation method if at least two of the following materiality criteria are exceeded:
- Group share in equity is 2 500 000 euros;
- Group share in the result is 1 000 000 euros (absolute value);
- Group share in the balance sheet total is 100 000 000 euros.

In order to prevent too many entities from being excluded, KBC checks that the combined balance sheet total of the entities excluded from consolidation does not amount to more than 1% of the consolidated balance sheet total.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred (measured at acquisition-date fair value) and the amount of any minority interests in the acquired entity. For measurement of the minority interests, KBC can decide for each business combination separately whether to measure the minority interest at fair value or as its proportionate share of the acquired entity's net identifiable assets. The way the minority interest is measured on the acquisition date will have an impact on purchase accounting as a result of the determination of goodwill.

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. In order to complete the acquisition accounting and determine the goodwill item, KBC applies a measurement period of 12 months. The classification of the financial assets acquired and financial liabilities assumed in the business combination is based on the facts and circumstances existing at the acquisition date (except for lease and insurance contracts, which are classified on the basis of the contractual terms and other factors at the inception of the relevant contract).
Goodwill is presented under 'Goodwill and other intangible assets' and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or when there is objective evidence (external or internal) that it should be impaired. If the acquisition accounting is not complete because the 12-month measurement period has not elapsed, the goodwill is not considered as final and is only tested if there is objective evidence that the provisional goodwill is impaired.
For the purpose of testing goodwill for impairment, it is allocated to each of KBC's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units. An impairment loss is recognised if the carrying value of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed.

Effects of changes in foreign exchange rates

KBC's functional and presentation currency is the euro. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the spot rate on the balance sheet date. Negative and positive valuation differences, except for those relating to the funding of equity instruments and investments of consolidated companies in a foreign currency, are recognised in the income statement. Non-monetary items measured at historical cost are translated into the functional currency at the historical exchange rate that existed on the transaction date. Non-monetary items carried at fair value are translated at the spot rate on the date the fair value was determined. Translation differences are reported together with changes in fair value. Income and expense items in foreign currency are taken to the income statement at the exchange rate prevailing when they were recognised.

Valuation differences are accounted for either in the income statement or in other comprehensive income. Valuation differences that are initially accounted for in other comprehensive income and that relate to gains or losses that are subsequently recognised in the income statement are recycled to the income statement in the same period in which that item is accounted for in the income statement. The balance sheets of foreign subsidiaries are translated into the presentation currency at the spot rate on the reporting date (except for equity, which is translated at the historical rate). The income statement is translated at the average rate for the financial year as a best estimate of the exchange rate on the transaction date.

Related-party transactions

A party related to KBC is either a party over which KBC has control or significant influence or a party that has control or significant influence over KBC. KBC defines its related parties as:
- KBC subsidiaries, KBC associates and joint ventures, KBC Ancora, Cera and MRBB;
- KBC key management staff (i.e. the Board of Directors and the Executive Committee of KBC Group NV).

Transactions with related parties must occur at arm's length.

Non-current assets held for sale and disposal groups, liabilities associated with disposal groups and discontinued operations

Non-current assets held for sale and disposal groups, liabilities associated with disposal groups

Non-current assets or groups of assets and liabilities held for sale are those where the carrying value will be recovered by KBC through a sale transaction, which is expected to qualify as a sale within a year, rather than through continued use. Non-current assets and liabilities held for sale are reported separately from the other assets and liabilities in the balance sheet at the end of the reporting date.

Discontinued operations

A discontinued operation refers to a part of KBC that has been disposed of or is classified as held for sale and:
- represents a separate major line of business or geographical area of operations; or
- is part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Results from discontinued operations are recognised separately in the income statement and in other comprehensive income and contain:
- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognised on the measurement to fair value less the costs of the sale or disposal of the assets or group of assets.

Events after the reporting period

Events after the reporting date are defined as favourable or unfavourable events that occur between the reporting date and the date on which the financial statements are authorised for issue. There are two types of event after the reporting date:
- Those which provide evidence of conditions that existed on the reporting date (adjusting events);
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events).

The impact of adjusting events has already been reflected in the financial position and financial performance for the current year. The impact and consequences of non-adjusting events are disclosed in the notes to the financial statements.

Main exchange rates used*

	Exchange rate at 31-12-2023		Exchange rate average in 2023	
	1 EUR = … … currency	Change relative to 31-12-2022 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)	1 EUR = … … currency	Change relative to average in 2022 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)
CZK	24.724	-2%	23.946	+3%
HUF	382.80	+5%	381.33	+3%

* Rounded figures.

Note 1.3: Critical estimates and significant judgements

When preparing the consolidated financial statements and applying KBC's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Some degree of uncertainty is inherent in almost all amounts reported. The estimates are based on the experience and assumptions that KBC's management believes are reasonable at the time the financial statements are being prepared.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are found in, but not limited to, notes 1.4, 1.5, 3.3, 3.6, 3.9, 3.11, 4.2, 4.4–4.8, 5.2, 5.5–5.7, 5.9 and 6.1.

See also the climate-related and other ESG risks in the 'How do we manage our risks?' section.

Note 1.4: Climate-related information

ESG and supporting the transition to a more sustainable and resilient society – including focusing on the climate – are crucial to our overall business strategy and integrated into our day-to-day operations. We have a solid sustainability governance structure in place to ensure group-wide integration of our sustainability strategy, which involves responsibility at the highest level and spans all areas of ESG.

As sustainability is firmly embedded in our day-to-day operations, it is not relevant to separately consider the financial impact of sustainability-related investments. We would like to emphasise that:
- KBC integrates sustainability-related opportunities and the related costs in the annual general budget round;
- As a financial institution, KBC is highly regulated in terms of sustainability and we provide the necessary resources to comply with these regulatory obligations;
- In addition, KBC has made several voluntary commitments for which appropriate efforts are made and resources deployed;
- As part of our efforts to reduce our own direct footprint, we are taking relevant action in the areas of facilities (buildings) and mobility in particular, with a view to meeting our greenhouse gas emission reduction target (see 'Focus on the climate and the environment'). We are also achieving net climate neutrality by offsetting our remaining direct emissions.

All notes and other sections in the Annual Report in which direct or indirect reference is made to the climate and/or climate-related risks or sustainability in general are set out below.

In the 'Report of the Board of Directors':
- See 'How do we create sustainable value?' in 'Our business model'
- See 'What are our main challenges?' in 'Our business model'
- See 'Our role in society' and 'Focus on the climate and the environment'
- See 'Our business units' for each country under 'Our role in society'
- See 'How do we manage our risks?'

In the 'Consolidated financial statements' (in the notes below each table)
- Note 3.6: Insurance results
- Note 3.9: Impairment
- Note 4.1: Financial assets and liabilities, breakdown by portfolio and product
- Note 5.4: Property and equipment and investment property
- Note 5.5: Goodwill and other intangible assets
- Note 5.9: Retirement benefit obligations
- Note 6.2: Leasing

When preparing the financial reporting, we considered the financial impact of climate-related risks within the framework of the IFRS standards. These are mostly indirect risks to which KBC is exposed through, among other things, its loan, investment and insurance portfolios. These risks are a source of significant uncertainty in the medium and long term when preparing the financial reports, partly because it is difficult to assess the consequences of climate change for our current portfolios and also because it is uncertain to what extent the mitigating actions and plans for our (mainly indirect) climate impact have financial consequences for future portfolios (see 'Focus on the climate and the environment' in the 'Report of the Board of Directors' section). The goals set by KBC may impact KBC's financial position and performance. The lending goals (providing loans for renewable energy and reducing the greenhouse gas intensity of loans) in particular can initially have a negative impact on the interest income realised on loans, perhaps through impact on margins (but with the loans still meeting the SPPI test) and/or production, which may later be offset by more limited credit losses given the increased resilience of the portfolio to climate-related risks. In the insurance business, too, climate-related risks constitute a significant uncertainty in the medium and long term when it comes to estimating the development of reserves to be maintained, in Non-life insurance in particular.

Note 1.5: IFRS 17 transition

Background information

On 1 January 2023, the new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) are mandatory for the reporting period beginning on 1 January 2023, replacing IFRS 4. The reference figures of 2022 in this report have been restated accordingly. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. For more information, see 'Summary of material accounting policies' in this report.

Impact of the first-time adoption of IFRS 17 on 1 January 2022

The full net impact (after tax) on parent shareholders' equity of the transition to IFRS 17, including the reclassification of financial assets (IFRS 9), came to -673 million euros as a result of:

- IFRS 17 valuation differences: the negative impact on equity (-1 485 million euros before tax; -1 102 million euros after tax) caused by the transition to IFRS 17 is attributable to the Life business (-1 857 million euros before tax), partly offset by the Non-life business (+372 million euros before tax).
- The first-time adoption of IFRS 17 also permits a reclassification of financial assets available to the insurance companies in order to avoid an accounting mismatch between assets and liabilities. As a result, bonds in the amount of 5 234 million euros were transferred from 'Financial assets at amortised cost' to 'Financial assets at FVOCI', whereas bonds in the opposite direction amounted to 2 235 million euros. This translated into a positive net impact after tax of 428 million euros on equity. As a general principle, KBC has decided to classify bonds used to hedge Life insurance liabilities as FVOCI, and bonds used to hedge Non-life insurance liabilities as amortised cost (90%) and FVOCI (10%).
- The first-time adoption of IFRS 17 also resulted in the abolition of 'Financial assets at fair value – overlay approach', leading to a transfer of shares in the amount of 1 366 million euros to 'Financial assets at fair value through OCI' (FVOCI). The transfer does not have a net impact on equity, but it does result in a shift from 'Retained earnings' (-71 million euros, pertaining to impairment recognised in the past) and the 'Revaluation reserve (FVPL equity instruments) – overlay approach' (496 million euros) to the 'Revaluation reserve (FVOCI equity instruments)'.

For more information, see note 6.10 in the 2022 annual report.

FY 2022 restated figures for IFRS 17

As a consequence of the IFRS 17 implementation, the income statement of KBC Group, being an integrated bank-insurer, has been updated to include the new items introduced by IFRS 17 (e.g., insurance revenues, insurance finance income and expense, and insurance service expenses). Other income statement line items that were related to IFRS 4 have been excluded or are presented differently.

The full net impact on the result after tax of 2022 due to the restatement to IFRS 17, including the reclassification of financial assets (IFRS 9), came to +75 million euros, as a result of:

- IFRS 17 valuation differences: the positive impact on the result after tax (+223 million euros before tax) caused by the transition to IFRS 17 is attributable to the Life business (+166 million euros before tax) and the Non-life business (+57 million euros before tax).
- The abolition of 'Financial assets at fair value – overlay approach' (leading to a transfer of the equity instruments to FVOCI) had a negative impact on the result before tax of 2022 of -86 million euros, as realized gains and impairments on these transferred equity instruments are no longer transferred to the income statement.
- Deferred income tax on these items: -62 million euros.

Parent shareholders' equity per 31 December 2022 under IFRS 17 came to 20 319 million euros, +1 012 million euros compared to parent shareholders' equity under IFRS 4 on the same date, as a result of (all amounts after tax):

- Impact of the first-time adoption of IFRS 17 on 1 January 2022: -673 million euros.
- Difference between the result after tax of 2022 under IFRS 17 compared to IFRS 4: +75 million euros (see above)
- Correction for the result of the overlay approach: +86 million euros, as this result is excluded under IFRS 17 (hence is part of the +75 million euros difference in result after tax) but has no net impact on equity since it is now included directly in equity without transferring to the income statement.
- Impact on OCI of -744 million euros in 2022 of reclassified bonds transferred from 'Financial assets at amortised cost' to 'Financial assets at fair value through OCI', mainly accounted for by higher interest rates.
- Increase in insurance finance income and expense through OCI after reinsurance by +2 269 million euros in 2022, mainly accounted for by higher interest rates.

For more information, see the press release issued on 18 April 2023 at www.kbc.com.

2.0 Notes on segment reporting

Note 2.1: Segment reporting based on the management structure

Detailed information on the group's management structure and the results per segment can be found in the 'Our business units' section (which has not been audited by the statutory auditor). Based on IFRS 8, KBC has identified the Executive Committee and Board of Directors as 'chief operating decision-makers', responsible for allocating the resources and assessing the performance of the different parts of the company. The operating segments are based on the internal financial reporting to those policy bodies and on the location of the company's activities, resulting in geographical segmentation.

The three operating segments are (essentially):
- the Belgium Business Unit (all activities in Belgium);
- the Czech Republic Business Unit (all activities in the Czech Republic);
- the International Markets Business Unit (activities in Hungary, Slovakia and Bulgaria, reported together in accordance with IFRS 8.16).

For reporting purposes, there is also a Group Centre (comprising the results of the holding company, items that have not been allocated to the other business units, and the results of companies to be divested – including KBC Bank Ireland, where the sale of the loan and deposit portfolios was finalised in February 2023).

Segment reporting

- The policy bodies analyse the performance of the segments based on a number of criteria, with the 'Result after tax' being the most important results indicator. The segment data is based entirely on IFRS data (with no adjustments).
- In principle, we assign a group company in its entirety to one specific segment/business unit. Exceptions are only made for those items that cannot clearly be allocated to a specific segment, such as charges attached to the subordination of loans (such items are recognised under Group Centre).
- We allocate the funding cost of participating interests to the Group Centre. Any funding cost in respect of leveraging at KBC Group NV level is also recognised under Group Centre.
- Transactions among the different segments are reported at arm's length.
- We recognise 'Net interest income' in the segment information without dividing it up into 'Interest income' and 'Interest expense'. This is permitted under IFRS because the bulk of the business units' income is in the form of interest, and management assesses and co-ordinates those business units primarily on the basis of net interest income.
- We do not provide any information on income from sales to external clients per group of products or services, since the information is prepared at consolidated level chiefly for each business unit, and not per client group or product group.
- For information on the acquisition of Raiffeisenbank Bulgaria in 2022 and the sale of KBC Bank Ireland's loan and deposit portfolios in 2022 and 2023, see Note 6.6.

Note 2.2: Results by segment

(in millions of EUR)	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	*Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which Ireland*	KBC Group
INCOME STATEMENT FOR 2023									
Net interest income	3 248	1 271	1 179	*529*	*254*	*396*	-225	*64*	5 473
Insurance revenues before reinsurance	1 637	555	473	*189*	*96*	*189*	14	*0*	2 679
Non-life	*1 387*	*459*	*420*	*169*	*79*	*172*	*14*	*0*	*2 280*
Life	*250*	*96*	*53*	*20*	*17*	*16*	*0*	*0*	*399*
Dividend income	53	0	1	*0*	*0*	*1*	4	*0*	59
Net result from financial instruments at fair value through profit or loss	-22	132	125	*97*	*6*	*22*	88	*-4*	322
Net fee and commission income	1 537	324	493	*260*	*84*	*149*	-6	*-1*	2 349
Insurance finance income and expense (for insurance contracts issued)	-175	-68	-70	*-46*	*-5*	*-19*	0	*0*	-313
Other net income	235	5	15	*-3*	*11*	*6*	400	*409*	656
TOTAL INCOME	6 512	2 220	2 216	*1 026*	*446*	*744*	276	*467*	11 224
Operating expenses (excluding directly attributable to insurance contracts)[a]	-2 532	-865	-962	*-463*	*-229*	*-270*	-256	*-112*	-4 616
Total operating expenses excluding bank and insurance tax	*-2 463*	*-916*	*-805*	*-275*	*-250*	*-281*	*-254*	*-107*	*-4 438*
Bank and insurance tax	*-361*	*-60*	*-262*	*-238*	*-4*	*-20*	*-4*	*-4*	*-687*
Less: operating expenses attributed to insurance service expenses	*292*	*111*	*104*	*49*	*25*	*30*	*2*	*0*	*509*
Insurance service expenses before reinsurance	-1 285	-420	-414	*-186*	*-90*	*-139*	-1	*0*	-2 120
Of which insurance commissions paid	*-220*	*-65*	*-55*	*-12*	*-10*	*-33*	*-1*	*0*	*-340*
Non-life	*-1 116*	*-368*	*-384*	*-173*	*-80*	*-131*	*-1*	*0*	*-1 870*
Of which Non-life claim-related expenses	*-734*	*-213*	*-211*	*-85*	*-51*	*-75*	*2*	*0*	*-1 157*
Life	*-169*	*-52*	*-30*	*-12*	*-10*	*-8*	*0*	*0*	*-251*
Net result from reinsurance contracts held	-63	-16	-15	*-3*	*1*	*-13*	4	*0*	-90
Impairment	-114	-57	-36	*-38*	*6*	*-4*	-7	*-2*	-215
on financial assets at amortised cost and at fair value through OCI	*-82*	*70*	*19*	*11*	*8*	*0*	*8*	*9*	*16*
Share in results of associated companies and joint ventures	-3	-1	0	*0*	*0*	*0*	0	*0*	-4
RESULT BEFORE TAX	2 515	860	789	*336*	*134*	*318*	15	*354*	4 179
Income tax expense	-650	-97	-112	*-51*	*-30*	*-32*	82	*-24*	-778
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	1 865	763	676	*285*	*105*	*286*	97	*330*	3 401
attributable to minority interests	-1	0	0	*0*	*0*	*0*	0	*0*	-1
attributable to equity holders of the parent	1 866	763	676	*285*	*105*	*286*	97	*330*	3 402
a Of which non-cash expenses	-64	-124	-102	*-43*	*-25*	*-34*	-101	*-7*	-391
Depreciation and amortisation of fixed assets	*-61*	*-122*	*-102*	*-43*	*-25*	*-34*	*-101*	*-7*	*-386*
Other	*-4*	*-2*	*0*	*0*	*0*	*0*	*0*	*0*	*-5*
Acquisitions of non-current assets*	867	163	216	*118*	*57*	*42*	146	*0*	1 392

* Non-current assets held for sale and disposal groups, investment property, property and equipment, investments in associated companies, and goodwill and other intangible assets.

(in millions of EUR)	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	*Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which Ireland*	KBC Group
INCOME STATEMENT FOR 2022									
Net interest income	2 827	1 313	888	*423*	*235*	*229*	134	*240*	5 162
Insurance revenues before reinsurance	1 507	488	412	*159*	*86*	*166*	16	*0*	2 423
Non-life	*1 269*	*401*	*365*	*141*	*70*	*153*	*16*	*0*	*2 050*
Life	*238*	*87*	*47*	*18*	*16*	*13*	*0*	*0*	*373*
Dividend income	54	1	1	*0*	*0*	*1*	4	*0*	59
Net result from financial instruments at fair value through profit or loss	57	133	70	*60*	*33*	*-22*	-8	*-3*	252
Net fee and commission income	1 512	282	429	*228*	*82*	*119*	-5	*-2*	2 218
Insurance finance income and expense (for insurance contracts issued)	-131	-10	45	*14*	*8*	*23*	0	*0*	- 96
Other net income	213	-185	-7	*-8*	*-3*	*4*	-5	*-8*	16
TOTAL INCOME	6 039	2 023	1 837	*876*	*441*	*520*	136	*228*	10 035
Operating expenses (excluding directly attributable to insurance contracts)[a]	-2 360	-815	-816	*-409*	*-226*	*-181*	-337	*-208*	-4 327
Total operating expenses excluding bank and insurance tax	*-2 284*	*-861*	*-683*	*-238*	*-248*	*-197*	*-332*	*-200*	*-4 159*
Bank and insurance tax	*-349*	*-61*	*-228*	*-211*	*-7*	*-10*	*-8*	*-8*	*- 646*
Less: operating expenses attributed to insurance service expenses	*273*	*107*	*95*	*40*	*29*	*26*	*3*	*0*	*478*
Insurance service expenses before reinsurance	-1 174	-378	-347	*-142*	*-71*	*-134*	-9	*0*	-1 908
Of which insurance commissions paid	*-198*	*-46*	*-63*	*-26*	*-8*	*-29*	*-1*	*0*	*-308*
Non-life	*-1 084*	*-327*	*-314*	*-130*	*-59*	*-125*	*-9*	*0*	*-1 733*
Of which Non-life claim-related expenses	*-711*	*-190*	*-170*	*-60*	*-33*	*-77*	*-6*	*0*	*-1 077*
Life	*-90*	*-51*	*-33*	*-12*	*-12*	*-9*	*0*	*0*	*-174*
Net result from reinsurance contracts held	21	-6	-14	*-3*	*-3*	*-8*	-22	*0*	-20
Impairment	-46	-60	-152	*-97*	*-21*	*-33*	-24	*-18*	-282
on financial assets at amortised cost and at fair value through OCI	*-35*	*-46*	*-78*	*-29*	*-19*	*-30*	*5*	*7*	*-154*
Share in results of associated companies and joint ventures	-9	-1	0	0	0	0	0	*0*	-10
RESULT BEFORE TAX	2 472	762	509	*225*	*119*	*164*	-254	*3*	3 488
Income tax expense	-596	-109	- 81	*-37*	*-27*	*-16*	116	*34*	- 670
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	1 876	653	428	*188*	*91*	*148*	-139	*37*	2 818
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	1 876	653	428	*188*	*91*	*148*	-139	*37*	2 818
a Of which non-cash expenses	-58	-114	-89	*-40*	*-23*	*-26*	-120	*-31*	-381
Depreciation and amortisation of fixed assets	*-57*	*-114*	*-86*	*-38*	*-23*	*-24*	*-117*	*-26*	*-374*
Other	*0*	*0*	*-4*	*-2*	*0*	*-2*	*-3*	*-4*	*-7*
Acquisitions of non-current assets*	544	125	624	95	63	466	151	*1*	1 443

* Non-current assets held for sale and disposal groups, investment property, property and equipment, investments in associated companies, and goodwill and other intangible assets.

Note 2.3: Balance-sheet information by segment

The table below presents some of the main on-balance-sheet products by segment.

(in millions of EUR)	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	*Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which Ireland*	KBC Group
BALANCE SHEET AT 31-12-2023									
Deposits from customers and debt securities (excluding repos)	154 238	52 642	31 687	*9 610*	*8 836*	*13 241*	20 924	*0*	259 491
Demand deposits (incl. special deposits and other deposits)	*60 531*	*23 378*	*23 659*	*6 645*	*5 480*	*11 534*	*0*	*0*	*107 568*
Time deposits	*19 654*	*12 058*	*6 333*	*2 252*	*2 382*	*1 699*	*0*	*0*	*38 044*
Savings accounts	*54 074*	*15 220*	*1 516*	*636*	*872*	*8*	*0*	*0*	*70 810*
Debt securities	*19 979*	*1 986*	*179*	*76*	*103*	*0*	*20 924*	*0*	*43 068*
Loans and advances to customers (excluding reverse repos)	119 168	36 470	27 975	*6 764*	*11 589*	*9 623*	0	*0*	183 613
Term loans	*62 573*	*11 463*	*11 658*	*3 279*	*3 452*	*4 927*	*0*	*0*	*85 694*
Mortgage loans	*45 394*	*19 641*	*10 447*	*1 818*	*6 451*	*2 178*	*0*	*0*	*75 482*
Other	*11 200*	*5 366*	*5 870*	*1 667*	*1 686*	*2 517*	*0*	*0*	*22 437*
Liabilities under investment contracts	13 461	0	0	*0*	*0*	*0*	0	*0*	13 461
Insurance contract liabilities	14 315	1 288	1 162	*413*	*226*	*524*	18	*0*	16 784
Non-life	*2 204*	*357*	*343*	*114*	*58*	*171*	*18*	*0*	*2 922*
Life	*12 111*	*931*	*820*	*299*	*168*	*353*	*0*	*0*	*13 862*
BALANCE SHEET AT 31-12-2022									
Deposits from customers and debt securities (excluding repos)	155 971	51 069	29 962	*9 515*	*8 421*	*12 026*	15 743	*418*	252 746
Demand deposits (incl. special deposits and other deposits)	*75 322*	*25 747*	*23 543*	*7 303*	*5 826*	*10 415*	*418*	*418*	*125 030*
Time deposits	*8 896*	*9 211*	*4 291*	*1 291*	*1 414*	*1 586*	*0*	*0*	*22 397*
Savings accounts	*60 802*	*14 344*	*1 833*	*722*	*1 086*	*25*	*0*	*0*	*76 979*
Debt securities	*10 951*	*1 767*	*295*	*200*	*96*	*0*	*15 325*	*0*	*28 338*
Loans and advances to customers (excluding reverse repos)	117 221	35 445	25 384	*5 879*	*10 796*	*8 709*	3	*3*	178 053
Term loans	*61 768*	*10 581*	*10 544*	*2 970*	*3 013*	*4 561*	*2*	*2*	*82 894*
Mortgage loans	*44 326*	*19 696*	*9 638*	*1 681*	*6 114*	*1 843*	*0*	*0*	*73 660*
Other	*11 127*	*5 168*	*5 202*	*1 228*	*1 668*	*2 306*	*1*	*1*	*21 498*
Liabilities under investment contracts	12 026	0	0	*0*	*0*	*0*	0	*0*	12 026
Insurance contract liabilities	13 933	1 258	951	*321*	*213*	*417*	16	*0*	16 158
Non-life	*2 101*	*316*	*281*	*85*	*44*	*153*	*16*	*0*	*2 714*
Life	*11 832*	*943*	*669*	*236*	*169*	*264*	*0*	*0*	*13 444*

3.0 Notes to the income statement

Note 3.1: Net interest income

(in millions of EUR)	2023	2022
Total	5 473	5 162
Interest income	20 170	11 225
Interest income on financial instruments calculated using the effective interest rate method		
Financial assets at amortised cost	*10 233*	*7 848*
Financial assets at fair value through OCI	*384*	*376*
Hedging derivatives	*5 094*	*1 838*
Financial liabilities (negative interest rate)	*11*	*289*
Other	*2 143*	*130*
Interest income on other financial instruments		
Financial assets MFVPL other than held for trading	*55*	*35*
Financial assets held for trading	*2 250*	*710*
Of which economic hedges	*2 085*	*582*
Other financial assets at fair value through profit or loss	*0*	*0*
Interest expense	-14 697	-6 063
Interest expense on financial instruments calculated using the effective interest rate method		
Financial liabilities at amortised cost	*-6 757*	*-2 320*
Hedging derivatives	*-5 277*	*-1 972*
Financial assets (negative interest rate)	*-1*	*-94*
Other	*-5*	*-3*
Interest expense on other financial instruments		
Financial liabilities held for trading	*-2 599*	*-1 639*
Of which economic hedges	*-2 546*	*-1 595*
Other financial liabilities at fair value through profit or loss	*-68*	*-33*
Net interest expense relating to defined benefit plans	*10*	*-1*

- Financial liabilities (negative interest rate)' and 'Financial assets (negative interest rate)': these rates relate mainly to transactions with central banks, interbank and professional counterparties, corporate clients, and targeted long-term refinancing operations (TLTRO). More information on TLTRO can be found in Note 4.1.
- The increase in 'Interest income on financial instruments calculated using the effective interest rate method, Other' relates mainly to interest on cash balances with central banks. These cash balances with central banks are mostly financed using short-term liabilities, such as certificates of deposit and repos. The associated interest expense is recognised under 'Interest expense', under 'Financial liabilities at amortised cost'. The interest margin on this activity is limited.
- At the end of August 2023, the Kingdom of Belgium issued a State Note with a term of one year, which had the following consequences for KBC in 2023: an outflow of customer deposits of 5.7 billion euros, a negative impact on net interest income of 73 million euros and a one-off positive impact on net fee and commission income (related to the sale of State Notes through KBC) of 11 million euros.
- Several central banks in our core countries decided to increase the minimum amount of reserves to be maintained or to lower the compensation paid for these reserves. This had a negative impact on our net interest income of around 125 million euros (13 million euros in 2022).

Note 3.2: Dividend income

(in millions of EUR)	2023	2022
Total	59	59
Equity instruments MFVPL other than held for trading	0	0
Equity instruments held for trading	14	10
Equity instruments at FVOCI	44	50

Note 3.3: Net result from financial instruments at fair value through profit or loss

(in millions of EUR)	2023	2022
Total	322	252
Total broken down by IFRS portfolio		
Financial instruments MFVPL other than held for trading	1 250	-2 016
Trading instruments (including interest on non-ALM trading derivatives and fair value changes in all trading derivatives)	134	566
Other financial instruments at fair value through profit or loss	-1 103	1 941
Foreign exchange trading	155	-90
Fair value adjustments in hedge accounting	-113	-150
Hedge accounting broken down by type of hedge		
Fair value micro hedges	-2	5
Changes in the fair value of the hedged items	*-269*	*624*
Changes in the fair value of the hedging derivatives	*267*	*-619*
Cashflow hedges	-9	-3
Changes in the fair value of the hedging derivatives, ineffective portion	*-9*	*-3*
Hedges of net investments in foreign operations, ineffective portion	0	0
Portfolio hedge of interest rate risk	7	0
Changes in the fair value of the hedged items	*1 029*	*-3 254*
Changes in the fair value of the hedging derivatives	*-1 022*	*3 254*
Discontinuation of hedge accounting for fair value hedges	-58	-75
Discontinuation of hedge accounting in the event of cashflow hedges	-52	-77
Total broken down by driver		
Dealing room	288	245
Change in the value of derivatives used for asset/liability management purposes and Other	-47	-7
Market value adjustments (MVA)	-15	80
Investment result for unit-linked insurance contracts under IFRS 17	96	-65

- ALM hedging derivatives (recognised in hedge accounting): the interest component of these derivatives is recognised under 'Net interest income'. Fair value changes in hedging derivatives, excluding those for which an effective cashflow hedge relationship exists, are recognised under 'Net result from financial instruments at fair value through profit or loss'. Under fair value hedge accounting, changes in the fair value of hedged assets are also recognised under this heading, and offsetting takes place insofar as the hedge is effective. ALM hedging derivatives not recognised in hedge accounting (and therefore classified as trading instruments) are treated in the same way, except most of the related assets are not recognised at fair value (i.e. not marked-to-market).
- Day 1 profit: when the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit) is taken to profit or loss. If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit is reserved and is released in profit or loss during the life and until the maturity of the financial instrument. This day 1 profit involves limited amounts.
- Foreign exchange trading includes the realised and unrealised foreign exchange results (when the monetary assets and liabilities are revalued), regardless of the IFRS portfolio, except for financial assets and liabilities measured at fair value through profit or loss, for which the revaluation is included in the fair value correction. Note that (unrealised) foreign exchange gains/losses on insurance contract liabilities are recognised under 'Insurance finance income and expense (for insurance contracts issued)'.

- 'Investment result for unit-linked insurance contracts under IFRS 17' is fully composed, and 'Financial instruments MFVPL other than held for trading' is partly composed, of the changes in fair value of underlying assets of long-term unit-linked contracts in Central and Eastern Europe (measured using the VFA under IFRS 17). The offsetting impact of the changes in fair value of the relevant unit-linked liabilities is included in 'Insurance finance income and expense' in P&L (see also Note 3.6.1).
- The effectiveness of the hedge is determined according to the following methods:
  - For fair value micro hedging, we use the dollar offset method on a quarterly basis, with changes in the fair value of the hedged item offsetting changes in the fair value of the hedging instrument within a range of 80%–125%.
  - For cashflow hedges, we compare the designated hedging instrument with a perfect hedge of the hedged cashflows on a prospective (by BPV measurement) and retrospective basis (by comparing the fair value of the designated hedging instrument with the perfect hedge). The effectiveness of both tests must fall within a range of 80%–125%.
  - We use the rules set out in the European version of IAS 39 (carve-out) to assess the effectiveness of fair value hedges for a portfolio of interest rate risk. IFRS does not permit net positions to be reported as hedged items, but does allow hedging instruments to be designated as a hedge of a gross asset position (or a gross liabilities position, as the case may be). Specifically, we make sure that the volume of assets (or liabilities) in each maturity bucket is greater than the volume of hedging instruments allocated to the same bucket.

Note 3.4: Net fee and commission income

(in millions of EUR)	2023	2022
Total	2 349	2 218
Fee and commission income	2 991	2 800
Fee and commission expense	-642	-581
Breakdown by type		
Asset management services	1 247	1 199
Fee and commission income	*1 305*	*1 259*
Fee and commission expense	*-59*	*-60*
Banking services	1 057	983
Fee and commission income	*1 632*	*1 495*
Fee and commission expense	*-575*	*-512*
Other	45	36
Fee and commission income	*53*	*46*
Fee and commission expense	*-8*	*-10*

- 'Asset management services' contains management fees, entry fees and distribution fees for investment funds and unit-linked life insurance under IFRS 9. 'Banking services' contains credit- and guarantee-related fees, payment transaction fees, network income, securities-related fees, distribution fees paid for banking products and fees for other banking services. Distribution fees paid for insurance products (Life and Non-life under IFRS 17) are recognised in the income statement under 'Insurance service expenses before reinsurance' (see Note 3.6). 'Other' comprises distribution fees of third-party insurers (not under IFRS 17) and platformication income.
- The lion's share of the fees and commissions related to lending is recognised under 'Net interest income' (effective interest rate calculations).
- The sale of the Belgian State Note through KBC in 2023 resulted in one-off net fee and commission income of 11 million euros.

Note 3.5: Other net income

(in millions of EUR)	2023	2022
Total	656	16
of which gains or losses on		
Sale of financial assets measured at amortised cost	-22	-32
Sale of FVOCI debt instruments	-7	-69
Repurchase of financial liabilities measured at amortised cost	0	0
Other, including:	685	117
Income from operational leasing activities	*101*	*94*
Income from VAB Group	*39*	*50*
Gain on sale of real estate subsidiary (KBC Vastgoed Nederland)	*–*	*68*
Arbitration proceedings against ICEC-Holding	*–*	*-149*
Gain on sale of KBC Bank Ireland's loan and deposit portfolios	*405*	*–*
Gain on sale of a participation in Belgium	*18*	*–*
Recovery of Belgian bank and insurance tax from 2016 (incl. moratorium interest)	*48*	*–*

- Arbitration proceedings against ICEC-Holding (significant adjusting post-balance-sheet event affecting the 2022 financial statements): on 17 February 2023, ČSOB in the Czech Republic received an arbitral award in the arbitration proceedings against ICEC-Holding. ČSOB was being sued in the arbitration proceedings as the legal successor of Investiční a poštovní banka (IPB), whose business activities were acquired by ČSOB in 2000. The proceedings were initiated by ICEC-Holding in 2007. The plaintiff, ICEC-Holding, a.s., claims that IPB breached its contractual duties in 1999, entitling ICEC-Holding to damages and a contractual penalty. The claim itself is not in any way related to ČSOB's business activities and is to be considered part of the IPB legacy. In the delivered arbitral award, the Court of Arbitration ordered ČSOB to pay ICEC-Holding an amount of CZK 3.7 billion, along with the costs of the proceedings in the amount of CZK 5.0 million, payable within fifteen days of the delivery of the award. The plaintiff failed in the remainder of its claim and the arbitration panel ordered it to pay ČSOB the costs of the proceedings in the amount of CZK 17.4 million. ČSOB will consider possible further legal steps leading to the revision of this award. The payment of damages and contractual penalties had an adverse financial impact on ČSOB and KBC Group. In accordance with IFRS, ČSOB was required to provision the full amount of CZK 3.7 billion in its 2022 income statement, impacting KBC Group's 2022 income statement to the extent of -149 million euros before tax (-121 million euros after tax).
- For information on the gain on the sale of KBC Bank Ireland's loan and deposit portfolios, see Note 6.6.

Note 3.6: Insurance results

Note 3.6.1: Insurance profitability – P&L

- Unlike the group's income statement, the figures below include intragroup transactions between bank and insurance entities of the group (the results for insurance contracts concluded between the group's bank and insurance entities, interest that insurance companies receive on their deposits with bank entities, commissions that insurance entities pay to bank branches for sales of insurance, etc.) in order to give a more accurate view of the profitability of the insurance business.
- Of the items in Note 3.6.1, only 'Insurance revenues', 'Insurance service expenses', 'Insurance finance income and expense' and 'Net result from reinsurance contracts held' are presented on separate lines in the income statement (with a minor adjustment related to intercompany transaction eliminations between bank and insurance entities). As part of our integrated bank-insurance concept, all the other insurance items – together with the group's banking activities – are included in the income statement and related notes.

(in millions of EUR)	Life	*Life: of which Life direct participation (VFA)*	Non-life	Non-technical	Total
2023					
Technical insurance result	149	*12*	418	–	567
Insurance revenues before reinsurance	*400*	*25*	*2 290*	–	*2 690*
Insurance service expenses	*-251*	*-12*	*-1 872*	–	*-2 123*
Of which Non-life claim-related expenses	–	–	*-1 159*	–	*-1 159*
Investment result and insurance finance income and expense	151	*0*	63	19	233
Investment result	434	*96*	93	19	546
Net interest income	*304*	*0*	*87*	*1*	*392*
Dividend income	*22*	*0*	*4*	*14*	*40*
Net result from financial instruments at fair value through profit or loss	*100*	*96*	*0*	*6*	*106*
Other net income	*10*	*0*	*2*	*-3*	*10*
Impairment	*-1*	*0*	*0*	*0*	*-2*
Insurance finance income and expense, before reinsurance	-283	*-96*	-30	–	-313
Interest accretion	*-186*	–	*-31*	–	*-217*
Effect of changes in financial assumptions and foreign exchange differences	*-1*	*0*	*1*	–	*-1*
Changes in fair value of underlying liabilities of contracts measured under VFA	*-96*	*-96*	–	–	*-96*
Net insurance and investment result before reinsurance	**300**	***12***	**481**	**19**	**800**
Net result from reinsurance contracts held	-3	–	-87	–	-90
Premiums paid to the reinsurer	*-30*	–	*-95*	–	*-125*
Fee and commission income	*7*	–	*10*	–	*17*
Amounts recoverable from the reinsurer	*21*	–	*0*	–	*21*
Total reinsurance finance income and expense	*0*	–	*-2*	–	*-2*
Net insurance and investment result after reinsurance	**297**	***12***	**394**	**19**	**710**
Non-directly attributable income or expenses	10	*-1*	-50	9	-31
Net fee and commission income	*67*	*0*	*-2*	*24*	*90*
Other net income	*-1*	–	–	*69*	*68*
Operating expenses (incl. bank and insurance tax)	*-48*	*-1*	*-48*	*-83*	*-179*
Impairment – other	*-9*	*0*	*-1*	*0*	*-10*
Share in results of associated companies and joint ventures	–	–	–	*0*	*0*
Income tax expense	–	–	–	-152	-152
Result after tax	**307**	***11***	**344**	**-124**	**527**
attributable to minority interests	–	–	–	–	0
attributable to equity holders of the parent	**–**	**–**	**–**	**–**	**527**

(in millions of EUR)	Life	*Life: of which Life direct participation (VFA)*	Non-life	Non-technical	Total
2022					
Technical insurance result	198	*9*	324	–	522
Insurance revenues before reinsurance	*373*	*23*	*2 059*	–	*2 431*
Insurance service expenses	*-174*	*-14*	*-1 735*	–	*-1 909*
Of which Non-life claim-related expenses	–	–	*-1 079*	–	*-1 079*
Investment result and insurance finance income and expense	179	*0*	95	43	317
Investment result	272	*-65*	99	43	413
Net interest income	*305*	*0*	*110*	*27*	*442*
Dividend income	*20*	*0*	*4*	*15*	*39*
Net result from financial instruments at fair value through profit or loss	*-65*	*-65*	*5*	*-2*	*-63*
Other net income	*12*	*0*	*-20*	*1*	*-8*
Impairment	*0*	*0*	*0*	*2*	*2*
Insurance finance income and expense, before reinsurance	-92	*66*	-4	–	-96
Interest accretion	*-157*	–	*-4*	–	*-161*
Effect of changes in financial assumptions and foreign exchange differences	*-1*	*0*	*0*	–	*-1*
Changes in fair value of underlying liabilities of contracts measured under VFA	*66*	*66*	–	–	*66*
Net insurance and investment result before reinsurance	**377**	***10***	**419**	**43**	**839**
Net result from reinsurance contracts held	-1	–	-19	–	-20
Premiums paid to the reinsurer	*-28*	–	*-81*	–	*-109*
Fee and commission income	*12*	–	*9*	–	*21*
Amounts recoverable from the reinsurer	*15*	–	*54*	–	*69*
Total reinsurance finance income and expense	*0*	–	*-1*	–	*-1*
Net insurance and investment result after reinsurance	**376**	***10***	**400**	**43**	**819**
Non-directly attributable income or expenses	20	*-1*	-37	12	-5
Net fee and commission income	*62*	*0*	*-2*	*19*	*80*
Other net income	*0*	–	–	*64*	*64*
Operating expenses (incl. bank and insurance tax)	*-42*	*-1*	*-35*	*-71*	*-148*
Impairment – other	*0*	*0*	*0*	*0*	*0*
Share in results of associated companies and joint ventures	–	–	–	*0*	*0*
Income tax expense	–	–	–	-179	-179
Result after tax	**396**	***9***	**363**	**-125**	**635**
attributable to minority interests	–	–	–	–	0
attributable to equity holders of the parent	**–**	**–**	**–**	**–**	**635**

- The column 'of which Life direct participating (VFA)' relates to results of long-term unit-linked contracts in Central and Eastern Europe, measured under IFRS 17.
- 'Insurance finance income and expense, before reinsurance' includes:
  - Interest accretion on the IFRS 17 insurance liabilities, which is offset by the investment result on the corresponding assets backing these liabilities.
  - Changes in the fair value of underlying liabilities of contracts measured under the VFA, which represents the change in the fair value of unit-linked liabilities, measured under IFRS 17 (Variable Fee Approach), with the offsetting impact in the change in the fair value of underlying unit-linked assets in 'Net result from financial instruments at fair value through P&L' (see also Note 3.3).
- Non-technical: includes the results from non-insurance subsidiaries, such as VAB Group and ADD. They have been included in the note for the 'insurance business' given that they are KBC Insurance subsidiaries (but as they cannot be recognised under 'Life' or 'Non-life', they are included under 'Non-technical account'). The 'Non-technical account' also includes the investment income from equity (i.e. mainly interest income from bonds) and income tax.
- In 2022, the Non-life insurance service result was negatively impacted by storms, mainly in Belgium, having an impact of -89 million euros before reinsurance or -35 million euros after reinsurance. The corresponding figures for 2023 were -29 million euros and -34 million euros, respectively. In 2022, the Life insurance service result was positively impacted by a reversal of a loss component for an amount of 67 million euros on balance (before tax) mainly on modern savings products in Belgium, driven by increased interest rates.

Note 3.6.2: Insurance profitability – other comprehensive income (OCI)

(in millions of EUR)	Life	*Life: of which Life direct participation (VFA)*	Non-life	Non-technical	Total
2023					
Investment result (OCI) on financial assets at FVOCI	595	*1*	49	0	644
Change in Insurance finance income and expense – OCI, before reinsurance	-538	*-1*	-23	–	-561
Effect of changes in interest rates and other financial assumptions in OCI, incl. foreign exchange differences	*-537*	*0*	*-23*	–	*-560*
Changes in fair value of underlying liabilities of contracts measured under VFA – OCI	*-1*	*-1*	–	–	*-1*
Net insurance and investment result before reinsurance – OCI	**56**	***0***	**25**	**0**	**81**
Change in reinsurance finance income and expense – OCI	0	–	7	–	7
Deferred taxes	–	–	–	13	13
Net insurance and investment result after reinsurance, after tax – OCI	**56**	***0***	**33**	**13**	**101**
2022					
Investment result (OCI) on financial assets at FVOCI	-2 716	*-2*	-236	-26	-2 979
Change in insurance finance income and expense – OCI, before reinsurance	2 615	*1*	424	–	3 039
Effect of changes in interest rates and other financial assumptions in OCI, incl. foreign exchange differences	*2 613*	*0*	424	–	*3 037*
Changes in fair value of underlying liabilities of contracts measured under VFA – OCI	*1*	*1*	–	–	*1*
Net insurance and investment result before reinsurance – OCI	**-102**	***0***	**188**	**-26**	**60**
Change in reinsurance finance income and expense – OCI	0	–	-25	–	-25
Deferred taxes	–	–	–	-106	-106
Net insurance and investment result after reinsurance, after tax – OCI	**-102**	***0***	**164**	**-132**	**-71**

- Note that there is a (partial) compensating effect between 'Investment result (OCI) on financial assets at FVOCI' and the 'Effect of changes in interest rates and other financial assumptions in OCI, incl. foreign exchange differences'. This is the result of a decision by KBC to categorise a large part of the bond portfolio backing Life insurance contracts and part of the bond portfolio backing Non-life insurance contracts as FVOCI assets, resulting in a natural hedge between investment results on financial assets at FVOCI and IFIE through OCI.
- For more information on the investment result and the change in insurance finance income and expense: see 'Other comprehensive income'.
- In addition to the investment result of the financial assets recognised in profit or loss (Note 3.6.1) and in OCI (Note 3.6.2), results realised on FVOCI equity instruments are recognised directly in equity (see 'Transfer from revaluation reserves to retained earnings upon realisation' in 'Consolidated statement of changes in equity'). The corresponding figures for 2023 and 2022 were 24 million euros and 133 million euros, respectively, at insurance level of the 21 million euros and 152 million euros at group level.

Note 3.6.3: Insurance revenues (Life and Non-life) by component

(in millions of EUR)	2023			2022		
	Total	Life	Non-life	Total	Life	Non-life
Insurance revenues for BBA and VFA contracts	406	370	36	379	343	35
Amounts related to changes in liabilities for remaining coverage	390	355	35	372	337	35
Expected claims and other insurance service expenses	*226*	*200*	*25*	*228*	*204*	*23*
Change in risk adjustment for risk expired (non-financial risk)	*15*	*11*	*3*	*14*	*10*	*4*
CSM recognised for services provided	*150*	*143*	*6*	*131*	*123*	*8*
Recovery of insurance acquisition cashflows	16	15	1	6	6	0
Insurance revenues for contracts measured using the PAA	2 284	30	2 255	2 052	29	2 023
Total insurance revenues	2 690	400	2 290	2 431	373	2 059

Note 3.6.4: Life insurance sales

(in millions of EUR)	2023	2022
Total	2 328	2 071
IFRS 17 – non-unit-linked	975	978
IFRS 17 – unit-linked	171	99
IFRS 17 – hybrid	131	115
Non-IFRS 17	1 051	880

- Non-IFRS 17 sales figures mainly refer to investment contracts without discretionary participation features (DPF), measured under IFRS 9. They concern the unit-linked insurance contracts in Belgium, for which margins are reported under 'Net fee and commission income'.
- Hybrid products: see Note 5.6.1.

Note 3.6.5: Non-life insurance profitability by product (P&L)

(in millions of EUR)	Insurance revenues	Insurance service expenses	Insurance finance income and expense before reinsurance in P&L	Total before reinsurance	Net result from reinsurance contracts held	Total after reinsurance
2023						
Personal insurance	274	-211	-4	59	–	–
Motor Third-Party Liability (MTPL)	562	-542	-13	7	–	–
Liabilities other than MTPL	144	-88	-4	53	–	–
Casco	409	-371	-2	35	–	–
Property incl. other than casco	883	-658	-8	217	–	–
Total primary business	2 272	-1 870	-31	371	-33	338
Accepted reinsurance	18	-2	0	17	-54	-38
Total	2 290	-1 872	-30	388	-87	301
2022						
Personal insurance	238	-152	1	87	–	–
Motor Third-Party Liability (MTPL)	526	-444	-3	79	–	–
Liabilities other than MTPL	129	-117	-1	11	–	–
Casco	358	-313	0	44	–	–
Property incl. other than casco	791	-698	-1	93	–	–
Total primary business	2 041	-1 725	-4	313	-39	274
Accepted reinsurance	18	-10	-0	7	20	27
Total	2 059	-1 735	-4	320	-19	301

Note 3.7: Operating expenses

(in millions of EUR)	2023	2022
Total	-5 125	-4 805
Staff expenses	-2 677	-2 561
General administrative expenses		
ICT	*-634*	*-562*
Facility expenses	*-265*	*-224*
Marketing and communications	*-108*	*-109*
Professional service fees	*-144*	*-157*
Bank and insurance tax	*-687*	*-646*
Other	*-224*	*-172*
Depreciation and amortisation of fixed assets	-386	-374

- The table above contains the sum of 'Total operating expenses excluding bank and insurance tax' and 'Bank and insurance tax' from the income statement.
- The total expenses went up by 7% in 2023 compared to 2022.
  - This amount includes 687 million euros in bank and insurance tax, a further 6% increase year-on-year, due in part to a higher amount in additional tax in Hungary.
  - Excluding bank and insurance tax, these expenses amounted to 4 438 million euros and increased by 7%, mainly attributable to inflationary pressure on wages, higher ICT and facility expenses, as well as the negative impact of the consolidation of Raiffeisenbank Bulgaria, only partly offset by, among other things, the positive impact of the sale of the Irish portfolios.
- For information on the average number of persons employed, see Note 3.8; information on the remuneration of members of the Executive Committee and the Board of Directors is provided under 'Remuneration report' in the 'Corporate governance statement' section; details of the statutory auditor's remuneration (PWC) are provided in Note 6.4.
- Information on the capital increase reserved for KBC group employees can be found in the 'Company annual accounts and additional information' section. In 2023, this did not result in the recognition of a limited employee benefit, as the issue price did not include a discount compared to the market price in 2023. Information regarding the price of the KBC share can be found in the 'Report of the Board of Directors' section.
- In 2023, the Belgian government decided to further increase the national bank tax by means of a higher bank tax for deposits on the balance sheet exceeding 50 billion euros and by abolishing the deductibility of the bank tax in full, the negative impact of which is estimated at 40 million euros from 2024 (of which 30 million euros in bank and insurance tax). Moreover, the contribution to the deposit guarantee scheme was increased, with a negative impact of 8 million euros in 2023, and an estimated negative impact of 24 million euros for 2024.

Note 3.8: Personnel

(number)	2023	2022
Total average number of persons employed (in full-time equivalents)	38 609	37 946
By legal entity		
KBC Bank	28 708	28 741
KBC Insurance	4 067	4 024
KBC Group NV (holding company) and KBC Global Services NV (cost-sharing structure)	5 834	5 181
By employee classification		
Blue-collar staff	389	389
White-collar staff	37 960	37 306
Senior management	260	251

- The figures in the table are annual averages, which – in terms of scope – may differ from year-end figures that are provided elsewhere.
- The 2022 figures contain the acquired Raiffeisenbank Bulgaria for six months and still contain KBC Bank Ireland, as the sale of the activities had not yet been finalised at year-end 2022. In 2023, Raiffeisenbank Bulgaria (now merged with UBB) was fully added and KBC Bank Ireland was strongly reduced (finalisation of the sale of the activities in February 2023).

Note 3.9: Impairment (income statement)

(in millions of EUR*)	2023	2022
Total	-215	-282
Impairment on financial assets at AC and at FVOCI (impairment on loans)	16	-154
By IFRS category		
Financial assets at amortised cost	*17*	*-155*
Financial assets at fair value through OCI	*-1*	*1*
By product		
Loans and advances	*-5*	*-177*
Debt securities	*7*	*-3*
Off-balance-sheet commitments and financial guarantees	*15*	*25*
By type		
Stage 1 (12-month ECL)	*-41*	*5*
Stage 2 (lifetime ECL)	*161*	*-107*
Stage 3 (lifetime ECL)	*-92*	*-60*
Purchased or originated credit impaired assets	*-11*	*8*
By business unit/country		
Belgium	*-82*	*-35*
Czech Republic	*70*	*-46*
International Markets	*19*	*-78*
Slovakia	*8*	*-19*
Hungary	*11*	*-29*
Bulgaria	*0*	*-30*
Group Centre	*8*	*5*
Impairment on goodwill	-109	-5
Impairment on other	-122	-123
Intangible fixed assets (other than goodwill)	-77	-34
Property and equipment (including investment property)	-15	-18
Associated companies and joint ventures	0	0
Other	-30	-71

* Positive figures indicate a reversal and hence a positive impact on results

- Impairment on loans:
  - In 2023, this item included a partial reversal of 155 million euros related to the reserve for geopolitical and emerging risks (see below) and a net increase of 139 million euros for loans in the loan portfolio.
  - In 2022, this item included a full reversal of the remaining 255 million euros in coronavirus-related ECL, net provisioning of 413 million euros for geopolitical and emerging risks, net provisioning of 17 million euros related to the sale transactions in Ireland (see Note 6.6) and a net reversal of 21 million euros for loans in the loan portfolio.
  - The impact of the extreme weather conditions, including flooding and storms, in 2023 and 2022 on (impairment on) loans was insignificant.
- Impairment on goodwill:
  - In 2023, this item included 109 million euros related to ČSOB Stavební spořitelna (see below)
- Impairment on other:
  - In 2023, this item included impairment of fixed assets (partly relating to the sale in Ireland) and software, and modification losses related to the extension/expansion of the interest cap regulation in Hungary.
  - In 2022, this item included an impairment of tangible and intangible assets relating to the sale transactions in Ireland, impairment of real estate and modification losses related to the extension/expansion of the interest cap regulation in Hungary.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section. Among other things, this section also provides more information on impaired loans (Stage 3).
- For information on total impairment recognised in the balance sheet, see Note 4.2.
- More background information and methodology for KBC's ECL model is provided in the accounting policies under 'Financial assets – impairment' in Note 1.2.

- KBC uses specific models for PD, EAD and LGD in order to calculate ECL. It is essential to take account of historical observations and forward-looking projections in this respect.
  - PD represents the probability of a counterparty defaulting in the next 12 months or during the entire term of the facility (depending on which IFRS 9 'Stage' the facility is in). The PD is determined by the counterparty's internal (and, if applicable, external) credit rating. Variables used in PD models include financial ratios and behavioural parameters (arrears).
  - EAD represents the estimated outstanding debt at the time of default and depends on the existing outstanding debt and any changes permitted under the contract and normal repayments. Variables used in these models include product types and repayment schedules.
  - LGD is the estimated size of the loss relative to the outstanding debt at the time of default. LGD is presented as a percentage of the outstanding debt and is determined by historical amounts recovered on similar claims. Variables used in these models include collateral types and financial ratios.
- On 31 December 2023, there were around 80 different IFRS 9 models. In addition to several group-wide models, we have separate PD, EAD and LGD models for each of our core countries. In accordance with the Basel grouping approach, we use the type of counterparty (private individuals, SMEs, companies, governments, etc.) to determine the scope of an IFRS 9 model. Each model allows for differentiation in terms of facility type (term loans, revolving facilities, etc.) and collateral type (mortgages, pledges on business assets, guarantees, etc.). Examples of IFRS 9 models include 'Banks', 'Belgian private persons – home loans', 'Czech corporates', 'Bulgarian corporates and SMEs' and 'Central governments'. Detailed documentation is available for each PD, EAD and LGD model. The main models are subject to review by external auditors. The Basel models, which the IFRS 9 models are based on, are subject to external control performed by the supervisory authorities.
- We create the models for the various portfolios using typical PD, EAD and LGD inputs, as well as macro- and microeconomic variables to the extent that there is a statistical relationship. The macroeconomic variables are GDP growth, the unemployment rate, policy interest rates, the exchange rate, government bond yields, house prices and inflation. Microeconomic variables include, for example, confidence indicators, the harmonised index of consumer prices (HICP), the producer price index (PPI), and so on. As a result of regular back-testing, models may change and economic variables may be reassessed. The following table gives the base-case scenario for the three key indicators (GDP growth, unemployment rate and house price index) for each of our core countries for the coming years. After that, we take into account a gradual linear transition towards a stable situation.

Macroeconomic base-case scenarios – key indicators (used for situation at year-end 2023) *	**2023**	**2024**	**2025**
Real GDP growth			
Belgium	1.4%	0.8%	1.1%
Czech Republic	-0.5%	1.4%	3.1%
Hungary	-0.5%	2.8%	3.3%
Slovakia	1.2%	2.2%	3.3%
Bulgaria	1.9%	2.3%	3.0%
Unemployment rate			
Belgium	5.8%	5.7%	5.6%
Czech Republic	2.8%	3.3%	3.2%
Hungary	4.1%	3.8%	3.6%
Slovakia	6.1%	6.3%	6.0%
Bulgaria	4.5%	4.2%	4.0%
House price index			
Belgium	1.0%	1.5%	2.5%
Czech Republic	-2.0%	1.7%	3.5%
Hungary	0.0%	3.0%	4.0%
Slovakia	-3.5%	0.0%	3.5%
Bulgaria	8.4%	0.7%	3.0%

* This deviates from the (more recent) estimates provided in the 'Report of the Board of Directors', under the 'Market conditions in our core markets in 2023' and 'Our business units' sections.

- We use three different forward-looking macroeconomic scenarios (with different probability weightings) to measure ECL. The weightings at year-end 2023 were 60% for the 'base' scenario, 10% for the 'up' scenario and 30% for the 'down' scenario. The forecast horizon is 30 years. A sensitivity analysis of the impact of these multiple economic scenarios on the collectively assessed ECL (i.e. without the ECL for individually assessed loans of 1.6 billion euros at year-end 2023 and year-end 2022) shows that the 'base' scenario generates an ECL of 0.9 billion euros (1.0 billion euros in 2022), which is 0.1 billion euros lower than for the 'down' scenario (0.1 billion euros in 2022) and 0.0 billion euros higher than for the 'up' scenario (0.0 billion euros in 2022). The assessed scenario-weighted collective ECL (that was recognised) amounted to 0.9 billion euros (1.0 billion euros in 2022). These amounts include the ECL related to geopolitical and emerging risks.

Collectively assessed ECL by country (2023, in billions of EUR)	100% base-case scenario	100% optimistic scenario	100% pessimistic scenario
Total	0.9	0.9	1.0
Belgium	0.3	0.3	0.3
Czech Republic	0.3	0.3	0.3
Slovakia	0.1	0.1	0.1
Hungary	0.1	0.1	0.1
Bulgaria	0.1	0.1	0.2

- As set out in the 'How do we manage our risks?' section, KBC considers ESG risks in its credit risk management processes. The vulnerability of individual corporate clients to specific ESG risks may become apparent during the term of the loan in client-specific credit risk figures, such as credit risk ratings and collateral valuations affecting the ECL calculation. Especially in terms of climate risk, which may have considerable consequences for certain sectors in the longer term, the impact on our loan portfolio is not expected to occur within the time horizon considered for the ECL measurement.
- Impairment on goodwill: ČSOB Stavební spořitelna (a subsidiary of ČSOB Czech Republic) is facing the impact of the reduction of the building saving state subsidy in the Czech Republic, which has a significant negative impact on future projected earnings. This created an impairment of 109 million euros on the total goodwill outstanding of 175 million euros (based on the exchange rate as at 31 December 2023). This goodwill was created in June 2019 during the full acquisition of ČSOB Stavební (the former ČMSS), partially through the revaluation of the group's existing 55% stake in ČMSS at that time, which resulted in a one-off gain of 82 million euros. On 11 May 2023, the Czech government coalition presented its fiscal stabilisation package, which included a proposal for the reduction of the building saving state subsidy. The Czech government coalition's compromise was reflected in the government proposal, which was approved by the Czech Parliament on 8 November 2023.
- Reserve for geopolitical and emerging risks: the outstanding balance of the ECL for geopolitical and emerging risks came to 256 million euros at year-end 2023; the corresponding figure at year-end 2022 was 429 million euros. This decline is largely attributable to the improved micro- and macroeconomic outlook and the finalisation of the sale of KBC Bank Ireland's loan portfolio. This ECL is determined based on individual counterparties and certain sub-segments in our portfolio which are deemed to have incurred an increase in credit risk because they are either (°) exposed to the current emerging risks (high inflation and interest rates, high(er) energy prices, supply chain disruption) which affect our corporate and SME clients with activities in a number of vulnerable sectors (e.g., automotive, construction, chemicals and metals) and retail clients with a limited buffer to absorb the higher cost of living and/or to make higher repayments ensuing from higher interest rates, or (°) directly or indirectly exposed to ongoing military conflicts, such as the one in Ukraine. This analysis shows that for 12 billion euros in 'Stage 1' positions, which are not (yet) included in the standard staging assessment, credit risk has increased considerably. At year-end 2022, this was 14 billion euros.

Note 3.10: Share in results of associated companies and joint ventures

(in millions of EUR)	2023	2022
Total	-4	-10
Of which		
IGLUU s.r.o.	*-1*	*-1*
Bancontact Payconiq Company NV	*1*	*1*
Isabel NV	*3*	*2*
Payconiq International S.A.	*-3*	*-6*
Batopin NV	*-3*	*-3*
Immoscoop 2.0 BV	*–*	*-2*

- Impairment on (goodwill on) associated companies and joint ventures is included in 'Impairment' (see Note 3.9). The share in results of associated companies and joint ventures does not therefore take this impairment into account.

Note 3.11: Income tax expense

(in millions of EUR)	2023	2022
Total	-778	-670
By type		
Current taxes on income	-532	-525
Deferred taxes on income	-246	-144
Tax components		
Result before tax	4 179	3 488
Income tax at the Belgian statutory rate	25.00%	25.00%
Income tax calculated	-1 045	-872
Plus/minus tax effects attributable to		
differences in tax rates, Belgium – abroad	*234*	*130*
tax-free income	*117*	*86*
adjustments related to prior years	*4*	*1*
adjustments to deferred taxes due to change in tax rate	*4*	*-1*
unused tax losses and unused tax credits to reduce current tax expense	*9*	*2*
unused tax losses and unused tax credits to reduce deferred tax expense	*25*	*28*
reversal of previously recognised deferred tax assets due to tax losses	*0*	*0*
other (including non-deductible expenses)	*-126*	*-44*

- For information on tax assets and tax liabilities, see Note 5.2.
- Taxes in 2022 were bolstered by a one-off recognition of 51 million euros in deferred tax assets, partly due to the increase in business tax in the UK from 19% to 25% and the recognition of a deferred tax asset in Ireland (see also Note 6.6). Taxes in 2023 were bolstered by an updated estimate of future taxable profits of the London branch (15 million euros).
- In 2023, income tax expense was negatively impacted by 36 million euros as the deductibility of the Belgian bank and insurance tax was reduced by 80%. The remainder of the tax deductibility (20%) will also be abolished as of 2024.
- The government of the Czech Republic introduced a windfall tax, which will also apply to major banks and will be in force for the period 2023-2025. Any excess profits will be taxed at 79% (19% standard business tax, 60% windfall tax). As ČSOB in the Czech Republic did not make any excess profit in 2023, no Czech windfall tax is due.
- On 14 December 2023, Belgium, where ultimate parent company KBC Group NV has its registered office, laid down the Pillar Two global minimum tax in statute and declared that it would take effect on 1 January 2024. Under these rules, KBC will be required to pay top-up tax (in Belgium or abroad) on the profits of its subsidiaries and permanent establishments, which are taxed at an effective tax rate of less than 15%. Based on the 2023 results, the additional top-up tax would be roughly 1% of the group's result before tax. The group has applied the temporary exception issued by the IASB in May 2023 relating to the accounting requirements for deferred taxes in IAS 12. The group will continue to monitor the effect of the Pillar Two legislation on its future financial performance.
- Liquidation of KBC Bank Ireland: following approval from the Irish Ministry of Finance in September 2023, the remaining positions of KBC Bank Ireland were transferred to KBC Bank's Dublin branch, which means the main hurdles to commencing the legal process of liquidating KBC Bank Ireland have been overcome. The aim is to complete the process in 2024. Its formal conclusion may result in a tax-deductible loss for KBC Bank NV. No deferred tax assets have been recognised for this yet, as we currently regard it as a contingent asset that is subject to official authorisation from the Irish tax authorities to liquidate KBC Bank Ireland. This could lead to a tax benefit in the income statement of roughly 0.3 billion euros in 2024.
- The table on the next page shows the country-by-country reporting.

(in millions of EUR)	Average number of FTEs	Revenues from third-party sales[1]	Revenues from intra-group transactions with other tax jurisdictions[2]	Result before tax	Income tax accrued – current year	Income taxes paid on a cash basis	Retained earnings	Tangible assets other than cash and cash equiva-lents[3]	Govern-ment grants received
2023									
KBC core countries									
Belgium	14 184	6 101	753	1 889	-338	-303	12 254	2 385	0
Czech Republic	10 189	2 215	-732	890	-65	-52	2 044	522	0
Slovakia	3 011	408	-162	134	-25	1	-104	178	0
Hungary	3 810	994	-79	336	-54	-39	929	164	0
Bulgaria	6 519	715	-1	321	-34	-33	146	201	0
Other countries									
China	34	1	0	0	0	0	0	2	0
Germany	22	2	0	2	-3	-3	0	0	0
France	53	6	-7	1	0	0	1	0	0
United Kingdom	38	29	24	18	13	13	547	0	0
Hong Kong	33	1	0	1	0	0	0	2	0
Ireland	560	619	180	515	-14	-13	-1 598	0	0
Italy	7	0	0	0	0	0	0	1	0
Luxembourg	38	117	25	58	-6	-2	86	156	0
The Netherlands	27	6	0	9	-3	-2	2	38	0
Romania	0	4	0	4	0	0	24	32	0
Singapore	40	2	0	1	0	2	0	1	0
USA	45	3	0	1	-2	-2	0	18	0
Total	38 609	11 224	0	4 179	-532	-433	14 332	3 702	0
2022									
KBC core countries									
Belgium	13 959	5 817	601	1 986	-261	-229	11 607	2 260	0
Czech Republic	10 166	2 028	-554	785	-157	-128	1 617	548	0
Slovakia	3 241	410	4	119	-25	-18	-203	185	0
Hungary	3 685	848	-34	221	-40	5	662	153	0
Bulgaria	5 482	504	-10	166	-18	-17	-107	209	0
Other countries									
China	35	1	0	0	-1	0	0	-3	0
Germany	22	1	0	0	-1	-1	0	0	0
France	56	5	-2	9	-2	-2	1	0	0
United Kingdom	39	17	8	16	17	17	528	-1	0
Hong Kong	36	1	0	1	0	0	0	0	0
Ireland	1 069	341	107	130	-9	-9	-1 665	18	0
Italy	7	0	0	0	0	0	0	0	0
Luxembourg	39	47	-120	48	-27	7	162	137	0
The Netherlands	25	4	0	1	0	0	5	40	0
Romania	0	3	0	3	0	0	20	33	0
Singapore	43	2	0	1	0	0	0	0	0
USA	43	4	0	2	0	0	0	-20	0
Total	37 946	10 035	0	3 488	-525	-376	12 626	3 560	0

Countries with zero FTEs and whose figures are below 0.5 million euros (i.e. rounded to zero in the table) have been excluded.
1 Corresponds to 'Total income' in the income statement.
2 If this column contains a positive figure for a particular jurisdiction, it means that all group entities in that jurisdiction combined had more intra-group income than intra-group expenses compared with other tax jurisdictions. If the figure is negative, it means that all group entities in this jurisdiction combined had less intra-group income than intra-group expenses arising compared with other tax jurisdictions.
3 Corresponds to 'Property and equipment and investment property' in the balance sheet.

Note 3.12: Earnings per share

(in millions of EUR)	2023	2022
Result after tax, attributable to equity holders of the parent	3 402	2 818
Coupon on AT1 instruments	-64	-50
Net result used to determine basic earnings per share	3 338	2 768
Weighted average number of ordinary shares outstanding (millions of units)	415	417
Basic earnings per share (EUR)	8.04	6.64

- Diluted earnings per share are currently almost the same as basic earnings per share.

4.0 Notes on the financial assets and liabilities on the balance sheet

Note 4.1: Financial assets and liabilities, breakdown by portfolio and product

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Mandatorily measured at fair value through profit or loss (MFVPL) excl. HFT	Held for trading (HFT)	Designated at fair value[1] (FVO)	Hedging derivatives	Total
FINANCIAL ASSETS, 31-12-2023							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	2 779	0	0	1	0	0	2 779
of which loans and advances to banks repayable on demand and term loans to banks at not more than three months							*222*
Loans and advances to customers (excluding reverse repos)	182 777	0	836	0	0	0	183 613
Trade receivables	*2 680*	*0*	*0*	*0*	*0*	*0*	*2 680*
Consumer credit	*6 604*	*0*	*608*	*0*	*0*	*0*	*7 211*
Mortgage loans	*75 254*	*0*	*228*	*0*	*0*	*0*	*75 482*
Term loans	*85 694*	*0*	*0*	*0*	*0*	*0*	*85 694*
Finance lease	*7 197*	*0*	*0*	*0*	*0*	*0*	*7 197*
Current account advances	*4 626*	*0*	*0*	*0*	*0*	*0*	*4 626*
Other	*723*	*0*	*0*	*0*	*0*	*0*	*723*
Reverse repos[2]	25 501	0	0	0	0	0	25 501
with credit institutions and investment firms	*25 356*	*0*	*0*	*0*	*0*	*0*	*25 356*
with customers	*144*	*0*	*0*	*0*	*0*	*0*	*144*
Equity instruments	0	1 695	14	570	0	0	2 279
Investment contracts (insurance)[3]	0	0	14 348	0	0	0	14 348
Debt securities issued by	51 372	16 892	14	3 138	0	0	71 417
Public bodies	*43 337*	*13 206*	*0*	*2 966*	*0*	*0*	*59 509*
Credit institutions and investment firms	*5 658*	*1 826*	*0*	*12*	*0*	*0*	*7 496*
Corporates	*2 377*	*1 861*	*14*	*160*	*0*	*0*	*4 412*
Derivatives	0	0	0	4 618	0	295	4 914
Other[4]	1 196	0	0	0	0	0	1 196
Total	263 625	18 587	15 212	8 327	0	295	306 047
FINANCIAL ASSETS, 31-12-2022							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	4 240	0	13	1	0	0	4 254
of which loans and advances to banks repayable on demand and term loans to banks at not more than three months							*1 237*
Loans and advances to customers (excl. reverse repos)	177 427	0	625	0	0	0	178 053
Trade receivables	*2 818*	*0*	*0*	*0*	*0*	*0*	*2 818*
Consumer credit	*6 222*	*0*	*430*	*0*	*0*	*0*	*6 652*
Mortgage loans	*73 465*	*0*	*196*	*0*	*0*	*0*	*73 660*
Term loans	*82 894*	*0*	*0*	*0*	*0*	*0*	*82 894*
Finance lease	*6 368*	*0*	*0*	*0*	*0*	*0*	*6 368*
Current account advances	*4 886*	*0*	*0*	*0*	*0*	*0*	*4 886*
Other	*774*	*0*	*0*	*0*	*0*	*0*	*774*
Reverse repos[2]	20 186	0	0	33	0	0	20 219
with credit institutions and investment firms	*20 018*	*0*	*0*	*33*	*0*	*0*	*20 050*
with customers	*168*	*0*	*0*	*0*	*0*	*0*	*168*
Equity instruments	0	1 552	13	430	0	0	1 994
Investment contracts (insurance)[3]	0	0	12 772	0	0	0	12 772
Debt securities issued by	48 356	15 065	17	1 728	0	0	65 166
Public bodies	*40 750*	*11 225*	*0*	*1 667*	*0*	*0*	*53 642*
Credit institutions and investment firms	*5 022*	*1 743*	*0*	*9*	*0*	*0*	*6 774*
Corporates	*2 583*	*2 097*	*17*	*53*	*0*	*0*	*4 750*
Derivatives	0	0	0	6 279	0	542	6 821
Other[4]	1 561	0	0	0	0	0	1 561
Total	251 770	16 617	13 440	8 471	0	542	290 840

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-12-2023					
Deposits from credit institutions and investment firms (excl. repos)	15 013	0	0	0	15 013
of which deposits from banks repayable on demand					*6 136*
Deposits from customers and debt securities (excl. repos)	258 051	81	1 359	0	259 491
Demand deposits (incl. special deposits and other deposits)	*107 568*	*0*	*0*	*0*	*107 568*
Time deposits	*37 770*	*81*	*194*	*0*	*38 044*
Savings accounts	*70 810*	*0*	*0*	*0*	*70 810*
Subtotal deposits from customers (excl. repos)	*216 148*	*81*	*194*	*0*	*216 423*
Certificates of deposit	*16 840*	*0*	*6*	*0*	*16 846*
Savings certificates	*79*	*0*	*0*	*0*	*79*
Non-convertible bonds	*22 294*	*0*	*1 045*	*0*	*23 339*
Non-convertible subordinated liabilities	*2 690*	*0*	*114*	*0*	*2 804*
Repos[5]	5 235	40	0	0	5 275
with credit institutions and investment firms	*3 259*	*40*	*0*	*0*	*3 298*
with customers	*1 976*	*0*	*0*	*0*	*1 976*
Liabilities under investment contracts[3]	29	0	13 432	0	13 461
Derivatives	0	5 501	0	401	5 902
Short positions	0	1 428	0	0	1 428
In equity instruments	*0*	*6*	*0*	*0*	*6*
In debt securities	*0*	*1 421*	*0*	*0*	*1 421*
Other[6]	2 546	0	0	0	2 547
Total	280 874	7 050	14 791	401	303 116
FINANCIAL LIABILITIES, 31-12-2022					
Deposits from credit institutions and investment firms (excl. repos)	24 819	0	0	0	24 819
of which deposits from banks repayable on demand					*5 085*
Deposits from customers and debt securities (excl. repos)	251 496	44	1 205	0	252 746
Demand deposits (incl. special deposits and other deposits)	*125 030*	*0*	*0*	*0*	*125 030*
Time deposits	*22 280*	*44*	*73*	*0*	*22 397*
Savings accounts	*76 979*	*0*	*0*	*0*	*76 979*
Subtotal deposits from customers (excl. repos)	*224 290*	*44*	*73*	*0*	*224 407*
Certificates of deposit	*9 321*	*0*	*1*	*0*	*9 322*
Savings certificates	*104*	*0*	*0*	*0*	*104*
Non-convertible bonds	*15 621*	*0*	*1 006*	*0*	*16 627*
Non-convertible subordinated liabilities	*2 160*	*0*	*126*	*0*	*2 285*
Repos[5]	11 091	7	0	0	11 097
with credit institutions and investment firms	*10 852*	*7*	*0*	*0*	*10 859*
with customers	*239*	*0*	*0*	*0*	*239*
Liabilities under investment contracts[3]	30	0	11 996	0	12 026
Derivatives	0	8 038	0	577	8 615
Short positions	0	1 007	0	0	1 007
In equity instruments	*0*	*5*	*0*	*0*	*5*
In debt securities	*0*	*1 002*	*0*	*0*	*1 002*
Other[6]	2 448	0	0	0	2 448
Total	289 885	9 096	13 201	577	312 759

1 The carrying value comes close to the maximum credit exposure.
2 The amount of the reverse repos (before offsetting) is virtually identical to the amount of the underlying assets (that have been lent out).
3 The difference between 'Investment contracts (insurance)' and 'Liabilities under investment contracts' is accounted for by the presentation of non-unbundled investment contracts that are included under 'Investment contracts (insurance)' on the financial assets side, but are included under 'Insurance contract liabilities' on the liabilities side.
4 Financial assets not included under 'Loans and advances to customers' as they are not directly related to commercial lending.
5 The amount of the repos (before offsetting) is virtually identical to the amount of the underlying assets (that have been lent out), with the assets being partly reflected on the balance sheet and partly obtained through reverse repo transactions.
6 Financial liabilities not included under deposits from customers as they are not directly related to commercial deposit acquisition.

- 'Non-convertible bonds' comprise mainly KBC Bank, KBC Group, ČSOB (Czech Republic) and KBC IFIMA issues. They are usually recognised under 'Measured at amortised cost'. However, if they contain closely related embedded derivatives, they are recorded under 'Designated at fair value' (see accounting policies).
- 'Loans and advances to customers at amortised cost' also includes loans whose interest payments are linked to an ESG target of the client. The contractual cashflows of these loans are deemed to be solely payments of principal and interest on the principal amount (SPPI), since the variability in interest payments resulting from the ESG component reflects the instrument's credit risk. This item also includes loans provided to clients for the funding of investments linked to ESG-targets. In 2023, 'Non-convertible bonds' also includes two green bonds (for 500 and 750 million euros each) and two social bonds (for 750 and 750 million euros each), which have been recognised at amortised cost. The purpose of these bonds is to fund loans to our clients intended for green or social projects; however, the cashflows of these bonds themselves are not linked to any ESG targets. More information on our Green Bond Framework and our Social Bond Framework is available at www.kbc.com. We also refer to our Sustainability Report (also available at www.kbc.com), in the 'Our commitment to the environment' section, which lists the characteristics of the loan and bond portfolios that contribute to environmental objectives. The 'Our commitment concerning our social impact' section takes a closer look at the funding and advice we provide to projects with a positive social impact.
- More information on major new debt issues or redemptions is provided under the 'Consolidated cashflow statement'.
- The drop in demand deposits and savings accounts partly results from the outflow to the State Note in Belgium and to time deposits.
- 'Deposits from credit institutions and investment firms' include funding obtained from the ECB's TLTRO programme (which went down from 15.4 billion euros at year-end 2022 to 2.6 billion euros at year-end 2023).
- Transferred financial assets that continue to be recognised in their entirety: KBC regularly lends and/or sells securities with the commitment to buy them back at a later date (repo transactions). Securities lent or sold with such a commitment are transferred to the counterparty, and, in exchange, KBC receives cash or other financial assets. However, KBC retains the main risks and income relating to these securities, and, therefore, continues to recognise them on its balance sheet. In addition, a financial liability is recognised equalling the cash received.

Transferred financial assets that continue to be recognised in their entirety (carrying value, in millions of EUR)	**31-12-2023**	**31-12-2022**
Transferred financial assets that continue to be recognised in their entirety: repo transactions and securities lent out	19 065	17 425
Held for trading	*622*	*960*
Fair value through OCI	*1 172*	*860*
Amortised cost	*17 271*	*15 605*
Associated financial liability	3 214	10 534
Held for trading	*126*	*689*
Fair value through OCI	*183*	*609*
Amortised cost	*2 905*	*9 236*

- KBC has more transferred financial assets on its balance sheet than repo transactions, due to the fact that the cash legs of certain repo transactions are offset against reverse repo transactions if they are carried out with the same counterparty, in the same currency and with the same maturity date. Moreover, there is a legally enforceable right, and an intention, to settle the transactions on a net basis or to realise the financial asset and settle the financial liability simultaneously.
- The loan portfolio accounts for the largest share of the financial assets. We report on estimated greenhouse gas emissions associated with lending and other activities and have defined objectives for reducing the greenhouse gas intensity of loans we have provided to, among others, electricity producers and the real estate sector, mortgage loans and loans provided for commercial residential real estate, as well as loans provided to the automotive industry and car leasing (see Note 6.2), the agricultural sector, and cement and steel producers. See 'Focus on the climate and the environment' in the 'Report of the Board of Directors' section for a more detailed explanation (the statutory auditor has not audited this section).

Note 4.2: Financial assets and liabilities, breakdown by portfolio and quality

Note 4.2.1: Impaired financial assets

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
31-12-2023			
Financial assets at amortised cost: Loans and advances*	213 531	-2 474	211 057
Stage 1 (12-month ECL)	175 853	-146	175 708
Stage 2 (lifetime ECL)	33 571	-490	33 081
Stage 3 (lifetime ECL)	3 694	-1 750	1 944
Purchased or originated credit impaired assets (POCI)	412	-88	324
Financial assets at amortised cost: Debt securities	51 384	-12	51 372
Stage 1 (12-month ECL)	51 300	-6	51 294
Stage 2 (lifetime ECL)	80	-4	76
Stage 3 (lifetime ECL)	5	-2	3
Purchased or originated credit impaired assets (POCI)	0	0	0
Financial assets at fair value through OCI: Debt securities	16 897	-5	16 892
Stage 1 (12-month ECL)	16 864	-4	16 861
Stage 2 (lifetime ECL)	33	-1	32
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
31-12-2022			
Financial assets at amortised cost: Loans and advances*	204 472	-2 619	201 853
Stage 1 (12-month ECL)	163 846	-110	163 735
Stage 2 (lifetime ECL)	36 577	-635	35 941
Stage 3 (lifetime ECL)	3 616	-1 796	1 820
Purchased or originated credit impaired assets (POCI)	434	-77	357
Financial assets at amortised cost: Debt securities	48 374	-18	48 356
Stage 1 (12-month ECL)	48 220	-7	48 213
Stage 2 (lifetime ECL)	146	-4	141
Stage 3 (lifetime ECL)	8	-7	1
Purchased or originated credit impaired assets (POCI)	0	0	0
Financial assets at fair value through OCI: Debt securities	15 069	-4	15 065
Stage 1 (12-month ECL)	15 019	-3	15 016
Stage 2 (lifetime ECL)	50	-2	49
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0

* The carrying value after impairment in this note corresponds to the sum of the 'Loans and advances to credit institutions and investment firms (excl. reverse repos)', 'Loans and advances to customers (excl. reverse repos)' and 'Reverse repos' in Note 4.1 (in the 'Measured at amortised cost' column).

- Carrying value (before impairment) of loans and advances at amortised cost: increase of 9.1 billion euros in 2023, due primarily to:
  - An organic net increase in the loan portfolio (mainly mortgage loans and term loans).
  - An increase of the carrying value before impairment of the reverse repos to credit institutions and investment firms.
- Carrying value (before impairment) of loans and advances at amortised cost in 'Stage 2': decrease of 3.0 billion euros in 2023, due primarily to:
  - The update of the migration to 'Stage 2' based on a collective approach of 'Stage 1' loans (see also Note 3.9) that have indirect exposure to military conflicts, such as the one in Ukraine and/or are vulnerable to emerging risks (together 12.0 billion euros at year-end 2023, compared to 14.2 billion euros at year-end 2022).

  Please note that the update of the migration of loans from 'Stage 1' to 'Stage 2' based on the collective approach, together with the organic growth in lending, resulted in a net increase of 12.0 billion euros of the carrying value before impairment of loans and advances at amortised cost in 'Stage 1'.
- Carrying value (before impairment) of debt securities at amortised cost: increase of 1.8 billion euros in 2023, almost entirely in 'Stage 1':
  - 85% of this increase concerns (issues by) public bodies and one fifth concerns credit institutions and investment firms (partly offset by a decline in companies), and related primarily to net investments.
- Impairment: decrease of 0.2 billion euros in 2023, due to:
  - Derecognised financial assets.
  - Partly offset by other changes (see Note 3.9).

  At year-end 2022 and 2023, impairment for the former Raiffeisenbank Bulgaria included 106 million euros and 99 million euros, respectively, in loans and advances to customers, and 7 million euros and 0 million euros, respectively, in debt securities at amortised cost. These impairment valuations partly deviate from the methodology set out in the accounting policies (particularly as regards the forward-looking information, IFRS 9 models and criteria used to determine a significant increase in credit risk). The further integration of KBC Bank Bulgaria's loan portfolio in 2024 will also involve the alignment of the accounting policies at KBC Bank Bulgaria for determining impairment.

  For information on other changes, see Note 3.9.
- See also climate-related and other ESG risks in the 'How do we manage our risks?' section (the statutory auditor has not audited this section).
- In 2023, 'Stage 2' and 'Stage 3' financial assets with a net carrying value of 579 million euros have been subject to modifications in the past that did not result in derecognition. The gross carrying value of 'Stage 1' financial assets subject to modifications in the past that did not result in derecognition came to 1 001 million euros in 2023. The corresponding figures for 2022 were 471 million euros and 1 088 million euros, respectively. Modification gains or losses are recognised under impairment (see Note 3.9).
- In 2023, financial assets at amortised cost with a gross carrying value of 59 million euros were written off, but were still subject to enforcement activities; the corresponding figure in 2022 was 80 million euros.

Note 4.2.2: Impairment details for loans and advances at amortised cost

(in millions of EUR)	Stage 1 Subject to 12-month ECL	Stage 2 Subject to lifetime ECL	Stage 3 Subject to lifetime ECL	Subject to lifetime ECL (purchased or originated credit impaired)	Total
2023					
Impairment on 1 January	110	635	1 796	77	2 619
Movements with an impact on results[1]	37	-144	141	11	46
Transfer of financial assets					
Stage 1 (12-month ECL)	*-12*	*86*	*41*	*0*	*115*
Stage 2 (lifetime ECL)	*14*	*-125*	*95*	*0*	*-16*
Stage 3 'non-performing' (lifetime ECL)	*0*	*17*	*-34*	*-1*	*-18*
New financial assets[2]	*60*	*22*	*7*	*0*	*89*
Changes in risk parameters during the reporting period	*-10*	*-98*	*76*	*15*	*-17*
Changes in the model or methodology	*0*	*0*	*0*	*0*	*0*
Derecognised financial assets[3]	*-15*	*-45*	*-58*	*-2*	*-121*
Other	*0*	*0*	*14*	*0*	*14*
Movements without an impact on results	-2	-1	-187	-1	-191
Derecognised financial assets[3]	*-2*	*-1*	*-207*	*-1*	*-211*
Changes in the scope of consolidation	*0*	*0*	*0*	*0*	*0*
Transfers under IFRS 5	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*19*	*1*	*20*
Impairment on 31 December	146	490	1 750	88	2 474
2022					
Impairment on 1 January	104	507	1 848	114	2 573
Movements with an impact on results[1]	-6	96	147	-8	230
Transfer of financial assets					
Stage 1 (12-month ECL)	*-22*	*158*	*60*	*0*	*197*
Stage 2 (lifetime ECL)	*4*	*-83*	*95*	*0*	*16*
Stage 3 'non-performing' (lifetime ECL)	*0*	*26*	*-54*	*-3*	*-31*
New financial assets[2]	*40*	*43*	*10*	*0*	*93*
Changes in risk parameters during the reporting period	*-16*	*-23*	*90*	*-5*	*48*
Changes in the model or methodology	*-1*	*3*	*0*	*0*	*2*
Derecognised financial assets[3]	*-10*	*-26*	*-59*	*-1*	*-97*
Other	*-1*	*-2*	*4*	*0*	*2*
Movements without an impact on results	12	32	-199	-29	-184
Derecognised financial assets[3]	*0*	*-1*	*-296*	*-7*	*-304*
Changes in the scope of consolidation	*14*	*32*	*88*	*0*	*133*
Transfers under IFRS 5	*0*	*0*	*0*	*0*	*0*
Other	*-2*	*1*	*9*	*-21*	*-13*
Impairment on 31 December	110	635	1 796	77	2 619

1 Amounts recovered in respect of loans that have already been written off are recycled to the income statement and recorded as 'Impairment on financial assets at amortised cost and at fair value through OCI'. However, they have not been included in this table since they do not have any impact on impairment losses on the balance sheet.
2 Also includes impairment related to new financial assets resulting from off-balance-sheet commitments and financial guarantees already given being called.
3 Derecognition without an impact on results occurs when the impairment adjustment has already been made upfront (for example, at the moment of the sale agreement (disposals) or before the write-off). Derecognition with an impact on results occurs when the impairment adjustment takes place at the same time (for instance, in the case of debt forgiveness).

- The table is limited to impairment on loans and advances at amortised cost, as impairment and the movements in impairment on debt securities at amortised cost (from 18 million euros at year-end 2022 to 12 million euros at year-end 2023) and on debt securities at fair value through OCI (from 4 million euros at year-end 2022 to 5 million euros at year-end 2023) are very limited.
- The change in impairment in 2023 relates mainly to derecognised financial assets and movements with an impact on results (see Note 3.9).
- Just like last year, the vast majority of the trigger for staging is driven by a collective management assessment and relative changes in PD (see the multi-tier approach outlined in Note 1.2 under 'Significant increase in credit risk since initial recognition').
- For information on provisions for commitments and financial guarantees, see Note 5.7.2.
- For information regarding the impact of changes in impairment on the income statement, see Note 3.9.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.

Note 4.3: Maximum credit exposure and offsetting

(in millions of EUR)	Maximum credit exposure (A)	Collateral and other credit enhancements received (B)	Net (A-B)
31-12-2023			
Subject to impairment	341 106	141 604	199 502
of which Stage 3 'non-performing' (AC and FVOCI)	*2 261*	*1 721*	*540*
Debt securities	68 265	56	68 209
Loans and advances (excl. reverse repos)	185 556	103 556	82 000
Reverse repos	25 501	25 476	24
Other financial assets	1 196	0	1 196
Off-balance-sheet liabilities	60 589	12 515	48 073
Irrevocable	*40 149*	*7 179*	*32 970*
Revocable	*20 440*	*5 337*	*15 103*
Not subject to impairment	8 902	2 400	6 502
Debt securities	3 152	0	3 152
Loans and advances (excl. reverse repos)	836	796	40
of which designated upon initial recognition at fair value through profit or loss (FVO)	*0*	*0*	*0*
Reverse repos	0	0	0
Derivatives	4 914	1 604	3 310
Other financial assets	0	0	0
Off-balance-sheet liabilities	0	0	0
Total	350 009	144 004	206 004
31-12-2022			
Subject to impairment	326 282	132 743	193 539
of which Stage 3 'non-performing' (AC and FVOCI)	*2 106*	*1 550*	*556*
Debt securities	63 421	98	63 323
Loans and advances (excl. reverse repos)	181 667	99 415	82 252
Reverse repos	20 186	20 131	55
Other financial assets	1 561	0	1 561
Off-balance-sheet liabilities	59 447	13 099	46 348
Irrevocable	*38 832*	*6 741*	*32 091*
Revocable	*20 616*	*6 358*	*14 258*
Not subject to impairment	9 239	2 208	7 031
Debt securities	1 745	0	1 745
Loans and advances (excl. reverse repos)	639	593	46
of which designated upon initial recognition at fair value through profit or loss (FVO)	*0*	*0*	*0*
Reverse repos	33	33	0
Derivatives	6 821	1 582	5 239
Other financial assets	0	0	0
Off-balance-sheet liabilities	0	0	0
Total	335 521	134 951	200 570

- Maximum credit exposure for a financial asset is the net carrying value. Besides the amounts on the balance sheet, maximum credit exposure also includes the undrawn portion of credit lines, financial guarantees granted and other irrevocable commitments.
- The main types of collateral and other credit enhancements received relate to mortgages on real estate (mainly collateral for mortgage loans), securities lent out (mainly as a collateral for reverse repos), off-balance-sheet financial guarantees received and collateral of movable property. Mortgage loans with an LTV (loan-to-value) greater than 100% are limited to 0.5 billion euros or 0.6% of the entire mortgage loan portfolio at year-end 2023.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.
- Collateral and credit enhancements received: recognised at market value and limited to the outstanding amount of the relevant loans.

Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements	**Gross amounts of recognised financial instruments**	**Gross amounts of recognised financial instruments set off**	**Net amounts of financial instruments presented in the balance sheet**	**Amounts not set off in the balance sheet**			**Net amount**
(in millions of EUR)				**Financial instruments**	**Cash collateral**	**Securities collateral**	
31-12-2023							
FINANCIAL ASSETS							
Derivatives	24 076	19 163	4 914	3 162	1 123	6	623
Derivatives (excluding central clearing houses)	*4 821*	*0*	*4 821*	*3 162*	*1 123*	*6*	*531*
*Derivatives with central clearing houses**	*19 255*	*19 163*	*93*	*0*	*0*	*0*	*93*
Reverse repos, securities borrowing and similar arrangements	38 919	13 418	25 501	120	0	25 361	19
Reverse repos	*38 919*	*13 418*	*25 501*	*120*	*0*	*25 361*	*19*
Securities borrowing	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	62 996	32 581	30 415	3 282	1 123	25 367	643
FINANCIAL LIABILITIES							
Derivatives	23 223	17 321	5 902	3 166	809	576	1 352
Derivatives (excluding central clearing houses)	*5 796*	*0*	*5 796*	*3 166*	*809*	*576*	*1 245*
*Derivatives with central clearing houses**	*17 427*	*17 321*	*106*	*0*	*0*	*0*	*106*
Repos, securities lending and similar arrangements	18 693	13 418	5 275	120	0	5 112	43
Repos	*18 693*	*13 418*	*5 275*	*120*	*0*	*5 112*	*43*
Securities lending	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	41 916	30 739	11 177	3 286	809	5 688	1 394
31-12-2022							
FINANCIAL ASSETS							
Derivatives	32 380	25 559	6 821	4 485	1 302	67	968
Derivatives (excluding central clearing houses)	*6 601*	*0*	*6 601*	*4 485*	*1 302*	*67*	*748*
*Derivatives with central clearing houses**	*25 779*	*25 559*	*220*	*0*	*0*	*0*	*220*
Reverse repos, securities borrowing and similar arrangements	25 694	5 475	20 219	0	0	20 210	8
Reverse repos	*25 694*	*5 475*	*20 219*	*0*	*0*	*20 210*	*8*
Securities borrowing	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	58 074	31 034	27 040	4 485	1 302	20 277	976
FINANCIAL LIABILITIES							
Derivatives	31 462	22 846	8 615	4 492	1 095	447	2 582
Derivatives (excluding central clearing houses)	*8 329*	*0*	*8 329*	*4 492*	*1 095*	*447*	*2 296*
*Derivatives with central clearing houses**	*23 132*	*22 846*	*286*	*0*	*0*	*0*	*286*
Repos, securities lending and similar arrangements	16 573	5 475	11 097	0	0	11 082	15
Repos	*16 573*	*5 475*	*11 097*	*0*	*0*	*11 082*	*15*
Securities lending	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	48 035	28 322	19 713	4 492	1 095	11 529	2 597

* For central clearing houses, the offsetting procedure refers to the amount of offsetting between derivatives and related cash collateral. Cash collateral with central clearing houses amounted to 1 842 million euros at year-end 2023 and 2 712 million euros at year-end 2022.

- The criteria for offsetting are met if KBC currently has a legally enforceable right to set off the recognised financial assets and financial liabilities and intends either to settle the transactions on a net basis, or to realise the financial asset and settle the financial liability simultaneously. Financial assets and financial liabilities that are set off relate to financial instruments that were traded on (central) clearing houses.
- The amounts presented in the 'Financial instruments' column under the 'Amounts not set off in the balance sheet' heading are for financial instruments entered into under an enforceable master netting agreement or similar arrangement that does not meet the criteria defined in IAS 32. These amounts refer to situations in which offsetting can only be applied if one of the counterparties defaults, becomes insolvent or goes bankrupt. The same principle applies for financial instruments given or received as collateral. The value given in the table for non-cash collateral received (in the 'Securities collateral' column under the 'Amounts not set off in the balance sheet' heading) is the market value. This is the value that is used if one of the counterparties defaults, becomes insolvent or goes bankrupt.

Note 4.4: Fair value of financial assets and liabilities – general

- In line with European Banking Authority guidelines, we conduct an outlier stress test on a quarterly basis by applying six different scenarios to the banking books (material currencies). The worst-case scenario is set off against tier-1 capital. For the banking book at KBC group level, this risk came to -3.91% of tier-1 capital at year-end 2023, well below the -15% tier-1 threshold which is monitored by the ECB. See also the 'How do we manage our risks?' section.
- The table shows the changes in economic value of equity under six different interest rate scenarios. To test these six scenarios, we combine the shift in the yield curves with changes in maturities depending on clients' behaviour (e.g., interest-rate-driven prepayment behaviour) and use a run-off balance sheet where maturing items are not replaced. The bank also analyses the impact of different interest rate scenarios on its net interest income.

Supervisory shock scenarios (in millions of EUR, material currencies)*	Changes in the economic value of equity, 4Q2023
1 Parallel up	-606
2 Parallel down	126
3 Steepener	-131
4 Flattener	-23
5 Short rates up	-142
6 Short rates down	72

* Supervision of the underlying internal models' compliance with the approval criteria as provided for in the standards imposed by the regulator does not come under the responsibility of the statutory auditor.

- Note that the above stress test covers the banking book (full economic view), with compensating effects across the balance sheet, whereas the table below focuses on some parts of the balance sheet.
- Taking into account i) KBC's large stock of high-quality liquid assets (approximately 101.5 billion euros on average in 2023), which consist of cash and bonds which can be repoed in the private market and at the central banks, ii) the fact that 56% of total customer deposits at KBC are covered by the Deposit Guarantee and iii) the fact that 86% of total customer deposits consist of more stable retail and SME clients, the unrealised losses on the debt securities portfolio at amortised cost do not need to be realised for liquidity purposes and are therefore irrelevant from a capital perspective.
- All internal valuation models are validated by an independent Risk Validation Unit. In addition, the Executive Committee has appointed a Group Valuation Committee (GVC) to ensure that KBC meets all the legal requirements for measuring financial assets and liabilities at fair value. The GVC monitors consistent implementation of the KBC Valuation Framework, which consists of various guidelines, including the Group Valuation Policy, the Group Market Value Adjustments Policy and the Group Parameter Review Policy. The GVC meets at least twice a quarter to approve significant changes in valuation methods (including, but not limited to, models, market data and inputs) or deviations from group policies for financial assets and liabilities measured at fair value. The committee is made up of members from Finance, Risk Management and the Middle Office. Valuation uncertainty measurements are made and reported to the GVC every three months. Certain fair values generated by valuation models are challenged by a team set up specifically for this purpose.
- The fair value of mortgage and term loans not measured at fair value in the balance sheet (see table) is calculated by discounting contractual cashflows at the risk-free rate. This calculation is then adjusted for credit risk by taking account of margins obtained on similar, but recently issued, loans or by using a spread derived from the listed-bond spread. The fair value of the main portfolios takes account of prepayment risks and cap options. The fair value of time deposits is calculated by discounting contractual cashflows at the risk-free rate. The fair value of demand and savings deposits is presumed to be equal to their carrying value.
- As a result of the first-time adoption of IFRS 9 on 1 January 2018, debt instruments with a total carrying value of 15 060 million euros have been reclassified from 'Available-for-sale assets' to 'Financial assets held at amortised cost'. Due to this reclassification, changes in fair value (before tax) totalling 35 million euros were not recorded in the revaluation reserve in 2023 (-566 million euros in 2022). The fair value of this reclassified portfolio (after redemptions) amounted to 2 808 million euros at year-end 2023 (4 668 million euros at year-end 2022). See also Note 5.6.9 regarding the first-time adoption of IFRS 17.
- The difference between the fair value and the carrying value of the financial instruments at amortised cost was caused by the substantial interest rate hikes in 2022, partly offset by the fall in interest rates in 2023. As a hold-to-collect business model is applied on the assets side, interim changes in fair value are less relevant.

Fair value of financial instruments that are not measured at fair value in the balance sheet	Financial assets at amortised cost		Financial liabilities at amortised cost	
(in millions of EUR)	Carrying value	Fair value	Carrying value	Fair value
31-12-2023				
FINANCIAL ASSETS				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	28 135	28 100	–	–
Loans and advances to customers (incl. reverse repos)	182 921	175 381	–	–
Debt securities	51 372	48 976	–	–
Other	1 196	1 196	–	–
Adjustment for fair value hedges for a portfolio of interest rate risk	-2 402	–	–	–
Total	261 223	253 653	–	–
Level 1	–	45 992	–	–
Level 2	–	31 953	–	–
Level 3	–	175 708	–	–
FINANCIAL LIABILITIES				
Deposits from credit institutions and investment firms (incl. repos)	–	–	18 272	18 142
Deposits from customers and debt securities (incl. repos)	–	–	260 028	259 713
Liabilities under investment contracts	–	–	29	29
Other	–	–	2 546	2 533
Total	–	–	280 874	280 417
Level 1	–	–	–	119
Level 2	–	–	–	99 879
Level 3	–	–	–	180 418
31-12-2022				
FINANCIAL ASSETS				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	24 258	24 211	–	–
Loans and advances to customers (incl. reverse repos)	177 596	163 972	–	–
Debt securities	48 356	43 611	–	–
Other	1 561	1 561	–	–
Adjustment for fair value hedges for a portfolio of interest rate risk	-4 335	-	-	-
Total	247 435	233 355	–	–
Level 1	–	40 671	–	–
Level 2	–	31 336	–	–
Level 3	–	161 349	–	–
FINANCIAL LIABILITIES				
Deposits from credit institutions and investment firms (incl. repos)	–	–	35 671	35 207
Deposits from customers and debt securities (incl. repos)	–	–	251 735	250 485
Liabilities under investment contracts	–	–	30	30
Other	–	–	2 448	2 448
Total	–	–	289 885	288 170
Level 1	–	–	–	47
Level 2	–	–	–	111 124
Level 3	–	–	–	176 999

Note 4.5: Financial assets and liabilities measured at fair value – fair value hierarchy

Fair value hierarchy				31-12-2023				31-12-2022
(in millions of EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss other than held for trading								
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	0	0	0	0	13	0	13
Loans and advances to customers (incl. reverse repos)	0	0	836	836	0	0	625	625
Equity instruments	0	0	14	14	0	0	13	13
Investment contracts (insurance)	14 241	107	0	14 348	12 638	134	0	12 772
Debt securities	13	0	1	14	12	0	5	17
of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Held for trading								
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	1	0	1	0	34	0	34
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Equity instruments	567	0	2	570	429	0	0	430
Debt securities	2 420	717	1	3 138	1 480	244	4	1 728
of which sovereign bonds	*2 364*	*602*	*0*	*2 966*	*1 444*	*223*	*0*	*1 667*
Derivatives	3	3 908	708	4 618	3	5 547	729	6 279
At fair value through OCI								
Equity instruments	1 212	1	483	1 695	1 149	1	403	1 552
Debt securities	14 079	2 628	186	16 892	12 201	2 645	219	15 065
of which sovereign bonds	*11 679*	*1 501*	*26*	*13 206*	*9 723*	*1 429*	*73*	*11 225*
Hedging derivatives								
Derivatives	0	295	0	295	0	542	0	542
Total								
Total financial assets at fair value	32 534	7 656	2 231	42 422	27 913	9 159	1 998	39 070
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading								
Deposits from credit institutions and investment firms (incl. repos)	0	40	0	40	0	7	0	7
Deposits from customers and debt securities (incl. repos)	0	81	0	81	0	44	0	44
Derivatives	2	4 460	1 039	5 501	2	6 911	1 125	8 038
Short positions	1 428	0	0	1 428	884	123	0	1 007
Designated upon initial recognition at fair value through profit or loss (FVO)								
Deposits from credit institutions and investment firms (incl. repos)	0	0	0	0	0	0	0	0
Deposits from customers and debt securities (incl. repos)	0	202	1 157	1 359	0	74	1 131	1 205
Liabilities under investment contracts	13 432	0	0	13 432	11 996	0	0	11 996
Hedging derivatives								
Derivatives	0	306	95	401	0	479	98	577
Total								
Total financial liabilities at fair value	14 862	5 090	2 290	22 242	12 881	7 638	2 355	22 874

- The fair value hierarchy prioritises the valuation techniques and the respective inputs into three levels:
  - The fair value hierarchy gives the highest priority to 'level 1 inputs'. This means that, when there is an active market, quoted prices have to be used to measure the financial assets or liabilities at fair value. Level 1 inputs are prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency (and that are quoted in active markets accessible to KBC). They represent actual and regularly occurring market transactions on an arm's length basis. The fair value is then based on a mark-to-market valuation derived from currently available transaction prices. No valuation technique (model) is involved.
  - If there are no price quotations available, the reporting entity establishes fair value using a model based on observable or unobservable inputs. The use of observable inputs must be maximised. Observable inputs are also referred to as 'level 2 inputs' and reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs include discounted cashflow analysis, or reference to the current or recent fair value of a similar instrument.
  - Unobservable inputs are also referred to as 'level 3 inputs' and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions regarding the risks involved). Unobservable inputs reflect a market that is not active. For example, proxies and correlation factors can be considered to be unobservable in the market.
- When the inputs used to measure the fair value of an asset or a liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is classified in its entirety into the same level as the lowest level input that is significant to the entire fair value measurement. For example, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.
- The valuation methodology and the corresponding classification in the fair value hierarchy of the most commonly used financial instruments are summarised in the table. Whereas the majority of instruments of a certain type are within the level indicated in the table, a small portion may actually be classified in another level.
- KBC follows the principle that transfers into and out of levels of the fair value hierarchy are made at the end of the reporting period. Transfers between the various levels are dealt with in more detail in Note 4.6 and Note 4.7.

	Instrument type	Products	Valuation technique
Level 1	Liquid financial instruments for which quoted prices are regularly available	FX spots, exchange traded financial futures, exchange traded options, exchange traded stocks, exchange traded funds, liquid government bonds, other liquid bonds, liquid asset backed securities (ABS) in active markets	Mark-to-market (quoted prices in active markets), for bonds: BVAL or vendor data.
Level 2	Plain vanilla/liquid derivatives	(Cross-currency) interest rate swaps (IRS), FX swaps, FX forwards, forward rate agreements (FRA), inflation swaps, dividend swaps and futures, reverse floaters, bond future options, interest rate future options, overnight index swaps (OIS), FX resets	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
		Caps & floors, interest rate options, European stock options, European & American FX options, forward starting options, digital FX options, FX strips of simple options, European swaptions, European cancellable IRS	Option pricing model based on observable inputs (e.g., volatilities)
	Linear financial liabilities (without optional features) – cash instruments	Deposits, simple cashflows, repo transactions	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
	Semi-liquid bonds/asset backed securities	Semi-liquid bonds/asset backed securities	BVAL, prices corroborated by alternative observable market data, or using comparable spread method
	Debt instruments	KBC IFIMA own issues (liabilities)	Discounted cashflow analysis and valuation of related derivatives based on observable inputs
	Linear financial assets (cash instruments)	Loans, commercial paper	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
Level 3	Exotic derivatives	Target profit forwards, flexible forwards, American & Asian stock options, Bermudan swaptions, digital interest rate options, quanto interest rate options, digital stock options, composite stock options, barrier stock options, quanto digital FX options, FX Asian options, FX European barrier options, FX simple digital barrier options, FX touch rebates, inflation options, Bermudan cancellable IRS, constant maturity swaps (CMS), CMS spread swaps, CMS spread options, CMS interest rate caps/floors, (callable) range accruals, auto-callable options, lookback options, commodity swaps and forwards	Option pricing model based unobservable inputs (e.g., correlation)
	Illiquid credit-linked instruments	Collateralised debt obligations (notes)	Valuation model based on correlation of probability of default of underlying assets
	Private equity investments	Private equity and non-quoted participations	Based on the valuation guidelines of the European Private Equity & Venture Capital Association
	Illiquid bonds/asset backed securities	Illiquid (mortgage) bonds/asset backed securities that are indicatively priced by a single pricing provider in an inactive market	BVAL, third-party pricing (e.g., lead manager), where prices cannot be corroborated due to a lack of available/reliable alternative market data
	Debt instruments	KBC own issues (KBC IFIMA), mortgage bonds held by ČSOB	Discounted cashflow analysis and valuation of related derivatives based on unobservable inputs (indicative pricing by third parties for derivatives)
	Structured loans	Government-regulated loans with leveraged interest rates and exotic early repayment options (K&H)	Discounted cashflow analysis and valuation of related derivatives based on unobservable inputs

Note 4.6: Financial assets and liabilities measured at fair value – transfers between levels 1 and 2

- In 2023, KBC transferred 176 million euros' worth of financial assets and liabilities out of level 1 and into level 2, and 286 million euros' worth of financial assets and liabilities out of level 2 and into level 1. The corresponding figures for 2022 were 77 million euros and 434 million euros, respectively. Most of these reclassifications were carried out due to a change in the liquidity of government bonds and corporate bonds.

Note 4.7: Financial assets and liabilities measured at fair value – focus on level 3

- In 2023, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:
  - Financial assets measured at fair value through profit or loss (other than held for trading): the fair value of loans and advances increased by 210 million euros, primarily on account of new transactions and changes in market inputs, partly offset by instruments that had reached maturity.
  - Financial assets at fair value through OCI: the fair value of debt instruments decreased by 33 million euros, primarily on account of instruments reaching maturity and the sale of existing positions. The fair value of the equity instruments rose by 80 million euros, due primarily to purchases.
  - Financial assets held for trading: the fair value of derivatives decreased by 22 million euros, due mainly to sales of existing positions, only partly offset by new purchases and changes in market inputs.
  - Financial liabilities held for trading: the fair value of derivatives decreased by 86 million euros, due mainly to sales of existing positions and changes in market inputs, only partly offset by new transactions.
  - Financial liabilities measured at fair value through profit or loss: the fair value of issued debt instruments rose by 26 million euros, primarily on account of purchases and changes in market inputs, only partly offset by transactions reaching maturity and the sale of existing positions.
- In 2022, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:
  - Financial assets measured at fair value through profit or loss (other than held for trading): the fair value of loans and advances increased by 65 million euros, primarily on account of new transactions, partly offset by changes in market inputs and instruments reaching maturity.
  - Financial assets at FVOCI: the fair value of unlisted shares rose by 66 million euros, primarily on account of new transactions. The fair value of debt instruments fell by 36 million euros, due mainly to instruments that had reached maturity and changes in market inputs.
  - Financial assets held for trading: the fair value of derivatives decreased by 232 million euros, due mainly to sales of existing positions and changes in market inputs, only partly offset by new purchases and reclassifications into level 3.
  - Financial liabilities held for trading: the fair value of derivatives decreased by 83 million euros, due mainly to sales of existing positions and changes in market inputs, only partly offset by new purchases and reclassifications into level 3.
  - Financial liabilities relating to hedging derivatives: the fair value of derivatives decreased by 300 million euros due to changes in market inputs.
  - Financial liabilities measured at fair value through profit or loss: the fair value of issued debt instruments decreased by 120 million euros, primarily on account of transactions reaching maturity and the sale of existing positions, partly offset by new transactions.
- Some level 3 assets are associated or economically hedged with identical level 3 liabilities, which means that KBC's exposure to unobservable inputs is lower than would appear from the gross figures. Most of the level 3 instruments are also valued using third-party pricing sources, with KBC not developing any unobservable inputs itself. The main unobservable inputs applied by KBC to the valuation of exotic derivatives include: mean reversion parameter on Bermudan swaptions, equity cross-correlations and volatilities for certain stock options, interest-rate correlations for CMS spread options, and the funding costs used to determine the forward equity prices as part of the valuation of certain equity derivatives. The change in fair value resulting from a change in these inputs to reflect reasonably possible alternative assumptions is insignificant.

Note 4.8: Derivatives

- In terms of volume of the notional amounts of the derivatives, approximately 75% are trading derivatives and approximately 25% are hedging derivatives.
- The majority of trading derivatives are effectively included in the trading book but are largely economically hedged (limited open positions) by other trading derivatives (such as derivative transactions initiated by commercial clients that are economically hedged) or by balance sheet positions (such as currency positions), which leads to large volumes of notional amounts but also to result-neutral revaluations on a net basis.
- A limited number of trading derivatives are ALM derivatives included in the banking book, which are used to hedge economic risk. These are not subject to hedge accounting. Hedge accounting is applied to most of the ALM interest rate contracts. Only a limited number of the ALM derivatives for foreign currencies are included in hedge accounting.

Note 4.8.1: Trading derivatives

(in millions of EUR)				31-12-2023				31-12-2022
	Carrying value		Notional amounts*		Carrying value		Notional amounts*	
	Assets	Liabilities	Purchased	Sold	Assets	Liabilities	Purchased	Sold
Total	4 618	5 501	598 880	591 923	6 279	8 038	567 205	568 302
Interest rate contracts	1 821	2 252	403 723	395 170	2 642	3 678	379 270	377 754
of which interest rate swaps and futures	*1 684*	*2 169*	*394 018*	*389 184*	*2 429*	*3 542*	*368 144*	*371 294*
of which options	*137*	*83*	*9 705*	*5 986*	*214*	*136*	*11 126*	*6 460*
Foreign exchange contracts	2 318	2 481	180 438	182 719	3 166	3 620	174 787	177 841
of which currency and interest rate swaps, forward foreign exchange transactions and futures	*2 246*	*2 409*	*176 708*	*176 829*	*3 081*	*3 509*	*171 878*	*172 361*
of which options	*72*	*72*	*3 730*	*5 890*	*85*	*112*	*2 909*	*5 480*
Equity contracts	471	761	14 381	13 698	452	720	12 812	12 371
of which equity swaps	*385*	*393*	*11 314*	*11 031*	*414*	*410*	*10 553*	*10 394*
of which options	*85*	*368*	*3 067*	*2 667*	*37*	*311*	*2 259*	*1 977*
Credit contracts	0	0	0	0	0	0	0	0
of which credit default swaps	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Commodity and other contracts	8	7	338	336	20	19	337	335

* In this table, both legs of the derivatives are reported in the notional amounts.

Note 4.8.2: Hedging derivatives

31-12-2023

(in millions of EUR)	Hedging instrument					Hedged item				Impact on equity	
	Notional amounts[1]		Carrying value		Change in fair value of hedging instruments used as basis for recognising hedge ineffectiveness for the period[2]	Type			Change in fair value of hedged instruments used as basis for recognising hedge ineffectiveness for the period[2]	Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Hedging strategy	Purchased	Sold	Assets	Liabilities			Total (including fair value changes)	Of which accumulated fair value adjustments			
Fair value micro hedge											
Interest rate swaps	31 864	31 864	97	112	267	Debt securities held at AC	6 547	-300	377		
Currency and interest rate swaps	0	0	0	0	0	Loans and advances at AC	601	75	3		
						Debt securities held at FVOCI	2 999	-25	124		
						Debt securities issued at AC	21 285	-560	-774		
						Deposits at AC	0	0	0		
Total	31 864	31 864	97	112	267	Total			-269	-2	-
Portfolio hedge of interest rate risk											
Interest rate swaps	143 932	143 932	93	123	-995	Debt securities held at AC	937	-7	115		
Currency and interest rate options	1 618	0	70	0	-27	Loans and advances at AC	125 541	-2 473	1 841		
						Debt securities held at FVOCI	85	3	9		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	15 938	-507	-936		
Total	145 550	143 932	163	123	-1 022	Total			1 029	7	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	19 603	19 603	15	127	401						
Currency and interest rate swaps	1 181	1 205	1	22	-14						
Total	20 784	20 808	17	149	387	Total			-395	-9	-611
Hedge of net investments in foreign operations											
Total[3]	2 579	2 570	19	460	77	Total			-77	0	92

1 In this table, both legs of the derivatives are reported in the notional amounts.
2 Ineffectiveness is recognised in 'Net result from financial instruments at fair value through profit or loss' (also see Note 3.3).
3 Carrying value liabilities: hedging instruments mostly in the form of foreign currency deposits.

31-12-2022

(in millions of EUR)	Hedging instrument					Hedged item				Impact on equity	
	Notional amounts[1]		Carrying value		Change in fair value of hedging instruments used as basis for recognising hedge ineffectiveness for the period[2]	Type			Change in fair value of hedged instruments used as basis for recognising hedge ineffectiveness for the period[2]	Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Hedging strategy	Purchased	Sold	Assets	Liabilities			Total (including fair value changes)	Of which accumulated fair value adjustments			
Fair value micro hedge											
Interest rate swaps	22 753	22 753	185	102	-619	Debt securities held at AC	4 007	-684	-323		
Currency and interest rate swaps	0	0	0	0	0	Loans and advances at AC	683	70	-310		
						Debt securities held at FVOCI	1 342	-152	-176		
						Debt securities issued at AC	14 624	-1 334	1 432		
						Deposits at AC	0	0	0		
Total	22 753	22 753	185	102	-619	Total			624	5	-
Portfolio hedge of interest rate risk											
Interest rate swaps	123 930	123 930	209	261	3 172	Debt securities held at AC	359	-122	-123		
Currency and interest rate options	1 762	0	101	0	82	Loans and advances at AC	104 980	-4 207	-3 769		
						Debt securities held at FVOCI	23	-6	-6		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	14 574	-1 432	644		
Total	125 692	123 930	310	261	3 254	Total			-3 254	0	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	20 073	20 073	47	115	177						
Currency and interest rate swaps	1 204	1 257	0	39	-13						
Total	21 277	21 330	47	154	164	Total			-167	-3	-1 046
Hedge of net investments in foreign operations											
Total[3]	1 755	1 807	0	505	18	Total			-18	0	20

1 In this table, both legs of the derivatives are reported in the notional amounts.
2 Ineffectiveness is recognised in 'Net result from financial instruments at fair value through profit or loss' (also see Note 3.3).
3 Carrying value liabilities: hedging instruments mostly in the form of foreign currency deposits.

- The Treasury departments of the various entities manage the interest rate risk. To prevent rate movements from having a negative impact, the maturities of assets and liabilities are adjusted on the balance sheet using interest rate swaps and other derivatives.
- As regards the relationship between risk management and hedge accounting policy, 'economic' management takes priority and risks are hedged in accordance with the general ALM framework. Only then is a decision made on which, if any, of these techniques will be used to limit any resulting accounting mismatch.
- The balances remaining in the cashflow hedge reserve from any hedging relationships for which hedge accounting is no longer applied came to -322 million euros. The accumulated amount of fair value hedge adjustments remaining on the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses amounted to -82 million euros. These adjustments are amortised to profit or loss.
- The difference between the 'Profit/loss on positions in portfolios hedged against interest rate risk' balance sheet item and accumulated fair value adjustments following portfolio hedges of interest rate risk as included in Note 4.8.2 is attributable to accumulated fair value adjustments regarding discontinued fair value hedges not included in Note 4.8.2 but included in the balance sheet.
- The accumulated fair value adjustments of the hedged assets involved in portfolio hedges of interest rate risk became less negative in 2023 due to the general decline in interest rates. The 'Profit/loss on positions in portfolios hedged against interest rate risk' balance sheet item on the liabilities side of the balance sheet also became less negative for the same reason.
- Also see the paragraph on hedge accounting in the 'How do we manage our risks?' section and Note 3.3.

Estimated cashflows from cashflow hedging derivatives per time bucket (in millions of EUR)	Inflow	Outflow
Not more than three months	34	-79
More than three but not more than six months	52	-103
More than six months but not more than one year	115	-213
More than one but not more than two years	202	-401
More than two but not more than five years	335	-625
More than five years	537	-671

5.0 Notes on other balance sheet items

Note 5.1: Other assets

(in millions of EUR)	31-12-2023	31-12-2022
Total	1 691	1 406
Prepaid charges and accrued income	627	561
Other	1 064	845

Note 5.2: Tax assets and tax liabilities

(in millions of EUR)	31-12-2023	31-12-2022
CURRENT TAXES		
Current tax assets	176	174
Current tax liabilities	99	150
DEFERRED TAXES	351	689
Deferred tax assets by type of temporary difference	1 134	1 568
Employee benefits	85	78
Losses carried forward	103	186
Tangible and intangible fixed assets	80	77
Provisions for risks and charges	19	49
Impairment for losses on loans and advances	207	219
Financial instruments at fair value through profit or loss and fair value hedges	92	142
Fair value changes, financial instruments at FVOCI, cashflow hedges and hedges of net investments in foreign operations	445	705
Insurance contract liabilities	36	21
Other, incl. reinsurance contracts	68	90
Deferred tax liabilities by type of temporary difference	784	879
Employee benefits	95	99
Losses carried forward	0	0
Tangible and intangible fixed assets	43	40
Provisions for risks and charges	9	9
Impairment for losses on loans and advances	3	3
Financial instruments at fair value through profit or loss and fair value hedges	76	129
Fair value changes, financial instruments at FVOCI, cashflow hedges and hedges of net investments in foreign operations	41	50
Insurance contract liabilities	467	516
Other, incl. reinsurance contracts	50	32
Recognised as a net amount in the balance sheet as follows:		
Deferred tax assets	724	1 001
Deferred tax liabilities	373	312
Unused tax losses and unused tax credits	117	151

- Deferred tax assets are recognised to the extent that it is probable that, on the basis of realistic financial projections, taxable profit will be available against which the deductible temporary differences can be utilised in the foreseeable future (limited to a period of eight to ten years).
- Unused tax losses and unused tax credits concern tax losses of group companies which are not capitalised due to insufficient proof of future taxable profit. Most tax losses and tax credits can be carried forward for 20 years or more.
- The net change in deferred taxes (-338 million euros in 2023) breaks down as follows:
  - The change in deferred tax assets of -433 million euros was accounted for chiefly by:
    - A net decrease in deferred tax assets on account of changes in the revaluation reserve for financial instruments measured at fair value through OCI, cashflow hedges and hedges of net investments in foreign operations (-260 million euros), most of which was recorded directly in OCI.
    - A decrease in deferred tax assets via the income statement (-180 million euros), mainly due to the usage and write-offs of losses carried forward and provisions for liabilities and charges, reinforced by a decrease via the income statement in impairment for losses on loans and advances and financial instruments at fair value through profit or loss and fair value hedges.
  - The change in deferred tax liabilities of -96 million euros was accounted for chiefly by:
    - A decrease in deferred tax liabilities for insurance contract liabilities (-49 million euros), with an amount of -120 million euros being recorded directly in OCI, which was partly offset, including via the income statement.
    - A decrease in deferred tax liabilities for financial instruments at fair value through profit or loss and fair value hedges (-53 million euros).
- The deferred tax assets presented in the balance sheet are attributable primarily to KBC Bank, KBC Insurance and ČSOB in the Czech Republic.
- For more information on the contingent assets relating to the liquidation of KBC Bank Ireland, see Note 3.11.

Note 5.3: Investments in associated companies and joint ventures

(in millions of EUR)	31-12-2023	31-12-2022
Total	30	32
Overview of investments, including goodwill		
IGLUU s.r.o.	2	2
Immoscoop 2.0 BV	0	1
Isabel NV	15	12
Bancontact Payconiq Company NV	7	7
Payconiq International SA	–	7
Batopin NV	3	1
Other	2	3
Goodwill on associated companies and joint ventures		
Gross amount	0	0
Accumulated impairment	0	0
Breakdown by type		
Unlisted	30	32
Listed	0	0
Fair value of investments in listed associated companies and joint ventures	0	0

- Associated companies are companies on whose management KBC exerts significant influence, without having direct or indirect full or joint control. In general, KBC has a 20% to 50% shareholding in such companies. Joint ventures are companies over which KBC exercises joint control.
- Goodwill paid on associated companies and joint ventures is included in the nominal value of ‘Investments in associated companies and joint ventures’ shown on the balance sheet. An impairment test is performed and, if required, the necessary impairment losses on goodwill recognised (see table).

Note 5.4: Property and equipment and investment property

(in millions of EUR)	31-12-2023	31-12-2022
Property and equipment	3 216	2 989
Investment property	485	571
Rental income	53	50
Direct operating expenses from investments generating rental income	15	15
Direct operating expenses from investments not generating rental income	1	1

MOVEMENTS TABLE	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
2023					
Opening balance	1 373	130	1 486	2 989	571
Acquisitions	106	53	830	988	34
Disposals	-24	0	-242	-266	-82
Depreciation	-119	-62	-25	-206	-31
Other movements	-30	1	-260	-289	-7
Closing balance	1 306	122	1 789	3 216	485
accumulated depreciation and impairment	*1 585*	*479*	*915*	*2 979*	*308*
Fair value					733
2022					
Opening balance	1 479	117	1 454	3 050	518
Acquisitions	37	68	470	575	85
Disposals	-30	-1	-204	-235	-13
Depreciation	-120	-60	-25	-205	-31
Other movements	7	6	-209	-196	12
Closing balance	1 373	130	1 486	2 989	571
accumulated depreciation and impairment	*1 570*	*446*	*876*	*2 892*	*376*
Fair value	–	–	–	–	827

- Annual rates of depreciation: mainly 3% for buildings (including investment property), 33% for IT equipment, between 5% and 33% for other equipment. No depreciation is charged for land.
- There was a small amount (around 0.4 billion euros) for commitments for the acquisition of property and equipment. There are no material restrictions on title, or on property and equipment pledged as security for liabilities.
- Most investment property is valued by an independent expert on a regular basis and by in-house specialists on an annual basis, based primarily on the capitalisation of the estimated rental value and on unit prices of similar real property. Account is taken of all the market inputs available on the date of the assessment (including location and market situation, type of building and construction, state of repair, use, etc.).
- Certain other investment property is valued annually by in-house specialists based on the current annual rental per building and expected rental movements and on an individual capitalisation rate per building.
- The impact of the heavy flooding and other extreme weather conditions in 2023 and 2022 on property and equipment and investment property (in this case, our branch network) and on the associated impairment was insignificant. For information regarding climate-related and other ESG risks, see the 'How do we manage our risks?' section.
- The impact of our own activities as a bank-insurer on the environment is very limited, especially when compared to industrial companies and our indirect impact through lending and other activities, and stems mainly from our buildings and vehicles (commuting). We nevertheless also calculate our own direct greenhouse gas impact and apply certain targets in that regard. See 'Focus the on the climate and the environment' in the 'Report of the Board of Directors' section for a more detailed explanation (the statutory auditor has not audited this section). More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

Note 5.5: Goodwill and other intangible assets

(in millions of EUR)	Goodwill	Software developed in-house	Software developed externally	Other	Total
2023					
Opening balance	1 346	719	250	16	2 331
Acquisitions	0	271	87	11	370
Disposals	0	0	0	-2	-2
Amortisation	0	-113	-64	-2	-179
Other movements	-106	-48	-7	-3	-164
Closing balance	1 240	829	266	20	2 355
accumulated amortisation and impairment	*369*	*806*	*909*	*31*	*2 115*
2022					
Opening balance	913	559	263	13	1 749
Acquisitions	438	262	73	9	783
Disposals	0	0	-1	-3	-4
Amortisation	0	-90	-78	-1	-169
Other movements	-6	-12	-8	-2	-28
Closing balance	1 346	719	250	16	2 331
accumulated amortisation and impairment	*260*	*646*	*836*	*56*	*1 797*

- Goodwill: includes the goodwill paid on companies included in the scope of consolidation and relating to the acquisition of activities. Goodwill paid on associated companies: included in the nominal value of 'Investments in associated companies' shown on the balance sheet.
- For goodwill in respect of recent acquisitions, see Note 6.6.
- Impairment testing: a test was carried out to establish whether impairment on goodwill had to be recognised (see table and Note 3.9). This impairment test is performed at least once a year. We also carry out a high level assessment on a quarterly basis to see whether there is an indication of impairment. In the test, each entity is regarded as a separate cash-generating unit. Each entity has a specific risk profile and it is rare to have different profiles within a single entity.
- Impairment on goodwill under IAS 36: recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cashflow analysis) and the fair value (calculated based on multiple analysis, etc.) less costs to sell.
- The main group companies to which goodwill relates are listed in the table. All of these companies have been valued using the discounted cashflow method. The discounted cashflow method calculates the recoverable amount of an investment as the present value of all future free cashflows of the business. This method is based on long-term projections about the company's business and the resulting cashflows (i.e. projections for a number of years ahead and the residual value of the business at the end of the specific projection period). These long-term projections are the result of an assessment of past and present performances combined with external sources of information on future performances in the respective markets and the global macroeconomic environment. Consequently, in cases where sustainability aspects and products/projects have been factored into the underlying financial projections, this will also affect the valuation. The ultimate growth rate is determined using a long-term average market growth rate. The present value of these future cashflows is calculated using a compound discount rate which is based on the capital asset pricing model (CAPM). A country-specific risk-free rate and a market-risk premium (multiplied by an activity beta) are also used in the calculation. KBC has developed two distinct discounted cashflow models, viz. a bank model and an insurance model. Free cashflows in both cases are the dividends that can be paid out to the company's shareholders, account taken of the minimum capital requirements.

Goodwill outstanding	31-12-2023	31-12-2022	Discount rates throughout the specific period of cashflow projections	
(in millions of EUR)			31-12-2023	31-12-2022
K&H Bank	181	173	15.2% – 13.7%	17.3% – 13.3%
ČSOB (Czech Republic)	252	259	13.0% – 12.8%	13.9% – 12.8%
ČSOB Stavební sporitelna	66	176	13.0% – 12.8%	13.2% – 12.8%
United Bulgarian Bank	546	544	13.3% – 12.5%	12.5% – 12.2%
DZI Insurance	75	75	11.2% – 10.4%	10.5% – 8.1%
KBC Commercial Finance	21	21	12.0%	9.9%
Pension Insurance Company UBB	56	56	8.3% – 8.4%	9.3% – 9.1%
Rest	42	42	–	–
Total	1 240	1 346	–	–

- The period to which the cashflow budgets and projections relate is 10 years in most cases. This longer period is used to take account of current strong growth in the Central and Eastern European countries, where the growth rate is expected to develop towards a more moderate level in the longer term.
- The growth rate used to extrapolate the cashflow projections after that period is equal to the expected long-term growth rate of the gross domestic product. This rate depends on the country and varied between 3.2% and 4.7% in 2023 (also between 3.2% and 4.7% in 2022).
- No sensitivity analysis was carried out for entities where the recoverable amount exceeded the carrying value to such a large extent that no reasonably possible change in the key assumptions would result in the recoverable amount being less than or equal to the carrying value. The table gives an indication for the other entities of the impact of reasonable changes in the key assumptions on goodwill impairment.

Sensitivity to reasonable changes (in millions of EUR)*	1.0% increase in discount rate	1.0% increase in targeted solvency ratio	5% decrease in annual net profit
United Bulgarian Bank	-164	-109	-98
ČSOB Stavební sporitelna	-9	-9	-12

* The impact of the changes is calculated ceteris paribus.

Note 5.6: Insurance – balance sheet

Note 5.6.1: Breakdown of (re)insurance contract assets and liabilities

(in millions of EUR)				2023				2022
	Total	PAA	BBA	VFA	Total	PAA	BBA	VFA
Life								
Reinsurance assets	0	0	–	–	0	0	–	–
Insurance contract liabilities	13 862	55	12 878	928	13 444	52	12 600	792
LRC (liability for remaining coverage)	13 674	2	12 762	910	13 268	2	12 491	775
Unit-linked	*798*	*0*	–	*798*	*675*	*0*	–	*675*
Non-unit-linked	*12 651*	*2*	*12 650*	–	*12 383*	*2*	*12 381*	*0*
Hybrid	*225*	*0*	*112*	*112*	*210*	*0*	*110*	*100*
Accepted reinsurance	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
LIC (liability for incurred claims)	188	53	116	18	176	50	109	17
Unit-linked	*13*	*0*	–	*13*	*12*	*0*	–	*12*
Non-unit-linked	*153*	*53*	*99*	–	*142*	*50*	*92*	–
Hybrid	*21*	*0*	*17*	*4*	*22*	*0*	*17*	*5*
Accepted reinsurance	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Assets for acquisition cost	0	0	0	0	0	0	0	0
Non-life								
Reinsurance assets	64	64	–	–	55	55	–	–
Insurance contract liabilities	2 922	2 716	206	–	2 714	2 462	252	–
LRC (liability for remaining coverage)	701	512	190	–	676	439	238	–
Personal insurance	*205*	*16*	*190*	–	*253*	*16*	*238*	–
Motor Third-Party Liability (MTPL)	*160*	*160*	–	–	*145*	*145*	–	–
Liabilities other than MTPL	*25*	*25*	–	–	*24*	*24*	–	–
Casco	*96*	*96*	–	–	*81*	*81*	–	–
Property other than casco	*216*	*216*	–	–	*173*	*173*	–	–
Accepted reinsurance	*0*	*0*	*0*	–	*-1*	*-1*	*0*	–
LIC (liability for incurred claims)	2 220	2 204	16	–	2 038	2 024	14	–
Personal insurance	*610*	*594*	*16*	–	*544*	*530*	*14*	–
Motor Third-Party Liability (MTPL)	*863*	*863*	–	–	*771*	*771*	–	–
Liabilities other than MTPL	*357*	*357*	–	–	*358*	*358*	–	–
Casco	*53*	*53*	–	–	*42*	*42*	–	–
Property other than casco	*319*	*319*	–	–	*306*	*306*	–	–
Accepted reinsurance	*18*	*18*	*0*	–	*17*	*17*	*0*	–
Assets for acquisition cost	0	0	0	–	0	0	0	–

- Insurance contract liabilities relate to insurance contracts and investment contracts with a discretionary participation feature (DPF). Liabilities under investment contracts without DPF are measured at fair value. They concern unit-linked contracts, which are recognised under financial liabilities (see Note 4.1).
- LRC (except PAA) is calculated using various assumptions. Judgement is required when making these assumptions and they are based on various internal and external sources of information. These liabilities are generally calculated using assumptions that were applicable at the inception of the insurance contracts and as such determine the CSM at initial recognition. The key assumptions are:
  - Lapse and dormancy rates at both contract and premium level, as well as mortality and morbidity rates, based on standard mortality tables and adapted where necessary to reflect the group's own experience.
  - Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses which are considered directly attributable. Expenses are considered directly attributable if they are incurred as a consequence of performing insurance activities for in-force contracts.
  - Assumptions may vary depending on the type of insurance, the generation of contracts (mainly the time when the contract is entered into and the applicable terms and conditions) and the country, making it impossible to quantify these assumptions for the entire group.
- Assumptions for LIC are based on past claims experience relating to claim numbers, claim payments and claims handling costs, and adjusted to take account of such factors as anticipated market experience, claims inflation and external factors such as court awards, legislation and discounting.

- For contracts providing multiple services, i.e. insurance coverage, investment return services and investment management services, 'multivariate coverage units' are used, taking into consideration that (a) coverage units are determined based on the individual benefit components separately and (b) weights are assigned to each component to reflect an appropriate level of service to be provided. Such weightings appropriately reflect the release of CSM based on the quantity of the benefits provided for each service. Analogous to coverage units, these weights are also reassessed at the end of each reporting period.
- Coverage units have a positive value and are floored to zero. In case of zero coverage units in a given period, no CSM is allocated to P&L as no services have been provided in the period. This is possible, for instance, where contracts provide for 'waiting periods'. In such cases, the contract has been signed by the policyholder but there is a mandatory waiting period for the client to be able to benefit from insurance coverage.
- Defining IFRS 17 portfolios is a local decision, made by each insurance entity of KBC Group. It is country-specific, driven by the local product mix and the way in which the insurance business is managed locally. The table presents a high-level breakdown by product.
- Within hybrid products, the policyholder can switch within the same contract, containing the coverage of significant insurance risk, from the unit-linked to the non-unit-linked component and vice versa.
- Non-life LRC BBA (238 million euros in 2022, 190 million euros in 2023) represents the LRC health insurance (as part of personal insurance) as they are mostly long-term contracts and are therefore measured according to the BBA. Non-life LIC PAA for personal insurance (530 million euros in 2022, 594 million euros in 2023) represents the incurred claims under personal insurance with regard to 'workmen's compensation' insurance, which are typically settled over a long period.
- Most reinsurance programmes protect against the impact of exceptionally large loss events or accumulation of losses. Therefore, the reinsurance result is not in the same order of magnitude as the direct insurance result, which means the movements in reinsurance contract assets are limited.
- The following yield curves are used to discount cashflows that do not vary based on the returns of underlying items. As these bottom-up discount curves are not entity-specific but currency-dependent, two curves are included for each currency, one with volatility adjustment and one without (the latter is used for VFA liabilities; the former is used for all other liabilities for which bottom-up curves are used).

Yield curve used to discount cashflows not varying based on underlying items; bottom-up method

Currency	Illiquidity premium				Portfolio duration
		1 year	5 years	10 years	20 years
2023					
EUR	with volatility adjustment	3.14%	2.51%	2.96%	2.34%
	without volatility adjustment	2.92%	2.29%	2.74%	2.13%
CZK	with volatility adjustment	4.83%	3.19%	3.70%	3.98%
	without volatility adjustment	4.67%	3.03%	3.54%	3.82%
HUF	with volatility adjustment	5.55%	5.25%	6.29%	5.49%
	without volatility adjustment	5.44%	5.14%	6.18%	5.38%
BGN	with volatility adjustment	3.16%	2.50%	3.00%	2.43%
	without volatility adjustment	3.16%	2.50%	3.00%	2.43%
2022					
EUR	with volatility adjustment	4.77%	3.26%	3.36%	1.87%
	without volatility adjustment	4.56%	3.05%	3.15%	1.69%
CZK	with volatility adjustment	7.92%	4.46%	4.51%	6.04%
	without volatility adjustment	7.61%	4.16%	4.21%	5.70%
HUF	with volatility adjustment	13.96%	7.21%	8.52%	9.40%
	without volatility adjustment	13.77%	7.04%	8.34%	9.22%
BGN	with volatility adjustment	5.27%	3.57%	3.67%	1.97%
	without volatility adjustment	5.27%	3.57%	3.67%	1.97%

Note 5.6.2: Movements in Life insurance contract liabilities

(in millions of EUR)	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excl. loss component	Loss component	Contracts not measured under PAA	Contracts measured under PAA		
				Present value of future cashflows	Risk adjustment	
2023						
Opening balance	**13 258**	**10**	**126**	**47**	**3**	**13 444**
Insurance service result	-381	-2	218	16	1	-149
Insurance revenues	-399	–	–	–	–	-399
BBA + VFA by transition method	*-370*	–	–	–	–	*-370*
Modified retrospective approach	*-10*	–	–	–	–	*-10*
Fair value approach	*-267*	–	–	–	–	*-267*
Other	*-93*	–	–	–	–	*-93*
PAA	*-30*	–	–	–	–	*-30*
Insurance service expenses	19	-2	218	16	1	251
Incurred claims (excl. repayments of investment components)	–	*-1*	*156*	*13*	*1*	*169*
Incurred costs other than claims	*0*	*-7*	*92*	*2*		*87*
Amortised acquisition expenses	*19*	–	–	–	–	*19*
Changes in fulfilment cashflows that relate to future service – loss on and reversal of loss on onerous contracts	–	*6*	–	–	–	*6*
Changes in fulfilment cashflows that relate to past service	–	–	*-30*	*1*	*1*	*-30*
Investment components	-1 284	–	1 284	–	–	0
Insurance finance income and expense	815	0	3	3	0	821
In P&L	*281*	*0*	*1*	*0*	*0*	*283*
In OCI	*534*	*0*	*2*	*3*	*0*	*538*
Total changes in comprehensive income	-850	-2	1 505	19	1	672
Total cashflows	1 271	–	-1 497	-16	–	-242
Premiums received	*1 401*	–	–	–	–	*1 401*
Claims paid	–	–	*-1 404*	*-14*	–	*-1 419*
Costs other than claims paid	–	–	*-92*	*-2*	–	*-94*
Acquisition costs paid	*-130*	–	–	–	–	*-130*
Other	-12	0	0	0	0	-13
Closing balance	**13 667**	**7**	**134**	**50**	**3**	**13 862**
2022						
Opening balance	**16 576**	**76**	**138**	**56**	**2**	**16 847**
Insurance service result	-361	-73	219	16	1	-198
Insurance revenues	-372	–	–	–	–	-372
BBA + VFA by transition method	*-343*	–	–	–	–	*-343*
Modified retrospective approach	*-11*	–	–	–	–	*-11*
Fair value approach	*-263*	–	–	–	–	*-263*
Other	*-69*	–	–	–	–	*-69*
PAA	*-29*	–	–	–	–	*-29*
Insurance service expenses	12	-73	219	16	1	174
Incurred claims (excl. repayments of investment components)	–	*-1*	*160*	*14*	*0*	*173*
Incurred costs other than claims	*0*	*-6*	*84*	*3*	*0*	*81*
Amortised acquisition expenses	*12*	–	–	–	–	*12*
Changes in fulfilment cashflows that relate to future service – loss on and reversal of loss on onerous contracts	–	*-67*	–	–	–	*-67*
Changes in fulfilment cashflows that relate to past service	–	–	*-25*	*-1*	*-1*	*-25*
Investment components	-1 606	–	1 606	–	–	0
Insurance finance income and expense	-2 510	7	-10	-8	0	-2 521
In P&L	*91*	*0*	*1*	*0*	*0*	*92*
In OCI	*-2 601*	*7*	*-12*	*-8*	*0*	*-2 614*
Total changes in comprehensive income	-4 477	-66	1 815	8	1	-2 719
Total cashflows	1 151	–	-1 827	-17	0	-692
Premiums received	*1 259*	–	–	–	–	*1 259*
Claims paid	–	–	*-1 742*	*-14*	–	*-1 756*
Costs other than claims paid	–	–	*-84*	*-3*	–	*-87*
Acquisition costs paid	*-108*	–	–	–	–	*-108*
Other	8	0	0	0	0	8
Closing balance	**13 258**	**10**	**126**	**47**	**3**	**13 444**

- When transitioning from IFRS 4 to IFRS 17, KBC applied the Full Retrospective Approach (FRA) for recent years. Applying the FRA for non-recent years is impracticable due to either a lack of historical data (data and hypotheses) or high costs associated with making information from the past available for FRA transition calculations. Where the FRA is impracticable, the Fair Value Approach (FVA) was predominantly used to determine the CSM on the transition date. The Modified Retrospective Approach (MRA) is rarely applied as this transition approach is overly complex and the costs do not outweigh the benefits. KBC calculates a fair value according to IFRS 13 based on the IFRS 17 cashflows and subsequently adjusts a few assumptions or parameters. The adjustments relate to the inclusion in the IFRS 13 fair value of total expenses, i.e. including non-directly attributable expenses, and to the inclusion of a risk premium that covers not only non-financial risk, but also system and integration expenses and capital funding costs. All past years are combined into a single cohort for the FVA transition calculations. The FVA CSM ensues from cost and risk margin differences under IFRS 17 and IFRS 13 measurement approaches. The OCI amount on the transition date under the FVA is determined in accordance with the transition exemptions provided in IFRS 17.
- Movement in insurance liabilities in 2023:
  - Due to the decrease in market interest rates during 2023, an expense in OCI of 538 million euros before tax is recognised as KBC made the accounting policy choice for all portfolios within the group to disaggregate insurance finance income and expense between P&L and OCI.
  - The movement in the investment component of 1 284 million euros from LRC to LIC indicates the amounts of contracts coming at maturity or lapsed.
- Movement in insurance liabilities 2022:
  - Due to the increase in market interest rates during 2022, a gain in OCI of 2 614 million euros before tax is recognised as KBC made the accounting policy choice for all portfolios within the group to disaggregate IFIE between P&L and OCI. The Life insurance service result was positively impacted by a net reversal of loss component for an amount of 67 million euros.
  - The movement in the investment component of 1 606 million euros from LRC to LIC indicates the amounts of contracts coming at maturity or lapsed.
- On transitioning to IFRS 17, KBC applied mainly the fair value approach. Therefore, the amortised acquisition costs are low as they are not estimated under the fair value approach (i.e. the prospective approach).
- The Life insurance contracts are typically long-term contracts and are therefore measured according to the BBA or VFA. The latter is only applied within Central and Eastern European entities for unit-linked contracts or hybrid products as these sold contracts mandatorily contain insurance risk cover.
- Some insurance contracts may specify amounts that are payable when no insured event occurs, which are repayable under all circumstances and as such include an investment component. For defining the investment component, an investigation based on the contract's characteristics needs to be conducted. Within KBC, only investment components are identified within Life insurance, such as life-long death cover. When an insurance contract allows surrender, the gross surrender value is considered an investment component. Any associated surrender fees resulting from surrender are considered insurance components.

Note 5.6.3: Movements in Non-life insurance contract liabilities

(in millions of EUR)	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excl. loss component	Loss component	Contracts not measured under PAA	Contracts measured under PAA		
				Present value of future cashflows	Risk adjustment	
2023						
Opening balance	**675**	**1**	**14**	**1 802**	**222**	**2 714**
Insurance service result	-1 789	0	28	1 343	7	-410
Insurance revenues	-2 280	–	–	–	–	-2 280
BBA by transition method	*-36*	–	–	–	–	*-36*
Modified retrospective approach	*0*	–	–	–	–	*0*
Fair value approach	*-29*	–	–	–	–	*-29*
Other	*-7*	–	–	–	–	*-7*
PAA	*-2 244*	–	–	–	–	*-2 244*
Insurance service expenses	491	0	28	1 343	7	1 869
Incurred claims (excl. repayments of investment components)	*0*	*-1*	*26*	*1 091*	*62*	*1 178*
Incurred costs other than claims	*1*	*0*	*3*	*219*	*0*	*223*
Amortised acquisition expenses	*490*	–	–	–	–	*490*
Changes in fulfilment cashflows that relate to future service – loss on and reversal of loss on onerous contracts	–	*1*	–	–	–	*1*
Changes in fulfilment cashflows that relate to past service	–	–	*0*	*33*	*-55*	*-22*
Investment components	0	–	0	–	–	0
Insurance finance income and expense	-48	0	1	89	12	54
In P&L	*0*	*0*	*0*	*27*	*4*	*30*
In OCI	*-48*	*0*	*0*	*63*	*8*	*24*
Total changes in comprehensive income	-1 837	0	29	1 433	19	-356
Total cashflows	1 862	–	-27	-1 288	–	547
Premiums received	*2 357*	–	–	–	–	*2 357*
Claims paid	–	–	*-24*	*-1 070*	–	*-1 094*
Costs other than claims paid	–	–	*-3*	*-218*	–	*-221*
Acquisition costs paid	*-496*	–	–	–	–	*-496*
Other	1	0	0	17	0	18
Closing balance	**700**	**1**	**16**	**1 964**	**240**	**2 922**
2022						
Opening balance	**795**	**1**	**15**	**1 988**	**266**	**3 065**
Insurance service result	-1 608	0	24	1 273	-16	-328
Insurance revenues	-2 049	–	–	–	–	-2 049
BBA by transition method	*-35*	–	–	–	–	-35
Modified retrospective approach	*0*	–	–	–	–	0
Fair value approach	*-30*	–	–	–	–	-30
Other	*-5*	–	–	–	–	-5
PAA	*-2 013*	–	–	–	–	-2 013
Insurance service expenses	441	0	24	1 273	-16	1 721
Incurred claims (excl. repayments of investment components)	–	*-1*	*21*	*1 098*	*65*	1 183
Incurred costs other than claims	*-1*	*0*	*3*	*214*	*0*	216
Amortised acquisition expenses	*441*	–	–	–	–	441
Changes in fulfilment cashflows that relate to future service – loss on and reversal of loss on onerous contracts	–	*1*	–	–	–	1
Changes in fulfilment cashflows that relate to past service	–	–	*0*	*-38*	*-81*	*-120*
Investment components	0	–	0	–	–	0
Insurance finance income and expense	-131	0	-2	-253	-28	-413
In P&L	*-2*	*0*	*0*	*5*	*1*	*4*
In OCI	*-129*	*0*	*-1*	*-258*	*-29*	*-417*
Total changes in comprehensive income	-1 739	0	22	1 020	-44	-741
Total cashflows	1 620	–	-23	-1 208	–	388
Premiums received	*2 074*	–	–	–	–	*2 074*
Claims paid	–	–	*-20*	*-995*	–	*-1 015*
Costs other than claims paid	–	–	*-3*	*-214*	–	*-216*
Acquisition costs paid	*-454*	–	–	–	–	*-454*
Other	-1	0	0	2	0	2
Closing balance	**675**	**1**	**14**	**1 802**	**222**	**2 714**

- In Non-life, KBC applies mostly the PAA, as the coverage period is 1 year or less.
- The cost of outstanding claims is based on the past claims development experience to project future claims development. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs) and claim numbers based on the observed claim development of earlier years and expected loss ratio. Historical claims are mainly analysed per accident year. Large claims are separately addressed.
- Estimates of salvage recoveries and subrogation reimbursement are considered in the measurement of the ultimate claim costs.
- No asset for insurance acquisition cashflows is currently recognised.

Note 5.6.4: Movements in Life insurance contract liability components (BBA, VFA)

(in millions of EUR)	Present value of future cashflows (incl. LIC)	Risk adjustment (incl. LIC)	Contractual service margin			Total insurance contract liabilities
			Insurance contracts that existed at the transition date, modified retrospective approach	Insurance contracts that existed at the transition date, fair value approach	Other insurance contracts	
2023						
Opening balance	**11 378**	**112**	**45**	**1 377**	**480**	**13 393**
Insurance service result	-390	47	-1	8	198	-139
Changes that relate to future service	-399	56	4	120	224	5
New business	*-161*	*17*	–	–	*150*	*6*
Changes in estimates reflected in the CSM	*-238*	*39*	*4*	*120*	*74*	*-1*
Changes in estimates that result in onerous contract losses and reversals	*0*	*0*	–	–	–	*0*
Changes that relate to current service	38	-8	-5	-113	-26	-113
CSM recognised in P&L	*0*	–	*-5*	*-113*	*-26*	*-143*
Changes in the risk adjustment (expected)	*0*	*-8*	–	–	–	*-8*
Experience adjustments	*38*	–	–	–	–	*38*
Changes to liabilities for incurred claims related to past service	-29	-2	–	–	–	-30
Insurance finance income and expense	809	-7	1	9	7	818
In P&L	*264*	*2*	*1*	*9*	*7*	*283*
In OCI	*544*	*-9*	–	–	–	*535*
Total changes in comprehensive income	418	40	0	16	205	679
Total cashflows	-252	–	–	–	–	-252
Premiums received	*1 371*	–	–	–	–	*1 371*
Claims paid	*-1 404*	–	–	–	–	*-1 404*
Costs other than claims paid	*-92*	–	–	–	–	*-92*
Acquisition costs paid	*-126*	–	–	–	–	*-126*
Other changes	-7	-1	2	-6	-1	-14
Closing balance	**11 538**	**152**	**47**	**1 387**	**683**	**13 807**
2022						
Opening balance	**15 426**	**110**	**55**	**981**	**215**	**16 787**
Insurance service result	-831	4	-7	382	263	-189
Changes that relate to future service	-842	13	-2	476	288	-67
New business	*-126*	*14*	–	–	*135*	*23*
Changes in estimates reflected in the CSM	*-626*	*0*	*-2*	*476*	*152*	*0*
Changes in estimates that result in onerous contract losses and reversals	*-90*	*0*	–	–	–	*-90*
Changes that relate to current service	33	-8	-5	-94	-24	-98
CSM recognised in P&L	–	–	*-5*	*-94*	*-24*	*-123*
Changes in the risk adjustment (expected)	–	*-8*	–	–	–	*-8*
Experience adjustments	*33*	–	–	–	–	*33*
Changes to liabilities for incurred claims related to past service	-23	-2	–	–	–	-25
Insurance finance income and expense	-2 519	-2	1	6	1	-2 513
In P&L	*83*	*2*	*1*	*6*	*1*	*92*
In OCI	*-2 602*	*-4*	–	–	–	*-2 606*
Total changes in comprehensive income	-3 350	1	-7	389	264	-2 702
Total cashflows	-700	–	–	–	–	-700
Premiums received	*1 231*	–	–	–	–	*1 231*
Claims paid	*-1 742*	–	–	–	–	*-1 742*
Costs other than claims paid	*-84*	–	–	–	–	*-84*
Acquisition costs paid	*-105*	–	–	–	–	*-105*
Other changes	2	1	-3	7	1	8
Closing balance	**11 378**	**112**	**45**	**1 377**	**480**	**13 393**

- The amount recognised in P&L as release of the CSM is determined by:
  - Identifying the coverage units in the group. The number of coverage units in a group is the quantity of service provided by the insurer under the contracts in that Group of Contracts (GoC), determined by considering for each contract the quantity of the benefits provided to the policyholder under a contract and its expected coverage period.
  - Allocating the CSM at the end of the period equally to each coverage unit provided in the current period and expected to be provided in the future, and recognising in P&L the amount allocated to coverage units allocated to the current period.
- Main movements in 2023: there were no material exceptional movements.
- Main movements in 2022: the net movement in the loss component amounted to 67 million euros and was mainly explained by (i) new business in the year 2022 for which a loss component of -24 million euros was recognised and (ii) a reversal of loss component of 90 million euros due to increasing interest rates, resulting in a higher margin expected to be earned on future premiums. The increasing interest rates were also the main reason for the increase of 626 million euros in the CSM, as more margin was expected to be earned on future premiums.

Note 5.6.5: Movements in Non-life insurance contract liability components (BBA)

(in millions of EUR)	Present value of future cashflows (incl. LIC)	Risk adjustment (incl. LIC)	Contractual service margin		Total insurance contract liabilities
			Insurance contracts that existed at the transition date, fair value approach	Other insurance contracts	
2023					
Opening balance	**17**	**75**	**93**	**67**	**252**
Insurance service result	11	16	-41	7	-7
Changes that relate to future service	9	19	-38	10	0
New business	*-18*	*1*	–	*17*	*0*
Changes in estimates reflected in the CSM	*27*	*17*	*-38*	*-7*	*0*
Changes in estimates that result in onerous contract losses and reversals	*0*	*0*	–	–	*0*
Changes that relate to current service	2	-3	-3	-4	-7
CSM recognised in P&L	–	–	*-3*	*-4*	*-6*
Changes in the risk adjustment (expected)	–	*-3*	–	–	*-3*
Experience adjustments	*2*	–	–	–	*2*
Changes to liabilities for incurred claims related to past service	0	0	–	–	0
Insurance finance income and expense	-29	-19	0	1	-48
In P&L	*0*	*0*	*0*	*1*	*0*
In OCI	*-28*	*-19*	–	–	*-48*
Total changes in comprehensive income	-17	-4	-41	7	-54
Total cashflows	8	–	–	–	8
Premiums received	*43*	–	–	–	*43*
Claims paid	*-24*	–	–	–	*-24*
Costs other than claims paid	*-3*	–	–	–	*-3*
Acquisition costs paid	*-7*	–	–	–	*-7*
Other changes	0	0	0	0	0
Closing balance	**8**	**71**	**52**	**74**	**206**
2022					
Opening balance	**136**	**117**	**96**	**36**	**386**
Insurance service result	-36	-3	-3	31	-11
Changes that relate to future service	-36	1	2	34	0
New business	*-18*	*1*	–	*17*	*0*
Changes in estimates reflected in the CSM	*-19*	*0*	*2*	*17*	*0*
Changes in estimates that result in onerous contract losses and reversals	*0*	*0*	–	–	*0*
Changes that relate to current service	0	-4	-5	-3	-11
CSM recognised in P&L	–	–	*-5*	*-3*	*-8*
Changes in the risk adjustment (expected)	–	*-4*	–	–	*-4*
Experience adjustments	*0*	–	–	–	*0*
Changes to liabilities for incurred claims related to past service	0	0	–	–	0
Insurance finance income and expense	-93	-39	0	0	-132
In P&L	*-1*	*0*	*0*	*0*	*-2*
In OCI	*-92*	*-39*	–	–	*-131*
Total changes in comprehensive income	-129	-42	-3	30	-144
Total cashflows	9	–	–	–	9
Premiums received	*39*	–	–	–	*39*
Claims paid	*-20*	–	–	–	*-20*
Costs other than claims paid	*-3*	–	–	–	*-3*
Acquisition costs paid	*-6*	–	–	–	*-6*
Other changes	0	0	0	0	0
Closing balance	**17**	**75**	**93**	**67**	**252**

- In Non-life, the BBA is applied to 'individual health insurance'.
- The decline recognised in insurance finance income and expense through OCI of 48 million euros in 2023 is accounted for by the increase in the discount curve in the long term (more than 20 years). The decline of 131 million euros in 2022 is attributable to the sharp increase in the discount curve during the first half of the year. A typical feature of the hospitalisation portfolio is that interest rate movements have a greater impact on the cash outflows than on the cash inflows. Hospitalisation premiums are levelled (constant 'cash in' during the lifetime of the contract) and claims increase as the insured person ages ('cash out' more towards the end of the contract).

Note 5.6.6: New business (BBA/VFA)

(in millions of EUR)	(Re)insurance contracts issued		(Re)insurance contracts acquired		Total
	Not onerous	Onerous	Not onerous	Onerous	
2023					
Estimates of present value of cash outflows	1 194	212	0	0	1 406
Expected claims	*1 034*	*171*	*0*	*0*	*1 205*
Expected other insurance service expenses	*63*	*19*	*0*	*0*	*82*
Insurance acquisition cashflows	*97*	*22*	*0*	*0*	*119*
Estimates of present value of cash inflows	-1 378	-207	0	0	-1 585
Risk adjustment for non-financial risk	16	2	0	0	18
Contractual service margin	166	-	0	0	166
Increase in insurance contract liabilities: loss component	–	7	–	0	7
2022					
Estimates of present value of cash outflows	781	440	0	0	1 221
Expected claims	*657*	*375*	*0*	*0*	*1 032*
Expected other insurance service expenses	*41*	*43*	*0*	*0*	*84*
Insurance acquisition cashflows	*83*	*22*	*0*	*0*	*105*
Estimates of present value of cash inflows	-946	-419	0	0	-1 365
Risk adjustment for non-financial risk	12	3	0	0	15
Contractual service margin	152	–	0	–	152
Increase in insurance contract liabilities: loss component	–	24	–	0	24

- In 2022, the low interest-rate environment at the beginning of the year mainly explained the sale of onerous business. Increasing interest rates improved the overall profitability of new business (insurance and the financial margin) during the year.

Note 5.6.7: Future CSM recognition in profit and loss on insurance contracts (at the end of the reporting period) (BBA/VFA)

	CSM recognition in P&L in the … following reporting year						
(in millions of EUR)	1st year	2nd year	3rd year	4th year	5th year	6-10th year	+10th year
2023							
Life	149	142	135	129	122	529	973
Non-life	6	6	6	6	5	24	51
2022							
Life	123	118	113	109	105	471	928
Non-life	8	8	7	7	7	30	62

- The table shows the future CSM recognition for the next 25 years.

Note 5.6.8: Fair value of assets backing insurance and investment contracts

(in millions of EUR)	Life	*Life: of which Life direct participation (VFA)*	Non-life	Non-technical	Total
2023					
Total (underlying) assets	27 930	*928*	4 152	1 686	33 769
At amortised cost	1 949	*0*	2 926	882	5 757
At FVOCI	11 490	*15*	1 158	590	13 238
Debt securities	*10 441*	*15*	*933*	*386*	*11 759*
Equity instruments	*1 050*	*0*	*225*	*204*	*1 479*
At MFVPL (excl. derivatives)	14 364	*913*	0	8	14 372
Instruments backing unit-linked contracts	*14 348*	*912*	–	–	*14 348*
Other	*16*	*1*	*0*	*8*	*16*
At FVO	0	*0*	0	0	0
Property and equipment and investment property	127	*0*	68	207	401
2022					
Total (underlying) assets	26 268	*786*	3 800	1 748	31 816
At amortised cost	1 947	*0*	2 625	990	5 562
At FVOCI	11 428	*12*	1 104	531	13 064
Debt securities	*10 519*	*12*	*890*	*292*	*11 700*
Equity instruments	*910*	*0*	*215*	*240*	*1 364*
At MFVPL (excl. derivatives)	12 781	*774*	0	18	12 798
Instruments backing unit-linked contracts	*12 772*	*774*	–	–	*12 772*
Other	*9*	*0*	*0*	*18*	*26*
At FVO	0	*0*	0	0	0
Property and equipment and investment property	112	*0*	71	209	392

- The table also includes the assets backing the liabilities under investment contracts (IFRS 9).

Note 5.6.9: Changes in accumulated OCI for FVOCI assets related to insurance contracts for which the fair value transition approach is used

(in millions of EUR)	2023	2022
OCI that may be recycled to P&L	340	-1 748
Net change in revaluation reserve (FVOCI debt instruments)	340	-1 748
Fair value adjustments before tax	446	-2 367
Deferred tax on fair value changes	-108	582
Transfer from reserve to net result	2	37
Impairment	*2*	*0*
Net gains/losses on disposal	*0*	*48*
Deferred taxes	*-1*	*-11*
OCI that will not be recycled to P&L	110	-199
Net change in revaluation reserve (FVOCI equity instruments)	110	-199
Fair value adjustments before tax	110	-199
Deferred tax on fair value changes	0	0

- IFRS 17 allows simplifications to set the accumulated OCI for the insurance liabilities at nil at the transition date while maintaining the accumulated OCI for the covering financial assets. This disclosure gives insight into the mismatch between covering financial assets and insurance liabilities as it distorts classification within equity at transition date and subsequently the years thereafter until the portfolio subject to the transition approach reaches maturity. However, following the first-time adoption of IFRS 17 a large part of the bond portfolio of KBC Insurance was transferred to FVOCI (see Note 1.6 for more information), resulting in a very limited imbalance in 2022 and 2023.

Note 5.7: Provisions for risks and charges

Note 5.7.1: Overview

(in millions of EUR)	31-12-2023	31-12-2022
Total provisions for risks and charges	183	418
Provisions for off-balance-sheet commitments and financial guarantees	91	114
Provisions for other risks and charges	92	305
Provisions for restructuring	*37*	*92*
Provisions for taxes and pending legal disputes	*37*	*192*
Other	*18*	*20*

Note 5.7.2: Details of off-balance-sheet commitments and financial guarantees

(in millions of EUR)	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL – non-performing	Total
31-12-2023				
Provisions on 1 January	19	35	60	114
Movements with an impact on results				
Transfer of financial assets				
Stage 1 (12-month ECL)	*-2*	*3*	*1*	*2*
Stage 2 (lifetime ECL)	*1*	*-13*	*9*	*-3*
Stage 3 'non-performing' (lifetime ECL)	*0*	*1*	*-2*	*-2*
New financial assets	10	4	2	16
Changes in risk parameters during the reporting period	-3	-6	-12	-21
Changes in the model or methodology	0	0	0	0
Derecognised financial assets	-3	-3	-3	-9
Other	0	0	2	2
Movements without an impact on results				
Derecognised financial assets	0	0	0	0
Changes in the scope of consolidation	0	-1	0	-1
Other	0	1	-7	-7
Provisions on 31 December	22	20	49	91
31-12-2022				
Provisions on 1 January	19	21	91	130
Movements with an impact on results				
Transfer of financial assets				
Stage 1 (12-month ECL)	*-6*	*10*	*6*	*10*
Stage 2 (lifetime ECL)	*0*	*-5*	*7*	*2*
Stage 3 'non-performing' (lifetime ECL)	*0*	*6*	*-2*	*4*
New financial assets	8	4	0	12
Changes in risk parameters during the reporting period	-1	1	-45	-45
Changes in the model or methodology	0	0	0	0
Derecognised financial assets	-1	-1	-1	-3
Other	0	-5	0	-5
Movements without an impact on results				
Derecognised financial assets	0	0	0	0
Changes in the scope of consolidation	1	2	3	6
Other	0	1	1	2
Provisions on 31 December	19	35	60	114

- Also see Note 6.1.

Note 5.7.3: Details of provisions for other risks and charges

(in millions of EUR)	Provisions for restructuring	Provisions for taxes and pending legal disputes	Other	Total
2023				
Opening balance	92	192	20	305
Movements with an impact on results				
Amounts allocated	*11*	*10*	*5*	*26*
Amounts used	*-65*	*-163*	*-5*	*-233*
Unused amounts reversed	*-1*	*-3*	*-2*	*-6*
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	0	0	0
Other	0	1	0	1
Closing balance	37	37	18	92
2022				
Opening balance	87	45	20	152
Movements with an impact on results				
Amounts allocated	*13*	*163*	*9*	*185*
Amounts used	*-7*	*-11*	*-7*	*-26*
Unused amounts reversed	*0*	*-6*	*-2*	*-8*
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	1	2	2
Other	0	1	-1	0
Closing balance	92	192	20	305

- For most of the provisions recorded, no reasonable estimate can be made of when they will be used.
- For details on 'Provisions for taxes and pending legal disputes' in 2022, see Note 3.5
- Other provisions included those set aside for miscellaneous risks.
- Information relating to the main legal disputes pending: claims filed against KBC group companies are – in keeping with IFRS rules – treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. 'probable outflow', 'possible outflow' or 'remotely probable outflow'). Provisions are set aside for 'probable outflow' cases (see 'Notes on the accounting policies'). No provisions are constituted for 'possible outflow' cases, but information is provided in the financial statements if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 50 million euros). All other claims ('remotely probable outflow'), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. The most important cases are listed below. The information provided is limited in order not to prejudice the position of the group in ongoing litigation.
  - Possible outflow: on 6 October 2011, Irving H. Picard, trustee (the 'trustee') for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a full subsidiary of KBC Bank) before the bankruptcy court in New York to claw back approximately 110 million US dollars' worth of transfers made to KBC entities by Madoff (through a feeder fund that KBC had lent to Harley International). This claim is just one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors ('joint defense group'). A lengthy litigation process was conducted on the basis of preliminary objections in respect of the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules, as well as prudential limitations on U.S. courts' powers in international cases, to subsequent transferees (as is the case for KBC Investments Ltd), as detailed in previous disclosures. In June 2015, the Trustee stated his intention to amend the original claim which led to increase the amount claimed to USD 196 000 000. A court ruling dismissing the claim of the Trustee was issued on 3 March 2017. The Trustee appealed and the appellate court ('Court of Appeals for the Second Circuit') reversed the dismissal on 28 February 2019. A certiorari petition filed on 30 August 2019 was dismissed by the US Supreme Court on 2 June 2020. As a consequence the merits of the case are handled by the Bankruptcy Court. On 30 August 2021, in two other appeals by other defendants, the Court of Appeals for the Second Circuit reversed the burden of proof from an initial burden on the Trustee to adequately demonstrate the defendant's lack of good faith to a burden on the defendant to prove its good faith. On 1 August 2022, the Bankruptcy Court issued a decision determining the structure of the proceedings. In this context, on 5 August 2022 the Trustee amended his complaint

by reducing his claim to a principal of USD 86 million. On 18 November 2022, KBC submitted a motion to dismiss the amended complaint for lack of specific jurisdiction of the US court. On 26 April 2023, the court dismissed this motion contesting jurisdiction and proceeded to establish a progress plan for the proceedings, which provides for a term for the investigation of the facts that ends on 22 September 2025. In the meantime, both parties have released the first factual documents. The next step is to select certain persons named in the disclosures already made and who are likely to be heard by one or both parties in the proceedings. Despite the increased burden of proof, KBC still believes it has good and credible defenses, including demonstrating its good faith. The procedure may still take several years.

Note 5.8: Other liabilities

(in millions of EUR)	31-12-2023	31-12-2022
Total	2 611	2 353
Retirement benefit obligations or other employee benefits	93	93
Accrued charges and deferred income	385	382
Salaries and social security charges	531	516
Lease liabilities	63	68
Other	1 539	1 294

- For more information on retirement benefit obligations, see Note 5.9 (note that the amount recognised under ‘Retirement benefit obligations or other employee benefits’ in Note 5.8 relates to a broader scope than the amounts presented in Note 5.9).

Note 5.9: Retirement benefit obligations

(in millions of EUR)	31-12-2023	31-12-2022
DEFINED BENEFIT PLANS		
Reconciliation of defined benefit obligations		
Defined benefit obligations at the beginning of the period	2 580	3 335
Current service cost	95	129
Interest cost	104	26
Actuarial gain or loss resulting from changes in demographic assumptions	-3	-10
Actuarial gain or loss resulting from changes in financial assumptions	152	-814
Experience adjustments	-56	58
Past-service cost	0	0
Benefits paid	-149	-129
Other	0	-14
Defined benefit obligations at the end of the period	2 724	2 580
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the period	2 746	3 244
Actual return on plan assets	222	-499
Expected interest income on plan assets, calculated based on market yields on high quality corporate bonds	*115*	*25*
Employer contributions	93	94
Plan participant contributions	20	19
Benefits paid	-149	-129
Other	5	16
Fair value of plan assets at the end of the period	2 936	2 746
of which financial instruments issued by the group	*0*	*0*
of which property occupied by KBC	*2*	*2*
Funded status		
Plan assets in excess of defined benefit obligations	212	166
Reimbursement rights	0	0
Asset ceiling limit	-70	-12
Unfunded accrued/prepaid pension cost	142	153
Movement in net liabilities or net assets		
Unfunded accrued/prepaid pension cost at the beginning of the period	153	-128
Amounts recognised in the income statement	-65	-112
Amounts recognised in other comprehensive income	-43	299
Employer contributions	93	94
Other	4	-1
Unfunded accrued/prepaid pension cost at the end of the period	142	153
Amounts recognised in the income statement	-65	-112
Current service cost	-95	-129
Interest cost	10	-1
Plan participant contributions	20	19
Other	0	0
Changes to the amounts recognised in other comprehensive income	-43	299
Actuarial gain or loss resulting from changes in demographic assumptions	3	10
Actuarial gain or loss resulting from changes in financial assumptions	-152	814
Actuarial result on plan assets	107	-524
Experience adjustments	56	-58
Adjustments to asset ceiling limits	1	25
Other	-58	31
DEFINED CONTRIBUTION PLANS		
Expenses for defined contribution plans	-18	-21

- Retirement benefits that are actively accrued for the Belgium-based staff of KBC Bank, KBC Insurance and most of their Belgian subsidiaries are accrued exclusively through the KBC pension fund. Up until year-end 2018, employer-funded retirement benefits had accrued primarily through a defined benefit plan, where the benefit is calculated based on the final salary of employees before they retire, the number of years they had been in the plan and a formula that applies a progressive rate scale. A defined contribution plan was introduced on 1 January 2014 for all new employees and any employees who had chosen to switch to it. In this plan, a contribution is deposited based on the current monthly salary and the amounts deposited are paid out together with the (guaranteed) return on retirement. Both types of pension plan are managed by the KBC pension fund, which uses the services of KBC Asset Management for the investment strategy. In addition, there are a number of smaller, closed group insurance schemes from the past that will continue to be funded and are managed by the KBC pension fund. On 1 January 2019, a new defined contribution plan was introduced to replace the one introduced in 2014. All employees were again given the one-time option of switching from the defined benefit plan to the new defined contribution plan. At year-end 2023, 52% of employees were active participants in the defined benefit plan and 48% in the defined contribution plan (the corresponding figures at year-end 2022 were 55% and 45%).
- The expected age of retirement of each employee and the expected wage inflation based on an inflation curve derived from the market value of inflation-linked bonds are taken into account in the calculation of the gross defined benefit obligations. In 2023, market data was adopted in full without levelling off percentages and the term of the market data was extended from 22 to 30 years.
- Since 1 January 2020, the insurance risks related to death and disability are fully reinsured through an external reinsurance programme.
- The KBC Pension Fund believes in a balanced ESG approach that allows improvement of the greenhouse gas intensity but also considers other environmental themes such as biodiversity and social and governance issues. As regards the management of the assets, the share of responsible investments came to around 89% at the end of December. The aim is for the KBC Pension Fund investment portfolio to be carbon-neutral by 2050. At the end of September 2023, the greenhouse gas intensity of the shares held in portfolio was roughly 40% of the MSCI World AC benchmark, for the corporate bonds held in portfolio it was roughly 36% of the Iboxx Euro Corporates benchmark and for the government bonds held in portfolio it was roughly 121% of the JPM EMU Government Bond benchmark, a decrease from 2019 of 56%, 40% and 25%, respectively.
- As a result of the higher average interest rates, the pension reserves of participants are often higher than the retirement benefit obligations calculated as the present value of the guaranteed minimum pension capital under the defined contribution plan. In 2023, the net asset was therefore reduced by the difference between the retirement benefit obligations calculated in this way and the higher guaranteed minimum reserves and/or the pension reserves calculated using the assigned fund return. The difference at the end of 2023 was 41 million euros and has been added to 'Adjustments to asset ceiling limits', resulting in the net asset being reduced by this amount. As, in the previous year, the retirement benefit obligations for the defined contribution plan were expressed as the maximum between the present retirement benefit obligations and the guaranteed minimum reserves, interest rate sensitivity is now higher.
- In the second quarter of 2023, the model was adjusted by replacing an external supplier's discount curve with a KBC curve that is based on Bloomberg data on the prices of AA-rated corporate bonds. If the same method had been used to determine the curve at the beginning of the year, the retirement benefit obligation would have been 25 million euros lower.
- There are no significant defined benefit plans in the group's other core countries.

Additional information on retirement benefit obligations (in millions of EUR)	**2023**	**2022**	**2021**	**2020**	**2019**
Changes in main headings in the main table					
Defined benefit obligations	2 724	2 580	3 335	3 387	3 212
Fair value of plan assets	2 936	2 746	3 244	2 849	2 791
Unfunded accrued/prepaid pension cost	142	153	-128	-537	-457
Impact of changes in the assumptions used in the actuarial calculation of plan assets and retirement benefit obligations					
Impact on plan assets	0	0	0	0	0
Impact on retirement benefit obligations*	149	-825	-35	253	250

* Arising from defined benefit plans. A plus sign indicates an increase in the (absolute value of) the obligation, a minus sign a decrease.

Additional information on retirement benefit obligations: DEFINED BENEFIT PLANS, KBC pension fund	
Composition (31-12-2023)	
Equity instruments	31%
Bonds	55%
Real estate	13%
Cash	1%
of which illiquid assets	*17%*

Composition (31-12-2022)	
Equity instruments	37%
Bonds	46%
Real estate	14%
Cash	3%
of which illiquid assets	*18%*
Contributions expected in 2024 (in millions of EUR)	42
Regulatory framework	Pension plans are registered in collective labour agreements and incorporated into a set of regulations. Annual reporting of funding levels to supervisory authorities (FSMA/NBB). Any underfunding must be reported immediately to the supervisory authorities.
Risks for KBC	Investment risk and inflation risk.
ALM policy	The hedging portfolio hedges against interest rate risk and inflation risk using interest rate swaps. The return portfolio aims to generate an extra return.
Plan amendments	A new version of the employer-funded defined contribution plan was introduced on 1 January 2019. All employees who had been signed up to the defined benefit plan were given the one-time option of switching to this new plan.
Curtailments and settlements	Not applicable.
Discounting method	Based on quotes for various time buckets of AA-rated corporate bonds. The derived bond yields are converted into a zero coupon curve.
Key actuarial assumptions	
• Average discount rate	3.20%
• Expected rate of salary increase	2.75%
• Expected inflation rate	2.42%
• Expected rate of increase in pensions	–
• Weighted average duration of the obligations	10 years
Impact of changes in the assumptions used in the actuarial calculation of the retirement benefit obligations	
Increase in the retirement benefit obligations on 31-12-2023 consequent on:	
• a decrease of 1% in the discount rate	11.83%
• an increase of 1% in the expected inflation rate	9.17%
• an increase that is 1% higher than the expected real increase in salary	12.18%
• an increase of one year in life expectancy	–
The impact of the following assumptions has not been calculated:	Decreasing mortality rates. Pension benefits are paid out in capital, so longevity risk is immaterial. Staff turnover rates: the impact of the changes remains limited.

Additional information on retirement benefit obligations: DEFINED CONTRIBUTION PLANS, KBC pension fund

Contributions expected in 2024 (in millions of EUR)	45
Regulatory framework	Pursuant to the Belgian Supplementary Pensions Act, the employer must guarantee a minimum return of 1.75% on employee and employer contributions.
Risks for KBC	Investment risk.
Valuation	Retirement benefit obligations are measured on the basis of the accrued benefits on the reporting date, making a projection of these benefits (at the rate of interest guaranteed by law) until the expected age of retirement, and discounting the resulting benefits. KBC offers two types of defined contribution plan: one that is financed through employee contributions and one through employer contributions. The valuation of retirement benefit obligations for the employer-funded defined contribution plan takes account of future contributions. However, it is not taken into account for the valuation of the employee-funded defined contribution plan, because the employer's obligation for that plan only relates to the guaranteed minimum interest rate.
Discounting method	Based on quotes for various time buckets of AA-rated corporate bonds. The derived bond yields are converted into a zero coupon curve.
Key actuarial assumptions	
• Average discount rate	3.31%
• Weighted average duration of the obligations	16 years
Impact of changes in the assumptions used in the actuarial calculation of the retirement benefit obligations	
Increase in the retirement benefit obligations on 31-12-2023 consequent on:	
• a decrease of 1% in the discount rate	19.0%

Note 5.10: Parent shareholders' equity and additional tier-1 instruments

Quantities	31-12-2023	31-12-2022
Ordinary shares	417 305 876	417 169 414
of which ordinary shares that entitle the holder to a dividend payment	*408 508 807*	*417 169 414*
of which treasury shares	*8 801 316*	*2*
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

- Ordinary shares: ordinary shares of no nominal value. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued. The shares are listed on Euronext Brussels.
- Capital increases: the number of KBC Group NV shares went up by 136 462 in 2023 and by 285 822 in 2022, due to new shares being issued following the capital increases reserved for staff. For more information, see the 'Company annual accounts and additional information' section.
- Treasury shares:
  - On 10 August 2023, KBC Group NV announced a treasury share buyback programme with a view to dividing excess capital, for which it obtained the required permission from the ECB. An agent was mandated to repurchase KBC shares on the regulated market of NYSE Euronext Brussels on behalf of KBC Group NV until 31 July 2024, for a maximum of 1.3 billion euros. The shares are repurchased subject to the conditions stated in the authorisation granted by the General Meeting of 5 May 2022. Under this authorisation, the Board of Directors is authorised to repurchase a maximum of 10% of the treasury shares under specific conditions and at a price that may not be lower than 1 euro or higher than 110% of the last closing price on Euronext Brussels preceding the date of acquisition. The programme can be put on hold, suspended or discontinued at any time if this is considered appropriate in view of KBC Group's strategy, its capital position or market conditions. Every week, we give an update of the share buyback programme by means of a press release and at www.kbc.com. In 2023, a total of 8 797 069 treasury shares were repurchased in several transactions for a total rounded amount of 497 million euros.
  - On 31 December 2023, KBC group companies also held 4 247 KBC shares in portfolio, 4 245 of which serve to hedge outstanding derivatives on indices that include KBC Group shares.
- Additional tier-1 (AT1) instruments (these securities are classified as equity instruments under IAS 32 and the coupon is treated as a dividend):
  - In April 2018, KBC issued 1 billion euros in AT1 securities (a perpetual AT1 instrument with a seven year first-call date and a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 4.25% per annum, which is payable every six months).
  - In February 2019, KBC issued 500 million euros in AT1 securities (a perpetual AT1 instrument with a five year first-call date and a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 4.75% per annum, which is payable every six months). Under CRR Article 78(1)(a), KBC asked the ECB for permission to call this instrument in March 2024. Under agreement EBA Q&A 2023_6791 of 15 September 2023, the instrument is disqualified as tier-1 capital in the solvency calculations as soon as the replacement instrument is issued (this placement occurred in early September; see below). This instrument was called on 5 March 2024.
  - In September 2023, KBC issued 750 million euros in AT1 securities (a perpetual AT1 instrument with a first-call date of five years, a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 8.00% per annum, which is payable every six months).

Note 5.11: 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' (IFRS 5)

KBC Bank Ireland: Non-current assets held for sale and disposal groups and Liabilities associated with disposal groups (in millions of EUR)	31-12-2022
ASSETS	
Loans and advances to customers (excl. reverse repos)	8 049
Consumer credit	*18*
Mortgage loans	*7 938*
Term loans	*84*
Current account advances	*10*
LIABILITIES	
Deposits from customers and debt securities (excl. repos)	1 929
Demand deposits	*303*
Time deposits	*494*
Savings accounts	*1 132*
Deposits from credit institutions and investment firms (excl. repos)	91
Of which repayable on demand	*35*

- In October 2021, KBC Bank Ireland confirmed that it had entered into a legally binding agreement with Bank of Ireland relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland Group (see Note 6.6 for more details). These sales resulted in a shift to the 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' items The sale was finalised in February 2023.
- Maximum credit exposure: the maximum credit risk associated with 'Non-current assets held for sale and disposal groups' amounted to 8.0 billion euros at year-end 2022, of which 7.9 billion euros in collateral and other credit enhancements received.

6.0 Other notes

Note 6.1: Off-balance-sheet commitments and financial guarantees given and received

(in millions of EUR)			31-12-2023			31-12-2022
	Nominal amount	Provision	Net exposure	Nominal amount	Provision	Net exposure
Undrawn portion of credit lines granted						
Stage 1	41 551	20	41 531	39 134	17	39 117
Stage 2	6 683	14	6 670	8 077	26	8 051
Stage 3	79	5	73	51	13	38
Total	48 313	39	48 274	47 262	56	47 206
of which irrevocable credit lines	*27 856*	*23*	*27 833*	*26 618*	*27*	*26 591*
Financial guarantees given						
Stage 1	7 860	2	7 859	7 600	2	7 598
Stage 2	2 952	6	2 947	3 139	8	3 131
Stage 3	133	44	90	119	44	76
Total	10 946	51	10 895	10 858	54	10 805
Other commitments given						
Total	1 421	1	1 420	1 440	4	1 436
Off-balance-sheet commitments and financial guarantees						
Total	60 680	91	60 589	59 561	114	59 447

- Fair value of financial guarantees: based on the available market value.
- The carrying value of financial assets pledged by KBC as collateral came to 36 842 million euros for liabilities and 4 489 million euros for contingent liabilities (59 753 million euros and 5 291 million euros, respectively, in 2022). At year-end 2023, some 18.9 billion euros' worth of residential mortgage loans and cash collections were entered in the cover asset register for the special estate of the covered bond programme (16.6 billion euros at year-end 2022).
- There is an obligation to return collateral received (which may be sold or repledged in the absence of default by the owner; see table) in its original form, or possibly in cash. Collateral can be called in if loans are terminated for various reasons such as default or bankruptcy. In the event of bankruptcy, the collateral will be sold by the receiver. In other cases, the bank will organise the foreclosure itself or take possession of the collateral. Collateral received that relates to OTC derivatives is primarily cash, which is recognised by KBC on the balance sheet (and is not included in the table). More details are provided in Note 4.3.
- Collateral acquired through foreclosure came to 3 million euros in 2023 (4 million euros in 2022).

Collateral received (which may be sold or repledged in the absence of default by the owner) (in millions of EUR)	Fair value of collateral received		Fair value of collateral sold or repledged	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Financial assets	42 215	30 126	5 267	7 792
Equity instruments	21	16	2	2
Debt securities	41 959	29 876	5 265	7 790
Loans and advances	235	234	0	0
Cash	0	0	0	0
Other	0	0	0	0

- In the years 2016-2022, KBC contributed to the Single Resolution Fund (SRF) by means of irrevocable payment commitments (IPCs) in the amount of 90 million euros, which are fully covered by cash collateral. In line with industry practice, the following accounting treatment is applied to IPCs: (°) the amount of cash collateral is recognised as a financial asset and (°) the hypothetical fund call in case of a resolution is reported as a contingent liability. The recognition of the cash collateral as a financial asset is based on the consideration that, in any scenario, the collateral should be returned to the bank and that interest is received on the amount outstanding. In a recent decision, the General Court of the EU ruled that in a scenario in which a bank loses its banking license, it has no claim on the cash collateral. KBC decided to await the outcome of the appeal in this case at the European Court of Justice before considering the potential implications on the accounting treatment of IPCs. The 90 million euros is deducted in the calculation of the common equity capital.

Note 6.2: Leasing

(in millions of EUR)	31-12-2023	31-12-2022
Finance lease receivables		
Gross investment in finance leases, receivable	7 824	6 836
At not more than one year	*1 925*	*1 378*
At more than one but not more than five years	*4 551*	*4 069*
At more than five years	*1 349*	*1 389*
Unearned future finance income on finance leases	627	468
Net investment in finance leases	7 198	6 368
At not more than one year	*1 766*	*1 226*
At more than one but not more than five years	*4 178*	*3 842*
At more than five years	*1 254*	*1 300*
of which unguaranteed residual values accruing to the benefit of the lessor	41	36
Accumulated impairment for uncollectable lease payments receivable	31	35
Contingent rents recognised in the income statement	110	111
Operating lease receivables		
Future aggregate minimum rentals receivable under non-cancellable operating leases	694	513
Contingent rents recognised in the income statement	1	0

- KBC acts only to a limited extent as a lessee in operational and financial leasing.
- Finance leases: KBC offers finance lease products ranging from equipment and vehicle leasing to real estate leasing. In Belgium, finance leases are typically sold through KBC group's branch network, and that channel is becoming increasingly important in Central Europe, too.
- Operating leases: involve primarily full service car leases, which are sold through the KBC Bank and CBC Banque branch network and through an internal sales team. Full service car leasing activities are being further developed in Central Europe, too. The increased importance of leasing hybrid and all-electric vehicles supports the transition to green mobility, and the segment of (electric) company bicycles also continued to grow.
- We report on estimated greenhouse gas emissions associated with lending, leasing and other activities and, in that context, have defined objectives for reducing the greenhouse gas intensity of our financial and operational car leasing. See 'Focus on the climate and the environment' in the 'Report of the Board of Directors' section for a more detailed explanation (the statutory auditor has not audited this section). More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

Note 6.3: Related-party transactions

Transactions with related parties, excluding key management (in millions of EUR)	2023 Subsi-diaries	2023 Associated companies	2023 Joint ventures	2023 Other	2023 Total	2022 Subsi-diaries	2022 Associated companies	2022 Joint ventures	2022 Other	2022 Total
Assets	161	100	25	0	287	147	107	33	0	287
Loans and advances	15	81	0	0	96	15	89	0	0	104
Equity instruments (including investments in associated companies and joint ventures)	146	19	25	0	191	131	19	33	0	184
Other	0	0	0	0	0	0	0	0	0	0
Liabilities	45	80	0	677	803	54	74	0	593	721
Deposits	41	23	0	674	738	54	10	0	590	654
Other financial liabilities	0	0	0	0	0	0	0	0	0	0
Other	4	58	0	3	65	1	63	0	3	67
Income statement	7	-3	0	1	6	-1	-2	0	-1	-3
Net interest income	0	1	0	0	1	0	1	0	0	0
Interest income	*0*	*2*	*0*	*0*	*2*	*0*	*2*	*0*	*0*	*2*
Interest expense	*-1*	*-1*	*0*	*0*	*-2*	*0*	*-1*	*0*	*0*	*-1*
Insurance revenues before reinsurance	0	0	0	0	0	0	0	0	0	0
Insurance service expenses before reinsurance	0	0	0	0	0	0	0	0	0	0
Dividend income	10	0	0	4	14	4	1	0	4	9
Net fee and commission income	0	0	0	2	2	1	0	0	2	3
Fee and commission income	*0*	*0*	*0*	*2*	*2*	*1*	*0*	*0*	*2*	*3*
Fee and commission expense	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other net income	0	-1	0	0	-1	1	-1	0	0	0
Total operating expenses excluding bank and insurance tax	-3	-2	0	-5	-10	-7	-2	0	-7	-16
Undrawn portion of loan commitments, financial guarantees and other commitments										
Given by the group	0	1	0	150	151	0	0	0	50	50
Received by the group	0	0	0	0	0	0	0	0	0	0

Transactions with key management (members of the Board of Directors and Executive Committee of KBC Group NV) (in millions of EUR)*	2023	2022
Total*	15	13
Breakdown by type of remuneration		
Short-term employee benefits	12	11
Post-employment benefits	2	2
Defined benefit plans	*0*	*0*
Defined contribution plans	*2*	*2*
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payments	0	0
Stock options (units)		
At the beginning of the period	0	0
Granted	0	0
Exercised	0	0
Composition-related changes	0	0
At the end of the period	0	0
Advances and loans granted to key management and partners	1	1

* Remuneration to key management or partners of the consolidating company on the basis of their activity in that company, its subsidiaries and associated companies, including the amount of retirement pensions granted to former key management staff on that basis.

- The ‘Subsidiaries’ heading in the first table includes transactions with unconsolidated subsidiaries (transactions with consolidated subsidiaries have already been eliminated from the consolidated financial statements).
- The ‘Other’ heading in the first table includes KBC Ancora, Cera and MRBB.
- All related-party transactions occur at arm’s length.
- Key management comprises the members of the Board of Directors and Executive Committee of KBC Group NV. More detailed information on remuneration paid to key management staff is provided in the ‘Corporate governance statement’ section.
- There were no significant impairment charges vis-à-vis related parties.

Note 6.4: Statutory auditor’s remuneration

Statutory auditor’s remuneration (PwC, in EUR)	2023	2022
KBC Group NV and its subsidiaries		
Standard audit services	8 547 038	8 524 658
Other services		
Other certifications	1 007 482	892 844
Tax advice	0	0
Other non-audit assignments	1 351	2 225
KBC Group NV (alone)		
Standard audit services	237 914	570 825
Other services	440 228	250 890

Note 6.5: Subsidiaries, joint ventures and associated companies

KBC Group: main companies included in the scope of consolidation at year-end 2023

Company	Registered office	Company number	Share of capital held at group level (in %)	Business unit*	Activity
KBC Bank (group)					
KBC Bank NV	Brussels – BE	0462.920.226	100.00	BEL/GRP	credit institution
CBC BANQUE SA	Namur – BE	0403.211.380	100.00	BEL	credit institution
Československá Obchodná Banka a.s.	Bratislava – SK	--	100.00	IMA	credit institution
Československá Obchodní Banka a.s.	Prague – CZ	--	100.00	CZR	credit institution
KBC Asset Management NV	Brussels – BE	0469.444.267	100.00	BEL	asset management
KBC Autolease NV	Leuven – BE	0422.562.385	100.00	BEL	leasing
KBC Commercial Finance NV	Brussels – BE	0403.278.488	100.00	BEL	factoring
KBC IFIMA SA	Luxembourg – LU	--	100.00	GRP	Finance
KBC Securities NV	Brussels – BE	0437.060.521	100.00	BEL	stockbroker
K&H Bank Zrt.	Budapest – HU	--	100.00	IMA	credit institution
Loan Invest NV	Brussels – BE	0889.054.884	100.00	BEL	securitisation
United Bulgarian Bank AD	Sofia – BG	--	99.96	IMA	credit institution
KBC Insurance (group)					
KBC Insurance NV	Leuven – BE	0403.552.563	100.00	BEL/GRP	insurance company
ADD NV	Heverlee – BE	0406.080.305	100.00	BEL	insurance broker
KBC Group Re SA	Luxembourg – LU	--	100.00	GRP	reinsurance company
ČSOB Pojišťovna a.s.	Pardubice – CZ	--	100.00	CZR	insurance company
ČSOB Poisťovňa a.s.	Bratislava – SK	--	100.00	IMA	insurance company
DZI (group)	Sofia – BG	--	100.00	IMA	insurance company
Groep VAB NV	Zwijndrecht – BE	0456.920.676	100.00	BEL	driving school/roadside assistance
K&H Biztosító Zrt.	Budapest – HU	--	100.00	IMA	insurance company
KBC group					
DISCAI NV	Brussels – BE	0773.435.537	100.00	GRP	software company
KBC Group NV	Brussels – BE	0403.227.515	100.00	GRP	bank-insurance holding company
KBC Bank (group)	various locations	--	100.00	various	credit institution
KBC Global Services NV	Brussels – BE	0772.332.707	100.00	GRP	cost-sharing structure
KBC Insurance (group)	various locations	--	100.00	various	insurance company

* BEL: Belgium Business Unit; CZR: Czech Republic Business Unit: IMA: International Markets Business Unit; GRP = Group Centre.

- The KBC group's legal structure has one single entity – KBC Group NV – in control of two underlying companies, viz. KBC Bank NV and KBC Insurance NV, as well as companies such as DISCAI NV and KBC Global Services NV. KBC Bank and KBC Insurance have several subsidiaries and sub-subsidiaries. A complete list of group companies (included in or excluded from the scope of consolidation) is provided at www.kbc.com > About us > Our structure.
- All (material) entities (including structured entities (SPVs)) over which the consolidating entity exercises, directly or indirectly, exclusive control are consolidated according the method of full consolidation. To assess whether or not structured entities have to be consolidated, KBC uses the principles set out in IFRS 10, as well as thresholds for inclusion in consolidation.
- Disclosures of interests in other entities (IFRS 12)
  - Significant judgements and assumptions
    - In general, funds managed by KBC are not included in the scope of consolidation, as they do not meet the three criteria of control (power, exposure to a variable return and ability to use such power to affect those returns).
    - Joint entities in which KBC does not hold 50% of the share capital are classified as joint ventures, since it has joint control over these entities based on shareholder agreements. Based on the Articles of Association and/or shareholder agreements, voting rights in (and therefore the control of) the joint venture are spread evenly across the different shareholders and decisions may only be taken by unanimity.
  - Interests in subsidiaries
    - For the vast majority of the entities, the voting rights are materially equal to the ownership rights.
    - Pursuant to the joint capital decision, specific pillar-II levels have been set to ensure that certain minimum capital ratios are respected, which impose certain restrictions on the repatriation of capital and distribution of dividends.
    - With regard to Loan Invest NV, KBC is exposed to loan losses on the mortgage portfolio and, therefore, recognises impairment losses on them where necessary.
  - Interests in unconsolidated structured entities
    - KBC Bank NV is arranger and dealer of a number of 40-billion-euro medium term notes programmes issued by 19 unconsolidated structured entities established for that purpose. These entities were established between 2006 and 2016 under the Irish Companies Act 2014 as an Irish public limited company or an Irish private limited company. Their primary business is to raise money by issuing notes in order to buy financial assets (such as securities, bonds and deposits) and to enter into related derivative and other contracts. They provide investment opportunities for clients by providing economies of scale, a diversification of credit risk and a high level of granularity. Each structured entity has a prospectus that was approved by the Central Bank of Ireland (available at www.kbc.be/prospectus/spv). However, the structured entities are not consolidated because they fail to meet the three criteria for consolidation (power, exposure to a variable return and ability to use such power to affect those returns). At year-end 2023, the assets under management at these entities amounted to 5.4 billion euros.
    - Sponsored unconsolidated structured entities are defined as structured entities where KBC or one of its subsidiaries acts as arranger of the issuance programme, but where the decision-making power of the entities does not reside with KBC or one of its subsidiaries. As a result, these entities are not consolidated.
    - In 2023, KBC had received income from unconsolidated structured entities in the form of management fees (17 million euros) and accounting fees (1 million euros).
    - At year-end 2023, KBC held 1.8 billion euros' worth of notes issued by the unconsolidated structured entities. Its liabilities towards the unconsolidated structured entities amounted to 0.9 billion euros and comprised mainly time deposits (0.9 billion euros).
    - Any potential decrease in the value of the notes is passed on to the end-client, which means it will have no impact on KBC.
- At year-end 2023, no group companies were active in the extractive industry. As a result, no consolidated report on payments to governments has been prepared (see Art.3:8 § 1 of the Companies and Associations Code).

Note 6.6: Main changes in the scope of consolidation

- 2022: Acquisition of Bulgarian activities from Raiffeisen Bank International (KBC Bank Bulgaria)
  - In July 2022, we finalised the agreement with Raiffeisen Bank International on the acquisition of 100% of the shares in Raiffeisenbank (Bulgaria) EAD for a total consideration of 1 009 million euros in cash (the deal did not contain any contingent consideration arrangements). The transaction also includes the subsidiaries Raiffeisen Leasing Bulgaria, Raiffeisen Asset Management (Bulgaria), Raiffeisen Insurance Broker and Raiffeisen Service. Raiffeisenbank (Bulgaria) EAD was renamed KBC Bank Bulgaria EAD, and the subsidiaries were also renamed. The bank had a market share in Bulgaria of an estimated 8% in terms of assets, a network of 122 bank branches, roughly 2 500 employees and 600 000 clients.
  - The transaction had already been finalised at year-end 2022 and was therefore included in the consolidated balance sheet figures of year-end 2022. The results of KBC Bank Bulgaria have been fully consolidated in the income statement since the third quarter of 2022. The impact in the second half of 2022 amounted to: +108 million euros in total income (mainly 70 million euros in net interest income and 36 million euros in net commission income), -51 million euros in operating expenses, -5 million euros in impairment and +47 million euros in result after tax.
  - KBC recognised goodwill of 436 million euros in its consolidated financial statements, taking into account limited fair value adjustments. This is accounted for by the quality of the acquired entity, which is expressed in the qualitative loan portfolio and profitability (based on the results achieved in previous years and the business plan for the years ahead). It allows KBC to expand its client base and benefit from economies of scale (through considerable cost synergies for the office network and head office in Bulgaria and through revenue synergies, including from higher sales of DZI insurance products) and greater visibility as a result. The acquisition offers KBC the opportunity to earmark its surplus capital for a value-increasing transaction in a market that the group is highly familiar with. Goodwill is not deductible for tax purposes.
  - The transaction had an impact of -0.9 percentage points on KBC Group's common equity ratio in the third quarter of 2022.
  - KBC Bank Bulgaria merged with United Bulgarian Bank (UBB) in April 2023.

- Sale of activities in Ireland (2022 and 2023)
  - At the end of August, KBC Bank Ireland reached agreement on the disposal of a non-performing mortgage loan portfolio of roughly 1.1 billion euros in a transaction financed by funds managed by CarVal Investors. The deal was finalised in early February 2022. The loans will be managed by Pepper Finance Corporation (Ireland) DAC as the legal title holder of the loans. Pepper is supervised by the Central Bank of Ireland.
  - In October 2021, KBC Bank Ireland also confirmed that it had entered into a legally binding agreement with Bank of Ireland relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland Group The latter also acquired a small non-performing mortgage loan (and credit card balances) portfolio. The transaction was finalised on 3 February 2023. The acquisition, initially totalling approximately 6.5 billion euros, includes approximately 7.6 billion euros in performing mortgage loans, approximately 0.1 billion euros in mainly performing commercial and consumer loans, approximately 0.1 billion euros in non-performing mortgage loans and approximately 1.8 billion euros in deposits.
  - The transaction had an impact on the income statement of +0.4 billion euros in 2023 (see the detailed table below). Once finalised, the transaction also positively impacted the common equity ratio by approximately 0.9 percentage points in the first quarter of 2023 (partly due to a reduction in risk-weighted assets).
  - Also see Note 5.11.

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Impact of the acquisition of Raiffeisenbank Bulgaria in 2022 (in millions of EUR)	2022: Raiffeisenbank Bulgaria
Percentage of shares bought or sold in the relevant year	purchase 100.00%
Percentage of shares after deal	100.00%
For business unit	International Markets
Deal date (month and year)	July 2022
Results of the relevant company/business recognised in the group result as from:	July 2022*
Purchase price or sale price	1 009
Cashflow for acquiring or selling companies less cash and cash equivalents acquired or sold	-42
Amounts recognised for the purchased assets and liabilities (fair value)	
Situation on:	7 July 2022
Cash and cash balances with central banks	1 053
Financial assets	4 686
Amortised cost	*4 521*
Fair value through OCI	*132*
Fair value through profit or loss	*30*
Hedging derivatives	*4*
Tax assets	2
Investments in associated companies and joint ventures	2
Property and equipment	35
Goodwill and other intangible assets	15
Other assets	20
Cash and cash equivalents (included in the above assets)	*1 053*
Financial liabilities	5 150
Held for trading	*19*
Amortised cost	*5 130*
Provisions for risks and charges	9
Other liabilities	21
Cash and cash equivalents (included in the above liabilities)	*28*

* A further 58 million euros was paid for an additional tier-1 instrument issued by Raiffeisenbank Bulgaria, included in equity at nominal value.

Impact of the transactions relating to Ireland on financial year 2022 and 2023: one-off items* (in millions of EUR)	Sale transaction for non-performing loans	Sale transaction for remaining loans and deposits and scheduled settlement	Total
2023			
Total income	–	409	409
of which Other net income	–	*408*	*408*
Operating expenses	–	-11	-11
Impairment	–	-5	-5
*on financial assets at amortised cost and at fair value through OCI**	–	*6*	*6*
other	–	*-11*	*-11*
Income tax expense	–	-28	-28
RESULT AFTER TAX	–	365	365
2022			
Total income	6	1	6
Operating expenses	0	-32	-33
Impairment	-2	-38	-41
*on financial assets at amortised cost and at fair value through OCI**	*-2*	*-15*	*-17*
other	*0*	*-24*	*-24*
Income tax expense	0	36	36
RESULT AFTER TAX	3	-35	-31

* The impairment is caused by a comparison between the sale price of the impaired loans and the net carrying value of the underlying loans.

Note 6.7: Risk management and capital adequacy

Capital management is a key management process relating to all decisions on the level and composition of our capital, both for banking and for insurance. It covers all instruments that are positioned to absorb losses in going concern and/or gone concern situations. Capital management aims to achieve the best possible balance between regulatory requirements, investor expectations, rating agencies' views and management ambitions. Ultimate accountability for capital management lies with the Board of Directors. Capital management entails a broad scope of activities covering strategic topics (such as defining policies, targets, etc.), frameworks and models (e.g., for regulatory capital, internal capital, cost of equity, measuring performance, etc.), planning and allocation (e.g., allocating capital to business, planning capital instrument issuances, forecasting capital ratios, etc.), implementation (e.g., dividends, capital transactions) and monitoring (including current solvency positions at various levels, compliance with group policies and regulatory requirements). ICAAP (Internal Capital Adequacy Assessment Process) consists of numerous business and risk processes that together contribute to the aim of being adequately capitalised at all times in view of our risk profile and the quality of our risk management and control environment. In addition to the integrated approach at group level, KBC Insurance and its insurance and reinsurance subsidiaries conduct an Own Risk and Solvency Assessment (ORSA) on a regular basis, in accordance with Solvency II requirements.

We report the solvency based on IFRS data and according to the rules imposed by the regulator.

- For the KBC group and KBC Bank, this implies that we calculate the solvency ratios based on CRR/CRD. KBC began applying the transitional provisions for IFRS 9 and certain tier-2 instruments on 30 June 2020. KBC has received authorisation from the regulator to apply a risk weighting to the participation in KBC Insurance (Danish compromise method) at KBC group level. The KBC group and KBC Bank are subject to minimum solvency ratios.
- In accordance with the regulatory requirement, the common equity ratio of the KBC group must be 10.92% (fully loaded) at year-end 2023. This includes the pillar 1 minimum requirement (4.5%), the pillar 2 requirement (1.05 set by the ECB following its supervisory review and evaluation process) and the buffer requirements (5.38% set by the local competent authorities in KBC's core markets). At year-end 2023, the fully loaded common equity ratio came to 15.2% (see the 'How do we manage our capital?' section for more information). At year-end 2023, the transitional common equity ratio came to 13.8%, which represented a capital buffer of 3.4% relative to the minimum requirement of 10.45%.
- In accordance with the regulatory requirement, the common equity ratio of KBC Bank must be 10.50% (transitional) at year-end 2023. At year-end 2023, the transitional common equity ratio was 13.4%.
- The solvency of KBC Insurance is calculated on the basis of Solvency II (the minimum requirement is 100%). At year-end 2023, the Solvency II ratio came to 206% relative to the minimum requirement of 100%.

Key solvency figures for the KBC group, KBC Bank and KBC Insurance (in millions of EUR)	KBC group (consolidated) CRR/CRD transitional		KBC Bank (consolidated) CRR/CRD transitional		KBC Insurance (consolidated) Solvency II	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Total regulatory capital, after profit appropriation	19 768	18 742	17 952	17 516	4 130	3 721
Tier-1 capital	17 389	16 974	15 573	15 749	3 629	3 220
Common equity	15 639	15 474	13 823	14 249	–	–
Parent shareholders' equity (after deconsolidating KBC Insurance for the KBC group)	*18 209*	*16 982*	*15 450*	*15 618*	*3 302*	*2 157*
Solvency adjustments	*-2 571*	*-1 508*	*-1 627*	*-1 370*	*327*	*1 063*
Additional going concern capital[1]	1 750	1 500	1 750	1 500	–	–
Tier-2 capital[2]	2 379	1 767	2 379	1 768	501	501
Total weighted risk volume (RWA)[3]	113 029	109 966	103 192	100 285	–	–
Credit risks	*88 042*	*84 988*	*88 042*	*84 988*	–	–
Market risks	*2 116*	*3 132*	*2 116*	*3 132*	–	–
Operational risks	*13 034*	*12 166*	*13 034*	*12 166*	–	–
Insurance risks	*9 133*	*9 133*	–	–	–	–
Holding-company activities and elimination of intragroup transactions	*704*	*548*	–	–	–	–
Solvency capital requirement (insurance)	–	–	–	–	2 005	1 833
Common equity ratio (group, bank)	13.8%	14.1%	13.4%	14.2%	–	–
Solvency II ratio (insurance)	–	–	–	–	206%	203%

1 Includes perpetual subordinated loans with fully discretionary, non-cumulative interest payments. The securities also have a loss absorption mechanism (i.e. a temporary write-down trigger should the common equity tier-1 ratio fall below 5.125%). Also see Note 5.10.
2 Includes subordinated loans with a fixed maturity date where principal and interest payments cannot be cancelled in a going concern.
3 Supervision of the RWA internal models' compliance with the approval criteria as provided for in the standards imposed by the regulator does not come under the responsibility of the statutory auditor.

- More detailed information is provided in the ‘How do we manage our capital?’ section of this report and in KBC’s Risk Report.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the ‘How do we manage our risks?’ section (under ‘Credit risk’). The information required in relation to risks is provided in those parts of the ‘How do we manage our risks?’ section which have been audited by the statutory auditor and which constitute part of the financial statements.

Note 6.8: Post-balance-sheet events

Significant non-adjusting events between balance sheet date and the date on which the financial statements were approved for publication by the Board of Directors (14 March 2024):
- On 5 March 2024 KBC Group NV announced to call the Additional Tier-1 Securities (ISIN:BE0002638196) issued in 2019 (see Note 5.10).

Note 6.9: General information on the company

- Name: KBC Group.
- Incorporated: 9 February 1935 as the Kredietbank; the present name dates from 2 March 2005.
- Country of incorporation: Belgium.
- Registered office: Havenlaan 2, 1080 Brussels, Belgium.
- VAT: BE 0403.227.515.
- RLP: Brussels.
- Website: https://www.kbc.com
- E-mail address reserved for shareholders and bondholders: IR4U@kbc.be
- Legal form: *naamloze genoteerde vennootschap* (listed company with limited liability) under Belgian law. The company is a mixed financial holding company that is subject to the prudential supervision of the National Bank of Belgium and the European Central Bank.
- Life: undefined.
- Object (Article 2 of the Articles of Association, which are available at www.kbc.com):
  The company has as its object the direct or indirect ownership and management of shareholdings in other companies, including but not restricted to credit institutions, insurance companies and other financial institutions.
  The company also has as object to provide services to third parties, either for its own account or for the account of others, including to companies in which the company has an interest – either directly or indirectly – and to (potential) clients of those companies.
  The object of the company is also to acquire in the broadest sense of the word (including by means of purchase, hire and lease), to maintain and to operate resources, and to make these resources available in the broadest sense of the word (including through letting and granting rights of use) to the beneficiaries referred to in the second paragraph.
  In addition, the company may function as an intellectual property company responsible for, among other things, the development, acquisition, management, protection and maintenance of intellectual property rights, as well as for making these rights available, granting rights of use in respect of these rights and/or transferring these rights.
  The company may also perform all commercial, financial and industrial transactions that may be useful or expedient for achieving the object of the company and that are directly or indirectly related to this object. The company may also by means of subscription, contribution, participation or in any other form whatsoever participate in all companies, businesses or institutions that have a similar, related or complementary activity.
  In general, the company may, both in Belgium and abroad, perform all acts which may contribute to the achievement of its object.
- Documents open to public inspection: the Articles of Association of the company can be found at the Registry of the Dutch-speaking division of the Brussels Business Court and at www.kbc.com and www.notaris.be/statuten. The financial statements, the annual report and the statutory auditor's reports regarding the financial statements are filed with the National Bank of Belgium and are available at www.kbc.com. The annual report can also be obtained from the company's registered office and will be sent to those requesting it. Extracts of minutes concerning decisions on the appointment and the termination of the offices of members of the Executive Committee and the Board of Directors are published in the appendices to the Belgian Official Gazette. Financial reports about the company are published in the financial press and/or on www.kbc.com. Convening notices of general meetings of shareholders are published in the Belgian Official Gazette, in at least one national newspaper, in the media and on www.kbc.com.
- For information on the general meeting of shareholders and the right of shareholders to take part in such meetings, see Article 23 et seq. of the Articles of Association, which are available at www.kbc.com.

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF KBC GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of KBC Group NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 5 May 2022, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the Group's consolidated accounts for eight consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cashflow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 346.921 million and a profit for the year (attributable to equity holders of the parent) of EUR 3.402 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Estimation uncertainty with respect to impairment allowances for loans and advances

Description of the Key Audit Matter

The appropriateness of impairment allowances for loans and advances measured at amortised cost requires significant management judgement. Measuring impairment allowances for loans and advances measured at amortised cost under IFRS 9 requires an assessment of the 12-month or the lifetime expected credit losses and the assessment of significant increases in credit risk or whether loans and advances measured at amortised cost have defaulted.

The geopolitical and emerging risks that have arisen in the course of 2022 continue to limit the ability of the expected credit models to adequately reflect all the consequences of the resulting economic conditions, requiring the recognition of post-model adjustments in addition to the expected credit loss provisions produced by the models.

Information regarding impairment allowances for loans and advances measured at amortised cost, including information concerning the impact of the geopolitical and emerging risks, is included in Notes 3.9 and 4.2 to the consolidated accounts, in application of the policies as described in Note 1.2 "Summary of significant accounting policies".

At year-end 31 December 2023, the carrying value before impairment of loans and advances measured at amortised cost amounts to EUR 213.531 million, the total corresponding impairment at that date amounts to EUR 2.474 million.

The assessment of significant increases in credit risk, the assessment of whether loans and advances at amortised cost are in default and the measurement of 12-month or lifetime expected credit losses are part of the estimation process of the Group and are, amongst others, based on macroeconomic scenarios and microeconomic parameters (as defined by the Group), credit risk models, triggers indicating a significant increase in credit risk and default triggers, the financial condition of the counterparty and the expected future cash flows or the value of collateral.

The determination of post-model adjustments recognised in addition to the expected credit loss provisions produced by the models encompasses expert inputs to identify vulnerable clients.

The use of different modelling techniques, scenarios and assumptions, including in the determination of the post-model adjustments, could lead to different estimates of impairment allowances on loans and advances measured at amortised cost. As the loans and advances measured at amortised cost represent the majority of the Group's balance sheet and given the related estimation uncertainty on impairment allowances we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

Our audit procedures comprised an assessment of the overall governance of the credit and impairment process of the Group, including the 12-month and lifetime expected loss modelling processes and the geopolitical and emerging risks post-model adjustment approach. We have assessed and tested the design and operating effectiveness of the controls within the loan origination process, risk management process and the estimation process for determining impairment allowances. For loan impairment allowances determined on an individual basis, we have performed, for a sample of corporate and SME credit files, a detailed review; we challenged the default triggers and the quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default.

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For the 12-month and lifetime expected credit loss impairment allowances, we challenged the adequacy of significant increase in credit risk triggers and the macroeconomic scenarios and microeconomic parameters (as defined by the Group) and, together with our experts, we tested the underlying models including the Group's model approval and independent validation process.

We also assessed the completeness of the identification of vulnerable clients by management in the determination of the post-model adjustments and tested the mathematical accuracy of the calculations to determine these adjustments and assessed their reasonableness.

Finally, we assessed the completeness and accuracy of the disclosure and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

In our view, the impairments estimated by management, including the geopolitical and emerging risks post-model adjustments, are within a reasonable range of outcomes in view of the overall loans and advances and the related uncertainties as disclosed in the consolidated accounts.

<u>Portfolio fair value hedge of interest rate risk on core deposits</u>

Description of the Key Audit Matter

KBC Group accounts for a Portfolio Fair Value Hedge of interest rate risk on core deposits as allowed under IAS39 as adopted by the European Union. The resulting single line item that reflects the cumulative change in fair value of the core deposits in scope of this hedge strategy due to changes in interest rates amounts to a debit on the liabilities of EUR 507 million per 31 December 2023 (as disclosed in Note 4.8.2 to the consolidated accounts), in application of the policies as described in Note 1.2 "Summary of significant accounting policies". The magnitude of this single line item resulted in a focus area for the Group to monitor whether the requirements, in particular adequate prospective and retrospective hedge effectiveness testing, to pursue applying hedge accounting in these strategies continued to be met and for us to consider this a key audit matter.

How our Audit addressed the Key Audit Matter

We obtained an understanding of the internal control framework related to hedge accounting and have tested the key internal controls related to hedge accounting documentation, (de-)designation of hedging instruments, prospective- and retrospective hedge effectiveness testing. We assessed the appropriateness of the hedge accounting- and hedge effectiveness methodology related to the Portfolio Fair Value Hedge of interest rate risk on core deposits. This includes the assessment of data inputs and key assumptions as critical factors used in the hedge accounting process, based on data provided by the Group, our experience and market practice.

Based on our procedures we found that the use of the related hedge accounting methodology was adequately documented and that the hedge effectiveness tests were adequately carried out.

Finally, we assessed the completeness and accuracy of the disclosures relating to the Portfolio Fair Value Hedge of interest rate risk on core deposits to assess compliance with disclosure requirements included in the International Financial Reporting Standards as adopted by the European Union.

Estimation uncertainty on impairment of goodwill

Description of the Key Audit Matter

As described in Note 5.5 to the consolidated accounts, in application of the policies as described in Note 1.2 “Summary of significant accounting policies”, the Group has recorded an outstanding goodwill balance amounting to EUR 1.240 million as at 31 December 2023. Impairment analyses are performed annually, or whenever a triggering event has occurred, in order to determine whether the the recoverable amount exceeds the carrying amount.

Taking into consideration the significant management judgement and the related estimation uncertainty involved in determining the recoverable amount at the level of the respective cash generating units, we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

We obtained an understanding of the internal control framework related to goodwill impairment. Next to that, we assessed, together with our experts, the appropriateness of the discounted cash flow models developed by management, the evaluation of the significant assumptions used by management related to the free cash flow projections, the discount rates and the terminal growth rates of the respective cash generating units, as well as the completeness and accuracy of the underlying data used in the models. We also assessed the reasonableness of the stressed assumptions used in the stress tests as disclosed.

Finally, we assessed the completeness and accuracy of the disclosures and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

In our view, the resulting outcomes of management’s goodwill impairment assessment are within a reasonable range of outcomes in view of the overall outstanding goodwill and the related uncertainties as disclosed in the consolidated accounts.

Estimation uncertainty with respect to transition to and first time application of IFRS 17 and IFRS 9

Description of the Key Audit Matter

The financial year ended 31 December 2023 is KBC Group’s first year of application of IFRS 17 “Insurance Contracts”, which significantly modifies the accounting criteria for the recognition and measurement of insurance contracts compared to IFRS 4. On 1 January 2023, the Group also ceased applying the temporary overlay approach from the application of IFRS 9, thereby modifying the classification and breakdown of financial assets and liabilities in the Group's consolidated accounts.

As part of the initial application of these accounting standards, comparative information at 1 January 2022 (transition balance sheet) needs to be prepared and the year-end 2022 corresponding figures in the Group’s consolidated accounts need to be restated. The transition to IFRS 17 and IFRS 9 has a significant impact on equity per 1 January 2022 and involves a complex process that requires the application of assumptions and estimates.

The transition to and first time application of IFRS 17 and IFRS 9 have therefore been considered a key audit matter.

Information regarding the transition to and first time application of IFRS 17 and IFRS 9, is disclosed in Note 1.5 to the consolidated accounts.

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How our Audit addressed the Key Audit Matter

Our procedures on the transition to IFRS 17 and IFRS 9, mainly consisted of the following procedures:

- Evaluation of compliance of the Group's accounting policies with IFRS 17 and IFRS 9;
- Understanding and evaluation of the updated internal control environment related to the financial reporting process under IFRS 17 and IFRS 9;
- Assessment and testing of the applied transition methods to define the transition balance sheet;
- Assessment of the accounting policies, the methodology and reasonableness of the actuarial models and assumptions used in the calculations of the present value of fulfilment cash flows ("PVFCF"), Contractual Service Margin ("CSM") and the Risk Adjustment for non-financial risk ("RA");
- Reperforming actuarial calculations of the fulfilment cash flows, CSM and CSM release through coverage units, included in the liability for remaining coverage ("LRC") for a sample of contracts measured under the Building Block Approach ("BBA") and Variable Fee Approach ("VFA");
- Independently assessing the actuarial models used to value the liability for incurred claims ("LIC") measured under the Premium Allocation Approach ("PAA") for a risk based sample of a group of contracts;
- Assessment of the eligibility criteria for applying the PAA or the VFA; and
- Performing an analysis of the changes to the business model assessments and assessment of the fulfilment of the criteria for such changes in view of IFRS 9.

We also assessed the appropriateness of the disclosures in the consolidated accounts regarding the transition, considering the requirements of the International Financial Reporting Standards as adopted by the European Union.

Our internal actuarial experts assisted us in performing the above listed audit procedures.

<u>Estimation uncertainty with respect to valuation of insurance contract liabilities</u>

Description of the Key Audit Matter

The LRC of contracts measured using the BBA (EUR 12.952 million) or the VFA (EUR 910 million) includes the PVFCF relating to future insurance services, as well as the CSM and the RA. The assumptions used for the projections of the said cash flows relate, mainly, to mortality, longevity, lapse, profitability, dormancy and the defining of directly attributable expenses. The actuarial calculation of the cash flows arising from such insurance contracts is complex and highly judgmental as it is based on assumptions which are affected by future economic and political conditions and government regulations. Furthermore, the determination of the appropriate discounting of the said cash flows using the top-down approach is considered complex and highly judgemental, leading us to consider this as a key audit matter.

The LIC of contracts measured using the PAA (EUR 2.257 million) accounts for the estimated cost of claims occurring up to the reporting date. The actuarial projection methods of the present value of expected future cash flows related to past insurance services arising from such insurance contracts are complex and highly judgmental as they are based on a number of key assumptions derived from historical information, mainly relating to the amount of the claim and claim payment patterns including expected future development. Furthermore, the determination of the appropriate discounting of the said cash flows using the bottom-up approach is considered complex and highly judgemental, leading us to consider this as a key audit matter.

Information on the valuation of insurance contract liabilities is included in Note 5.6.1 to the consolidated accounts, in application of the policies as described in Note 1.2 "Summary of significant accounting policies".

How our Audit addressed the Key Audit Matter

We performed procedures on the design and operating effectiveness of the Group's controls to ascertain that the data used in the valuation and measurement of the insurance contract liabilities are adequate and complete. We performed testing of the Group's procedures to determine the aforementioned assumptions, testing of the assumptions based on market observable data and actuarial analysis through backtesting of the assumptions used.

Our substantive procedures on the LRC for insurance contracts measured under the BBA or the VFA mainly consisted of the following procedures:

- Assessing the accounting policies, the methodology and reasonableness of the actuarial models and assumptions used in the calculations of the PVFCF;
- Testing the completeness and accuracy of the data used in determining the assumptions, as well as data used in actuarial calculations;
- Verifying the accuracy of the fulfilment cash flows on a sample basis resulting from our risk assessment;
- Verifying the methodology and reasonableness of the RA;
- Performing a recalculation of the CSM for a sample of selected cohorts, including new business;
- Reviewing the analysis of change and recalculation of the release of the CSM based on coverage units, for a selected sample of units of account; and
- Verifying the locked-in and current discount rates (top-down).

Our substantive procedures on the LIC for insurance contracts measured under the PAA mainly consisted of the following procedures:

- Assessing the accounting policies, the methodology and reasonableness of the actuarial models and assumptions used in the calculations of the present value of fulfilment cash flows;
- Testing the completeness and accuracy of the data used in actuarial calculations;
- Independently assessing the actuarial models for a risk based sample of a group of contracts; and
- Verifying the locked-in and current discount rates (bottom-up).

Finally, we assessed the completeness and accuracy of the disclosures regarding insurance contracts to assess compliance with disclosure requirements included in the International Financial Reporting Standards as adopted by the European Union

Our internal actuarial experts assisted us in performing our audit procedures.

We discussed the outcome of our actuarial analysis with the actuarial function holder of the Group. Our procedures have allowed us to assess the valuation and measurement of the insurance contracts.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and of the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing the sections:

- "Abridged company annual accounts";
- "Stakeholder interaction and materiality analysis";
- "Glossary of financial ratios and terms";
- "EU Taxonomy - detailed tables"

is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

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The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on Global Reporting Initiative (GRI) Standards. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative (GRI) Standards as disclosed in the directors' report on the consolidated accounts.

Statements related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter "ESEF"), the compliance of the ESEF format with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter "digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on our procedures performed, we believe that the format of and marking of information in the digital consolidated financial statements included in the annual financial report of KBC Group NV per 31 December 2023 comply in all material respects with the ESEF requirements under the Delegated Regulation.

Other statement

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Diegem, 29 March 2024

The statutory auditor
PwC Bedrijfsrevisoren BV/PwC Reviseurs d'Entreprises SRL
represented by

Damien Walgrave*
Bedrijfsrevisor/Réviseur d'entreprises

*Acting on behalf of Damien Walgrave BV/SRL

Jeroen Bockaert**
Bedrijfsrevisor/Réviseur d'entreprises

**Acting on behalf of Jeroen Bockaert BV/SRL

The company annual accounts of KBC Group NV are presented here in abridged form. A full set of these accounts will be submitted for approval to the General Meeting of Shareholders of 2 May 2024. The company annual accounts, the report of the Board of Directors and the statutory auditor's report are filed with the National Bank of Belgium. These documents are available free of charge from KBC Global Services NV, Investor Relations Office, IRO, Havenlaan 2, 1080 Brussels, Belgium. They can also be viewed at www.kbc.com. The statutory auditor has delivered an unqualified audit opinion on the company annual accounts of KBC Group NV. The company annual accounts have been prepared according to Belgian accounting standards (B-GAAP) and are, therefore, not comparable with the figures prepared in accordance with IFRS in the other sections of this report.

3 Additional information

Abridged company annual accounts

Balance sheet after profit appropriation (B-GAAP)

(in millions of EUR)	31-12-2023	31-12-2022
Fixed assets	**38 678**	**32 820**
Intangible fixed assets	0	0
Property and equipment	0	0
Financial fixed assets	38 678	32 820
Affiliated companies	38 677	32 819
Participating interests	16 368	16 368
Amounts receivable	22 309	16 451
Other companies linked by participating interests	1	1
Participating interests	1	1
Other financial assets	0	0
Current assets	**1 573**	**557**
Amounts receivable at more than one year	0	0
Stocks and contracts in progress	0	0
Amounts receivable within one year	9	10
Trade receivables	8	10
Other amounts receivable	1	0
Current investments	1 017	300
Own shares	476	0
Other investments	542	300
Cash at bank and in hand	220	80
Accrued charges and deferred income	326	166
Total assets	**40 251**	**33 377**
Equity	**16 133**	**15 512**
Capital	1 461	1 461
Issued capital	1 461	1 461
Share premium account	5 516	5 510
Reserves	1 287	1 287
Legal reserves	146	146
Share buybacks	476	0
Other reserves not available for distribution	1	1
Untaxed reserves	190	190
Reserves available for distribution	473	949
Profit (Loss (-)) carried forward	7 869	7 255
Provisions and deferred taxes	**1**	**0**
Provisions for liabilities and charges	**0**	**0**
Amounts payable	**24 117**	**17 865**
Amounts payable at more than one year	19 828	14 754
Financial debt	19 828	14 754
Subordinated loans	4 431	3 683
Non-subordinated bonds	15 397	11 071
Amounts payable within one year	4 012	2 990
Amounts payable at more than one year falling due within the year	1 500	1 700
Financial debt	1 202	0
Trade debt	1	1
Taxes, remuneration and social security charges	16	15
Income tax expense	0	1
Remuneration and social security charges	16	14
Other amounts payable	1 293	1 274
Accrued charges and deferred income	277	121
Total liabilities	**40 251**	**33 377**

Income statement (B-GAAP)

(in millions of EUR)	31-12-2023	31-12-2022
Operating income	101	499
Turnover	100	449
Increase (decrease (-)) in stocks of finished goods, work and contracts in progress	0	0
Own construction capitalised	0	35
Other operating income	1	15
Non-recurring operating income	0	0
Operating charges	114	504
Goods for resale, raw materials and consumables	0	0
Services and other goods	30	254
Remuneration, social security charges and pensions	83	213
Depreciation of and amounts written off formation expenses and intangible and tangible fixed assets	0	38
Provisions for liabilities and charges: amounts set aside and amounts reversed	1	-1
Other operating charges	0	1
Non-recurring operating charges	0	0
Operating profit (loss (-))	**-13**	**-6**
Financial income	2 861	4 089
Recurring financial income	2 861	4 089
Income from financial fixed assets	2 291	3 862
Income from current assets	26	4
Other financial income	544	224
Non-recurring financial income	0	0
Financial charges	543	215
Recurring financial charges	543	215
Debt charges	519	212
Amounts written down on current assets: increase and decrease	0	0
Other financial charges	24	3
Non-recurring financial charges	0	0
Profit (Loss (-)) for the period, before tax	**2 305**	**3 869**
Transfers from deferred taxes	0	0
Transfers to deferred taxes	0	0
Income tax	4	3
Profit (Loss (-)) for the period	**2 302**	**3 866**
Profit (Loss (-)) for the period available for appropriation	**2 302**	**3 866**

Profit appropriation (B-GAAP)

(in millions of EUR)	31-12-2023	31-12-2022
Profit (Loss (-)) to be appropriated	**9 557**	**8 930**
Profit (Loss (-)) for the period available for appropriation	2 302	3 866
Profit (Loss (-)) carried forward from the previous period	7 255	5 063
Transfers to equity	**0**	**0**
To the legal reserves	0	0
To other reserves	0	0
Profit (Loss (-)) to be carried forward	**7 869**	**7 255**
Profit to be distributed	**1 688**	**1 674**
Dividends*	1 685	1 668
Directors' entitlements	0	0
Employees/other allocations	3	6

* The total dividends as shown in the table take into account the number of shares entitled to dividend on the date of the Board of Directors' meeting (14 March 2024). The final amount of dividend is still to be reduced by the dividend on shares repurchased between the date of the Board of Directors' meeting (14 March 2024) and the ex-coupon date (13 May 2024), which are not entitled to dividend. This difference will be set off against the next profit appropriation.

Dividend

For financial year 2023, we will propose to the General Meeting of Shareholders a gross final dividend of 3.15 euros per share, bringing the total gross dividend related to 2023 to 4.15 euros per share, in which case the dividend payout ratio ([dividend + coupon to be paid on the additional tier-1 instruments included in equity] / [total consolidated results] for 2023 will be approximately 51%.

Note 1: Financial fixed assets

(in millions of EUR)	Participating interests in affiliated companies	Amounts receivable from affiliated companies	Participating interests in companies linked by participating interests
Carrying value at 31-12-2022	**16 368**	**16 451**	**1**
Acquisitions in 2023	0	7 559	0
Disposals in 2023	0	-1 700	0
Other changes in 2023	0	0	0
Carrying value at 31-12-2023	**16 368**	**22 309**	**1**

- Participating interests in affiliated companies are mainly the shareholdings in KBC Bank NV and KBC Insurance NV, as well as in KBC Global Services NV and Discai.
- The amounts receivable from affiliated companies related to loans to KBC Bank NV in the form of additional tier-1 capital (2.3 billion euros in total), tier-2 capital (2.2 billion euros), tier-3 capital (17.4 billion euros) and a subordinated perpetual loan of 0.5 billion euros to KBC Insurance NV.
- The main changes in 2023 related to new loans to KBC Bank NV (7.6 billion euros). In addition, 1.7 billion euros reached maturity.

Note 2: Changes in equity

(in millions of EUR)	31-12-2022	Capital increase for staff	Appropriation	31-12-2023
Capital	1 461	0	–	1 461
Share premium account	5 510	6	–	5 516
Reserves	1 287	–	–	1 287
Profit (Loss) carried forward	7 255	–	614	7 869
Equity	**15 512**	**6**	**614**	**16 133**

- At year-end 2023, the company's issued capital amounted to 1 461 017 750.26 euros, represented by 417 305 876 shares of no nominal value. The capital is fully paid up.
- For information on share buybacks, see Note 3.
- A capital increase under the authorisation to increase capital carried out on 15 December 2023 and reserved exclusively for employees of KBC Group NV and certain of its Belgian subsidiaries resulted in 136 462 shares being issued at a price of 51.04 euros per share. By carrying out this capital increase, the group aims to strengthen ties with its staff and the staff of its Belgian subsidiaries. Given the limited extent of the capital increase, the financial ramifications for existing shareholders are minor. All of the shares issued in 2023 will also be entitled to dividend from the 2023 financial year (with the exception of the interim dividend paid by the company in November 2023).
- The authorisation to increase capital may be exercised up to and including 22 May 2028 for an amount of 700 000 000 euros, with suspension of the preferential subscription rights of existing shareholders being restricted to a maximum of 146 000 000 euros. Given the capital increase of 15 December 2023 and based on an accounting par value of 3.51 euros a share, a maximum of 199 293 737 new KBC Group NV shares can therefore be issued, with the possibility to suspend the preferential subscription rights attached to a maximum of 41 458 979 of these shares.

Note 3: Shareholders and share buybacks

- Notifications received: we received a number of notifications in 2023 pursuant to the Belgian Act of 2 May 2007 concerning the disclosure of significant participations. All notifications we receive are published in detail on www.kbc.com.

Notifications received in 2023 (% voting rights in KBC Group NV)	Situation as at	Voting securities	Financial instruments treated as voting securities	Total
FMR LLC	8 September 2023	2.99%	0.00%	2.99%
FMR LLC	14 September 2023	3.03%	0.00%	3.03%
FMR LLC	9 October 2023	2.98%	0.00%	2.98%

- The average accounting par value of the KBC share came to 3.51 euros in 2023.
- For information on treasury shares, see Note 5.10 in the 'Consolidated financial statements' section.
- In 2023 (between August 2023 and the end of December 2023), KBC Group NV already repurchased 8.8 million shares under its 1.3-billion-euro share buyback programme (see Note 5.10 of the 'Consolidated financial statements' section for more information) for a total amount of 0.5 billion euros. The share buyback programme will run until the end of July 2024. A weekly overview of the purchases can be found at www.kbc.com.

Note 4: Balance sheet at 31-12-2023

- The balance sheet total amounted to 40 251 million euros, compared to 33 377 million euros at year-end 2022.
- 'Financial fixed assets' are discussed in Note 1.
- 'Current assets' amounted to 1 573 million euros, whereas the year-earlier figure was 557 million euros. The change was largely attributable to share buybacks in the amount of 476 million euros (see above).
- 'Equity' is dealt with in Note 2.
- 'Amounts payable' totalled 24 117 million euros, compared with 17 865 million euros at year-end 2022. The change related mainly to the issue of commercial paper (1.2 billion euros) and an increase in loans (4.9 billion euros).

Note 5: 2023 result:

- Net profit totalled 2 302 million euros, as opposed to 3 866 million euros a year earlier.
- The most important change in the financial result is the lower amount of dividends received from KBC Bank and KBC Insurance in 2023 ('Income from financial fixed assets' item).

Note 6: Additional information

- For more information on the statutory auditor's remuneration, see Note 6.4 in the 'Consolidated financial statements' section.
- At year-end 2023, KBC Group NV had two branch offices.
- KBC Group NV uses financial instruments to hedge interest rate risks. At year-end 2023, the outstanding notional amount of interest rate swaps used for hedging such risks was 500 million euros.
- KBC Group NV is the issuing entity for all loss absorbing instruments (shareholders' capital, AT1, T2 and MREL-eligible instruments). In principle, the financial resources are transferred to KBC Bank and KBC Insurance in the same or a similar format and with a similar term. Consequently, the maturity of the liability issued by KBC Group matches that of the loans to its subsidiaries. Dividends payable by KBC Group are financed by dividends receivable from KBC Bank and KBC Insurance. Any temporary liquidity shortfalls can be covered by issuing short-term debt securities under the Short Term Certificate of Deposit Programme.
- The information required in accordance with Article 3:6 of the Belgian Companies and Associations Code that has not been provided above (including the non-financial information statement) appears in the 'Report of the Board of Directors' section.

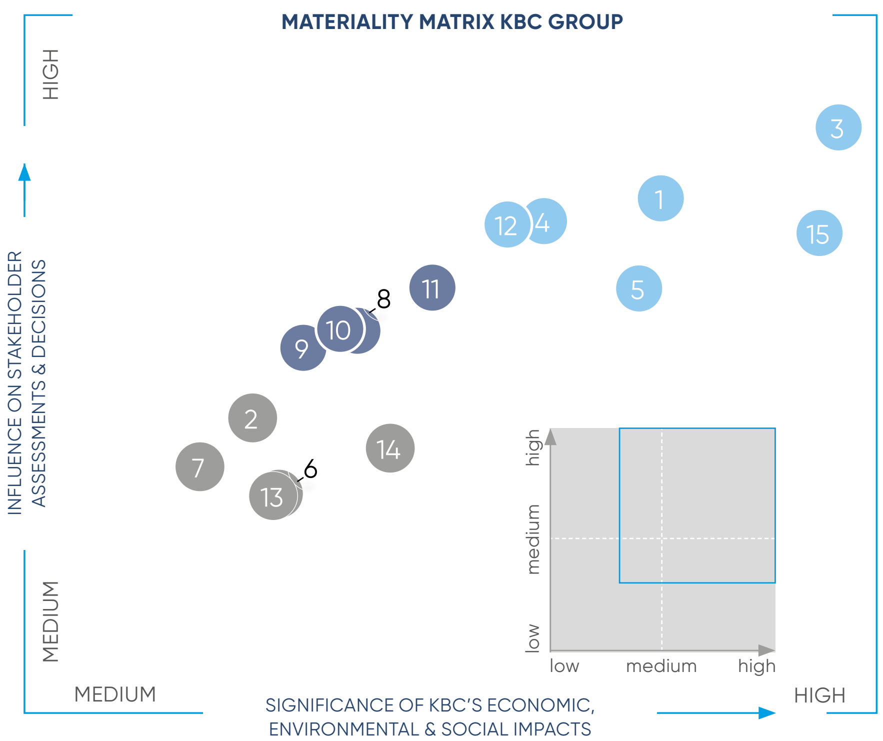
Stakeholder interaction and materiality analysis

The materiality analysis is carried out every two years. This analysis allows us to gain a better understanding and take account of our stakeholder's views on material themes relating to human rights and KBC's economic, social and environmental performance.
In collaboration with a renowned, specialist third party, we conducted a comprehensive analysis in 2022. Our core countries were also actively involved in the process, so as to ensure that the expectations of our local stakeholders (core shareholders, clients, employees, investors, suppliers, NGOs, regulators and sector organisations) in our core countries were represented in the analysis. The double materiality perspective and revised GRI standards served as a guideline for the materiality analysis.
We are preparing for a biennial double materiality analysis in 2024. This analysis is a key component of the CSRD.

Materiality analysis explained step by step

1. **Step 1:** Identifying and assessing our stakeholder groups.
2. **Step 2:** Screening internal and external sources to create a list of potentially relevant themes.
3. **Step 3:** Meeting with the members of the External Sustainability Board and identification of 15 relevant themes.
4. **Step 4:** Assessment of our stakeholders' expectations of, and engaging in dialogue with, our management to gain insight into the 15 relevant themes.
5. **Step 5:** Review of the outcome of the materiality analysis at the Internal Sustainability Board, validation by the Executive Committee and presentation to the members of the Board of Directors.

The illustration and table show the material themes for KBC and where in the report these themes are discussed.



- 3 Sustainable and responsible service and product offering
- 15 Ethical business conduct & responsible behaviour
- 1 Long-term resilience of our business model
- 5 Partner in the transformation to a more sustainable future
- 4 Sustainable and responsible asset management and investing
- 12 Data protection and cyber security
- 11 Fair, understandable & transparent information to clients
- 8 Service offering stimulating the local economy
- 10 Promotion of financial literacy
- 9 Accessibility and usability of products and services
- 14 Employee development and well-being
- 2 Direct environmental impact of our activities
- 6 Community engagement
- 13 Diverse and inclusive business culture
- 7 Inclusive service offering

Main topics	Information in this report (selection)
Sustainable and responsible service and product offering	• See 'How do we create sustainable value?' and 'In what environment do we operate?' in 'Our business model' • See 'Our role in society', 'Focus on the climate and the environment' and 'Focus on human rights' in 'Our strategy' • Our business units
Ethical business conduct & responsible behaviour	• See 'What makes us who we are?' in 'Our business model' • See 'Our role in society' and 'Focus on human rights' in 'Our strategy' • See 'Main features of the internal control and risk management systems' in 'Corporate governance statement'
Long-term resilience of our business model	• See 'In what environment do we operate?' in 'Our business model' • See 'The client is at the centre of our business culture' in 'Our strategy' • See 'Our financial report' • See 'Our strategy' • See 'How do we manage our risks? and 'How do we manage our capital?'
Partner in the transformation to a more sustainable future	• See 'Our role in society' and 'Focus on the climate and the environment' in 'Our strategy' • Our business units
Sustainable and responsible asset management and investing	• See 'How do we create sustainable value?' and 'In what environment do we operate?' in 'Our business model' • See 'Our role in society', 'Focus on the climate and the environment' and 'Focus on human rights' in 'Our strategy'
Data protection and cybersecurity	• See 'In what environment do we operate?' in 'Our business model' • See 'The client is at the centre of our business culture' in 'Our strategy' • See 'Main features of the internal control and risk management systems' in 'Corporate governance statement' • See 'Non-financial risks' in 'How do we manage our risks?'

The statutory auditor has not audited this section.

Glossary of financial ratios and terms

Besides the ratios and terms required by law or IFRS, we also use our own ratios and definitions, known as 'alternative performance measures'. We identify them by including 'APM' in the heading.

(amounts are stated in millions of EUR, unless otherwise stated)	Reference	Calculation	2023	2022
Basic and diluted earnings per share				
A detailed calculation can be found in Note 3.12.			–	–
Combined ratio (non-life insurance) (APM)[1]				
The technical profitability of the short-term non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses.	Note 3.6	A: Non-life PAA: claims and claim-related costs net of reinsurance	1 204	1 080
		B: Costs other than claims and commissions	676	602
		C: Non-life PAA: net earned expected premiums received	2 160	1 943
		(A+B)/C	87%	87%
Common equity ratio				
A detailed description/calculation can be found in the 'How do we manage our capital? section.			–	–
Cost/income ratio excluding bank and insurance tax (APM)[1]				
The relative cost efficiency (costs relative to income excluding bank and insurance tax) of the group.	Consolidated income statement	A: Total operating expenses excl. bank and insurance tax	4 438	4 159
		B: Insurance commissions paid	340	308
		C: Total income	11 224	10 035
		(A+B)/C	43%	45%
Cost/income ratio including bank and insurance tax but excluding exceptional or non-operating items (APM)[1]				
Where relevant, we also include bank and insurance tax but exclude exceptional or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities.	Consolidated income statement A breakdown of the exceptional/non-operational items (per quarter) can be found in our General Investor Presentations at www.kbc.com.	A: Total operating expenses excl. bank and insurance tax	4 438	4 159
		B: Bank and insurance tax	687	646
		C: Insurance commissions paid	340	308
		D: Exceptional and/or non-operational costs[2]	-124	-169
		E: Total income	11 224	10 035
		F: Exceptional and/or non-operational income[2]	-429	-(-76)
		(A+B+C-D)/(E-F)	49%	49%
Coverage ratio (APM)				
The proportion of impaired loans covered by stage 3 impairment charges. Where appropriate, the numerator and denominator may be limited to impaired loans that are more than 90 days past due.	'Loan and investment portfolio' table in 'How do we manage our risks?'	A: Stage 3 impairment on loans	1 888	2 048
		B: Impaired loans	4 221	4 350
		A/B	45%	47%
Credit cost ratio (APM)[1]				
Loan impairment charges for a specific period, relative to the total loan portfolio (see 'Loan portfolio' for definition). In the longer term, this ratio can provide an indication of the credit quality of the portfolio.	Consolidated income statement' and 'Loan and investment portfolio' table in 'How do we manage our risks?'	A: Net changes in loan loss impairment charges	-9	155
		B: Average outstanding loan portfolio	200 270	197 052
		A/B	0.00%[3]	0.08%[3]
Impaired loans ratio (APM)[1]				
The proportion of impaired loans in the loan portfolio (see 'Loan portfolio' for definition), thus reflecting the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid (KBC default status of PD 10, PD 11 or PD 12). The numerator in the formula may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12).	'Loan and investment portfolio' table in 'How do we manage our risks?'	A: Impaired loans	4 221	4 350
		B: Total loan portfolio	202 953	205 720
		A/B	2.1%	2.1%

Leverage ratio				
A detailed description/calculation can be found in the 'How do we manage our capital? section.			–	–
Liquidity coverage ratio (LCR)				
The bank's liquidity position in the short term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-month period. It is the average of 12 end-of-month LCR figures.	The European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	A: Stock of high-quality liquid assets	101 555	91 928
		B: Total net cash outflows over the next 30 calendar days	63 805	60 820
		A/B	159%	152%
Loan portfolio (APM)				
Gives an idea of the magnitude of (what are mainly traditional) lending activities.	Notes 4.1, 4.2, 6.1 and 5.11 and 'Loan and investment portfolio' table in 'How do we manage our risks?'	A: Loans and advances to customers	183 613	178 053
		B: Reverse repos (not with central banks)	763	785
		C: Debt instruments issued by corporates and by credit institutions and investment firms (banking)	6 681	6 157
		D: Other exposures to credit institutions	3 301	4 072
		E: Financial guarantees granted to clients and other commitments	10 263	10 222
		F: Impairment on loans	2 483	2 636
		G: Insurance entities (-)	-1 927	- 1 997
		H: Non-loan-related receivables (-)	-528	-602
		I: Other	-1 694	6 394
		A+B+C+D+E+F+H+G+H+I	202 953	205 720
Market capitalisation				
Stock market value of the KBC group.	Note 5.10	A: Closing price of KBC share (in EUR)	58.7	60.1
		B: Number of shares (in millions)	417.3	417.2
		AxB (in billions of EUR)	24.5	25.1
Minimum requirement for own funds and eligible liabilities (MREL)				
A detailed description/calculation can be found in the 'How do we manage our capital? section.			–	–
Net interest margin (APM)[1]				
The net interest income of the banking activities (one of the most important sources of revenue for the group) relative to the average total interest-bearing assets of the banking activities. The net interest income of the banking activities excludes dealing rooms and the net interest impact of ALM FX swaps and repos.	Consolidated income statement and Consolidated balance sheet	A: Net interest income of the banking activities	4 812	4 450
		B: Average interest-bearing assets of the banking activities	231 869	224 014
		A/B x 360/number of calendar days	2.05%	1.96%
Net stable funding ratio (NSFR)				
The bank's structural liquidity position in the long term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-year period.	Regulation (EU) 2019/876 of 20-05-2019	A: Available amount of stable funding	208 412	209 271
		B: Required amount of stable funding	153 372	153 767
		A/B	136%	136%
Parent shareholders' equity per share (APM)				
The carrying value of a KBC share, i.e. the value in euros represented by each share in the parent shareholders' equity of KBC.	Consolidated balance sheet and Note 5.10	A: Parent shareholders' equity	22 010	20 319
		B: Number of ordinary shares less treasury shares (in millions)	409	417
		A/B (in EUR)	53.9	48.7
Return on equity (APM)				
The relative profitability of the group, more specifically the ratio of the net result to equity.	Consolidated income statement and Consolidated statement of changes in equity	A: Result after tax, attributable to equity holders of the parent	3 402	2 818
		B: Coupon on AT1 instruments (-)	-64	-50
		C: Average parent shareholders' equity	21 164	20 611
		(A+B)/C	16%	13%

Total assets under management (APM)				
These consist of direct client money (Assets under Distribution for retail, private banking and institutional clients), group assets (including pension funds), funds-of-funds assets and assets under advisory management. They comprise assets managed by the group's various asset management companies and assets under advisory management at KBC Bank. The size and development of total assets under management are major factors behind net fee and commission income (generating entry and management fees). Amounts are stated in billions of EUR.	–	A: Belgium Business Unit	217.9	184.1
		B: Czech Republic Business Unit	17.4	15.1
		C: International Markets Business Unit	9.1	6.9
		A+B+C (in billions of EUR)	244.4	206.1
		Of which		
		Direct client money ('Assets under Distribution')	100	87
		Investment advice	55	40
		Funds of funds	68	60
		Group assets, including pension funds	21	19

1 We also use the same methodology to calculate these ratios for each business unit.

2 The exceptional and/or non-operational costs in 2023 included the exceptional bank taxes in Hungary, the integration expenses connected with the acquisition of Raiffeisenbank Bulgaria, and costs relating to the sale transactions in Ireland; in 2022 this included costs relating to the sale transactions in Ireland, the exceptional profit bonus for staff, the exceptional bank taxes in Hungary, and the integration expenses connected with the acquisition of Raiffeisenbank Bulgaria. The exceptional and/or non-operational income in 2023 included the gain on the finalisation of the sale transactions in Ireland, recovery of past bank taxes in Belgium, various smaller items, and the mark-to-market valuation of ALM derivatives; in 2022 this included income relating to the sale of a property company, the negative impact of the arbitration proceedings against ICEC-Holding in the Czech Republic, various smaller items, and the mark-to-market valuation of ALM derivatives.

3 When the ratio is calculated without including the reserve set aside to cover geopolitical and emerging risks and the impact of the coronavirus crisis, the numerator is calculated excluding the net reversal of 155 million euros in 2023 and the net increase of 158 million euros in 2022, giving a credit cost ratio of 0.07% in 2023 and 0.00% in 2022.

EU Taxonomy – detailed tables

The mandatory EU Taxonomy reporting tables are provided on the next few pages.

In addition, voluntary reporting tables are provided in our Sustainability Report.

Abbreviations used:

- Capex: capital expenditure
- GAR: green assets ratio
- GIR: green investment ratio
- UoP: use of proceeds
- NFC: non-financial counterparties
- N/A: not applicable

The statutory auditor has not audited this section.

KBC as a credit institution – summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

31-12-2023 (in millions of EUR or %)		Total environmentally sustainable assets	KPI (Turnover based)	KPI (Capex based)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
Main KPI	**Green asset ratio (GAR) stock**	**406**	**0.2%**	**0.3%**	**63.8%**	**72,7%**	**36.2%**
Additional KPIs	GAR (flow)	151	1,7%	2,2%	N/A	N/A	N/A
	Financial guarantees	40	0,4%	1,1%	N/A	N/A	N/A
	Assets under management	698	0,9%	1,3%	N/A	N/A	N/A

KBC as a credit institution – assets for the calculation of GAR (Turnover based) – PART 1

	31-12-2023 (in millions of EUR)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r
		Total (gross) carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
					Of which Use of proceeds	Of which transitional	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator																		
1	Loans and advances, debt securities and equity instruments not Hft eligible for GAR calculation	**86 078**	**81 893**	**396**	**1**	**45**	**168**	**11**	**10**	**0**	**10**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
2	**Financial undertakings**	**602**	**141**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
3	Credit institutions	590	135	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
4	Loans and advances	199	57	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
5	Debt securities, including UoP	391	79	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
6	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
7	Other financial corporations	12	6	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
8	Of which investment firms	12	6	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
9	Loans and advances	12	6	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
11	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
12	Of which management companies	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
15	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
16	Of which insurance companies	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
19	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
20	**Non-financial undertakings**	**4 364**	**871**	**395**	**0**	**45**	**168**	**11**	**10**	**0**	**10**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
21	Loans and advances	3 977	785	391	0	45	165	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
22	Debt securities, including UoP	357	86	3	0	1	3	11	10	0	10	0	N/A	N/A	N/A	0	N/A	N/A	N/A
23	Equity instruments	30	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
24	**Households**	**79 825**	**79 825**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
25	Of which loans collateralised by residential immovable property	75 607	75 607	1	1	0	0	0	0	0	0	N/A	N/A	N/A	N/A	0	N/A	N/A	N/A
26	Of which building renovation loans	4 627	4 627	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	0	N/A	N/A	N/A
27	Of which motor vehicle loans	609	609	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	**Local government financing**	**1 254**	**1 023**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
29	Housing financing	1 004	1 004	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
30	Other local government financing	250	19	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**33**	**33**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**114 697**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
33	**Financial and non-financial undertakings**	**93 921**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	86 875	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Loans and advances	84 073	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	Of which loans collateralised by commercial immovable property	22 559	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37	Of which building renovation loans	1 925	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
38	Debt securities	2 626	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
39	Equity instruments	176	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
40	Non-EU country counterparties not subject to NFRD disclosure obligations	7 047	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
41	Loans and advances	4 539	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
42	Debt securities	2 458	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
43	Equity instruments	49	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
44	**Derivatives**	**-2 115**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
45	**On demand interbank loans**	**717**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
46	**Cash and cash-related assets**	**1 418**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

47	**Other categories of assets (e.g. goodwill, commodities etc.)**	**20 756**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
48	**Total GAR assets**	**200 776**	**81 893**	**396**	**1**	**45**	**168**	**11**	**10**	**0**	**10**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
49	**Assets not covered for GAR calculation**	**114 042**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
50	Central governments and Supranational issuers	47 916	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
51	Central banks exposure	57 783	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
52	Trading book	8 343	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
53	**Total assets**	**314 818**	**81 893**	**396**	**1**	**45**	**168**	**11**	**10**	**0**	**10**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
	Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																		
54	Financial guarantees	601	110	40	0	2	10	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
55	Assets under management	30 431	1 520	660	0	10	376	48	39	0	2	0	N/A	N/A	N/A	0	N/A	N/A	N/A
56	Of which debt securities	20 685	636	290	0	2	99	31	22	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
57	Of which equity instruments	9 746	884	369	0	8	277	18	17	0	2	0	N/A	N/A	N/A	0	N/A	N/A	N/A

KBC as a credit institution – assets for the calculation of GAR (Turnover based) – PART 2

	31-12-2023 (in millions of EUR)	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator													
1	Loans and advances, debt securities and equity instruments not Hft eligible for GAR calculation	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**81 904**	**406**	**1**	**45**	**178**
2	**Financial undertakings**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**141**	**0**	**0**	**0**	**0**
3	Credit institutions	0	N/A	N/A	N/A	0	N/A	N/A	N/A	135	0	0	0	0
4	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	57	0	0	0	0
5	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	79	0	0	0	0
6	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
7	Other financial corporations	0	N/A	N/A	N/A	0	N/A	N/A	N/A	6	0	0	0	0
8	Of which investment firms	0	N/A	N/A	N/A	0	N/A	N/A	N/A	6	0	0	0	0
9	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	6	0	0	0	0
10	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
11	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
12	Of which management companies	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
13	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
14	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
15	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
16	Of which insurance companies	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
17	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
18	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
19	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
20	**Non-financial undertakings**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**882**	**405**	**0**	**45**	**178**
21	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	785	391	0	45	165
22	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	97	13	0	1	13
23	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
24	**Households**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**79 825**	**1**	**1**	**0**	**0**
25	Of which loans collateralised by residential immovable property	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	75 607	1	1	0	0
26	Of which building renovation loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4 627	0	0	0	0
27	Of which motor vehicle loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	609	0	0	0	0
28	**Local government financing**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**1 023**	**0**	**0**	**0**	**0**
29	Housing financing	0	N/A	N/A	N/A	0	N/A	N/A	N/A	1 004	0	0	0	0
30	Other local government financing	0	N/A	N/A	N/A	0	N/A	N/A	N/A	19	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**33**	**0**	**0**	**0**	**0**
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
33	**Financial and non-financial undertakings**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
35	Loans and advances	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	Of which loans collateralised by commercial immovable property	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37	Of which building renovation loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
38	Debt securities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
39	Equity instruments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
40	Non-EU country counterparties not subject to NFRD disclosure obligations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
41	Loans and advances	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
42	Debt securities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
43	Equity instruments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
44	**Derivatives**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
45	**On demand interbank loans**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
46	**Cash and cash-related assets**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

47	**Other categories of assets (e.g. goodwill, commodities etc.)**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
48	**Total GAR assets**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**81 904**	**406**	**1**	**45**	**178**
49	**Assets not covered for GAR calculation**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
50	Central governments and Supranational issuers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
51	Central banks exposure	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
52	Trading book	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
53	**Total assets**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**81 904**	**406**	**1**	**45**	**178**
	Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations													
54	Financial guarantees	0	N/A	N/A	N/A	0	N/A	N/A	N/A	110	40	0	2	10
55	Assets under management	0	N/A	N/A	N/A	0	N/A	N/A	N/A	1 569	698	0	10	378
56	Of which debt securities	0	N/A	N/A	N/A	0	N/A	N/A	N/A	667	313	0	2	100
57	Of which equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	902	386	0	8	278

KBC as a credit institution – assets for the calculation of GAR (Capex based) – PART 1

	31-12-2023 (in millions of EUR)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r
		Total (gross) carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
					Of which Use of proceeds	Of which transitional	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator																		
1	Loans and advances, debt securities and equity instruments not Hft eligible for GAR calculation	**86 078**	**82 023**	**536**	**1**	**112**	**137**	**17**	**10**	**0**	**5**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
2	**Financial undertakings**	**602**	**68**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
3	Credit institutions	590	62	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
4	Loans and advances	199	20	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
5	Debt securities, including UoP	391	42	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
6	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
7	Other financial corporations	12	6	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
8	Of which investment firms	12	6	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
9	Loans and advances	12	6	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
11	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
12	Of which management companies	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
15	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
16	Of which insurance companies	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
19	Equity instruments	0	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
20	**Non-financial undertakings**	**4 364**	**1 073**	**535**	**0**	**112**	**137**	**17**	**10**	**0**	**5**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
21	Loans and advances	3 977	1 060	526	0	111	133	4	4	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
22	Debt securities, including UoP	357	13	9	0	1	4	13	5	0	5	0	N/A	N/A	N/A	0	N/A	N/A	N/A
23	Equity instruments	30	0	0	N/A	0	0	0	0	N/A	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
24	**Households**	**79 825**	**79 825**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
25	Of which loans collateralised by residential immovable property	75 607	75 607	1	1	0	0	0	0	0	0	N/A	N/A	N/A	N/A	0	N/A	N/A	N/A
26	Of which building renovation loans	4 627	4 627	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	0	N/A	N/A	N/A
27	Of which motor vehicle loans	609	609	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	**Local government financing**	**1 254**	**1 023**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
29	Housing financing	1 004	1 004	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
30	Other local government financing	250	19	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**33**	**33**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**114 697**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
33	**Financial and non-financial undertakings**	**93 921**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	86 875	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Loans and advances	84 073	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	Of which loans collateralised by commercial immovable property	22 559	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37	Of which building renovation loans	1 925	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
38	Debt securities	2 626	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
39	Equity instruments	176	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
40	Non-EU country counterparties not subject to NFRD disclosure obligations	7 047	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
41	Loans and advances	4 539	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
42	Debt securities	2 458	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
43	Equity instruments	49	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
44	**Derivatives**	**-2 115**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
45	**On demand interbank loans**	**717**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
46	**Cash and cash-related assets**	**1 418**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

47	**Other categories of assets (e.g. goodwill, commodities etc.)**	**20 756**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
48	**Total GAR assets**	**200 776**	**82 023**	**536**	**1**	**112**	**137**	**17**	**10**	**0**	**5**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
49	**Assets not covered for GAR calculation**	**114 042**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
50	Central governments and Supranational issuers	47 916	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
51	Central banks exposure	57 783	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
52	Trading book	8 343	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
53	**Total assets**	**314 818**	**82 023**	**536**	**1**	**112**	**137**	**17**	**10**	**0**	**5**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**
	Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																		
54	Financial guarantees	601	190	119	0	2	24	0	0	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
55	Assets under management	30 431	2 440	981	0	48	457	88	44	0	1	0	N/A	N/A	N/A	0	N/A	N/A	N/A
56	Of which debt securities	20 685	837	366	0	12	119	44	13	0	0	0	N/A	N/A	N/A	0	N/A	N/A	N/A
57	Of which equity instruments	9 746	1 602	615	0	36	338	45	31	0	1	0	N/A	N/A	N/A	0	N/A	N/A	N/A

KBC as a credit institution – assets for the calculation of GAR (Capex based) – PART 2

	31-12-2023 (in millions of EUR)	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator													
1	Loans and advances, debt securities and equity instruments not Hft eligible for GAR calculation	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**82 040**	**546**	**1**	**112**	**143**
2	**Financial undertakings**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**68**	**0**	**0**	**0**	**0**
3	Credit institutions	0	N/A	N/A	N/A	0	N/A	N/A	N/A	62	0	0	0	0
4	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	20	0	0	0	0
5	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	42	0	0	0	0
6	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
7	Other financial corporations	0	N/A	N/A	N/A	0	N/A	N/A	N/A	6	0	0	0	0
8	Of which investment firms	0	N/A	N/A	N/A	0	N/A	N/A	N/A	6	0	0	0	0
9	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	6	0	0	0	0
10	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
11	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
12	Of which management companies	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
13	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
14	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
15	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
16	Of which insurance companies	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
17	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
18	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	0	0	0
19	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
20	**Non-financial undertakings**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**1 090**	**545**	**0**	**112**	**143**
21	Loans and advances	0	N/A	N/A	N/A	0	N/A	N/A	N/A	1 064	530	0	111	133
22	Debt securities, including UoP	0	N/A	N/A	N/A	0	N/A	N/A	N/A	25	14	0	1	10
23	Equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	0	0	N/A	0	0
24	**Households**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**79 825**	**1**	**1**	**0**	**0**
25	Of which loans collateralised by residential immovable property	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	75 607	1	1	0	0
26	Of which building renovation loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4 627	0	0	0	0
27	Of which motor vehicle loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	609	0	0	0	0
28	**Local government financing**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**1 023**	**0**	**0**	**0**	**0**
29	Housing financing	0	N/A	N/A	N/A	0	N/A	N/A	N/A	1 004	0	0	0	0
30	Other local government financing	0	N/A	N/A	N/A	0	N/A	N/A	N/A	19	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**33**	**0**	**0**	**0**	**0**
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
33	**Financial and non-financial undertakings**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
35	Loans and advances	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	Of which loans collateralised by commercial immovable property	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37	Of which building renovation loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
38	Debt securities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
39	Equity instruments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
40	Non-EU country counterparties not subject to NFRD disclosure obligations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
41	Loans and advances	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
42	Debt securities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
43	Equity instruments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
44	**Derivatives**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
45	**On demand interbank loans**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
46	**Cash and cash-related assets**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

47	**Other categories of assets (e.g. goodwill, commodities etc.)**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
48	**Total GAR assets**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**82 040**	**546**	**1**	**112**	**143**
49	**Assets not covered for GAR calculation**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
50	Central governments and Supranational issuers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
51	Central banks exposure	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
52	Trading book	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
53	**Total assets**	**0**	**N/A**	**N/A**	**N/A**	**0**	**N/A**	**N/A**	**N/A**	**82 040**	**546**	**1**	**112**	**143**
	Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations													
54	Financial guarantees	0	N/A	N/A	N/A	0	N/A	N/A	N/A	190	119	0	2	24
55	Assets under management	0	N/A	N/A	N/A	0	N/A	N/A	N/A	2 528	1 025	0	48	458
56	Of which debt securities	0	N/A	N/A	N/A	0	N/A	N/A	N/A	881	379	0	12	119
57	Of which equity instruments	0	N/A	N/A	N/A	0	N/A	N/A	N/A	1 647	646	0	36	339

KBC as a credit institution – GAR sector information (Turnover based) – PART 1

		a	b	c	d	e	f	g	h	i	j	k	L	m	n	o	P
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD	
	31-12-2023; Breakdown by sector – NACE 4 digits level (code and label)	(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount	
	(in millions of EUR)		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable
1	A – Agriculture, forestry and fishing	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	B – Mining and quarrying	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	B.05 – Mining of coal and lignite	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4	B.06 – Extraction of crude petroleum and natural gas	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	B.07 – Mining of metal ores	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	B.08 – Other mining and quarrying	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	B.09 – Mining support service activities	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	C- Manufacturing	1 090	21	N/A	N/A	1 090	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	C.10 – Manufacture of food products	160	0	N/A	N/A	160	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	C.11 – Manufacture of beverages	17	0	N/A	N/A	17	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11	C.12 – Manufacture of tobacco products	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12	C.13 – Manufacture of textiles	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	C.14 – Manufacture of wearing apparel	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14	C.15 – Manufacture of leather and related products	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	C.17 – Manufacture of paper and paper products	54	0	N/A	N/A	54	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	C.18 – Printing and reproduction of recorded media	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
18	C.19 – Manufacture of coke and refined petroleum products	10	0	N/A	N/A	10	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	C.20 – Manufacture of chemicals and chemical products	309	4	N/A	N/A	309	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	148	0	N/A	N/A	148	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
21	C.22 – Manufacture of rubber products	101	4	N/A	N/A	101	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
22	C.23 – Manufacture of other non-metallic mineral products	6	0	N/A	N/A	6	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
23	C.24 – Manufacture of basic metals	128	0	N/A	N/A	128	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
24	C.25 – Manufacture of fabricated metal products, except machinery and equipment	2	0	N/A	N/A	2	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	C.26 – Manufacture of computer, electronic and optical products	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	C.27 – Manufacture of electrical equipment	36	13	N/A	N/A	36	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	C.28 – Manufacture of machinery and equipment n.e.c..	13	0	N/A	N/A	13	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	11	0	N/A	N/A	11	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	C.30 – Manufacture of other transport equipment	71	0	N/A	N/A	71	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	C.31 – Manufacture of furniture	8	0	N/A	N/A	8	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	C.32 – Other manufacturing	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	C.33 – Repair and installation of machinery and equipment	11	0	N/A	N/A	11	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	D – Electricity, gas, steam and air conditioning supply	675	147	N/A	N/A	675	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	D35.1 – Electric power generation, transmission and distribution	601	147	N/A	N/A	601	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	D.35.11 – Production of electricity	478	17	N/A	N/A	478	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	D.35.2 – Manufacture of gas, distribution of gaseous fuels through mains	70	0	N/A	N/A	70	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37	D.35.3 – Steam and air conditioning supply	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
38	E – Water supply; sewerage, waste management and remediation activities	44	0	N/A	N/A	44	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
39	F – Construction	45	16	N/A	N/A	45	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
40	F.41 – Construction of buildings	11	1	N/A	N/A	11	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
41	F.42 – Civil engineering	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
42	F.43 – Specialised construction activities	33	15	N/A	N/A	33	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
43	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	522	1	N/A	N/A	522	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
44	H – Transportation and storage	640	90	N/A	N/A	640	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
45	H.49 – Land transport and transport via pipelines	559	66	N/A	N/A	559	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46	H.50 – Water transport	47	0	N/A	N/A	47	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
47	H. 51 – Air transport	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
48	H. 52 – Warehousing and support activities for transportation	33	24	N/A	N/A	33	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
49	H.35 – Postal and courier activities	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
50	I – Accommodation and food service activities	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
51	K- Financial and insurance services	869	30	N/A	N/A	869	10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
52	L – Real estate activities	90	14	N/A	N/A	90	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
53	Exposures to other sectors (NACE codes J, M-U)	384	75	N/A	N/A	384	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
54	**TOTAL**	**4 364**	**395**	**N/A**	**N/A**	**4 364**	**10**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

KBC as a credit institution – GAR sector information (Turnover based) – PART 2

		q	r	s	t	u	v	w	x	y	z	aa	ab
				Pollution (PPC)		Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)			
		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD	
	31-12-2023; Breakdown by sector – NACE 4 digits level (code and label)	(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount	
	(in millions of EUR)		Of which environmentally sustainable		Of which environmentally sustainable		Of which environmentally sustainable		Of which environmentally sustainable		Of which environmentally sustainable		Of which environmentally sustainable
1	A – Agriculture, forestry and fishing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
2	B – Mining and quarrying	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
3	B.05 – Mining of coal and lignite	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
4	B.06 – Extraction of crude petroleum and natural gas	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
5	B.07 – Mining of metal ores	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
6	B.08 – Other mining and quarrying	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
7	B.09 – Mining support service activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
8	C- Manufacturing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1 090	21	N/A	N/A
9	C.10 – Manufacture of food products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	160	0	N/A	N/A
10	C.11 – Manufacture of beverages	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17	0	N/A	N/A
11	C.12 – Manufacture of tobacco products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
12	C.13 – Manufacture of textiles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
13	C.14 – Manufacture of wearing apparel	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
14	C.15 – Manufacture of leather and related products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
15	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
16	C.17 – Manufacture of paper and paper products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54	0	N/A	N/A
17	C.18 – Printing and reproduction of recorded media	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
18	C.19 – Manufacture of coke and refined petroleum products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10	0	N/A	N/A
19	C.20 – Manufacture of chemicals and chemical products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	309	4	N/A	N/A
20	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	148	0	N/A	N/A
21	C.22 – Manufacture of rubber products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	101	4	N/A	N/A
22	C.23 – Manufacture of other non-metallic mineral products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6	0	N/A	N/A
23	C.24 – Manufacture of basic metals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	128	0	N/A	N/A
24	C.25 – Manufacture of fabricated metal products, except machinery and equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	0	N/A	N/A
25	C.26 – Manufacture of computer, electronic and optical products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
26	C.27 – Manufacture of electrical equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36	13	N/A	N/A
27	C.28 – Manufacture of machinery and equipment n.e.c..	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13	0	N/A	N/A
28	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	0	N/A	N/A
29	C.30 – Manufacture of other transport equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	71	0	N/A	N/A
30	C.31 – Manufacture of furniture	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8	0	N/A	N/A
31	C.32 – Other manufacturing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
32	C.33 – Repair and installation of machinery and equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	0	N/A	N/A
33	D – Electricity, gas, steam and air conditioning supply	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	675	147	N/A	N/A
34	D35.1 – Electric power generation, transmission and distribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	601	147	N/A	N/A
35	D.35.11 – Production of electricity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	478	17	N/A	N/A
36	D.35.2 – Manufacture of gas, distribution of gaseous fuels through mains	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	70	0	N/A	N/A
37	D.35.3 – Steam and air conditioning supply	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
38	E – Water supply; sewerage, waste management and remediation activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	44	0	N/A	N/A
39	F – Construction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	45	16	N/A	N/A
40	F.41 – Construction of buildings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	1	N/A	N/A
41	F.42 – Civil engineering	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
42	F.43 – Specialised construction activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	33	15	N/A	N/A
43	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	522	1	N/A	N/A
44	H – Transportation and storage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	640	90	N/A	N/A
45	H.49 – Land transport and transport via pipelines	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	559	66	N/A	N/A
46	H.50 – Water transport	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	47	0	N/A	N/A
47	H. 51 – Air transport	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
48	H. 52 – Warehousing and support activities for transportation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	33	24	N/A	N/A
49	H.35 – Postal and courier activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
50	I – Accommodation and food service activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
51	K- Financial and insurance services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	869	40	N/A	N/A
52	L – Real estate activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90	14	N/A	N/A
53	Exposures to other sectors (NACE codes J, M-U)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	384	75	N/A	N/A
54	**TOTAL**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**4 364**	**405**	**N/A**	**N/A**

KBC as a credit institution – GAR sector information (Capex based) – PART 1

	31-12-2023; Breakdown by sector – NACE 4 digits level (code and label)	a	b	c	d	e	f	g	h	i	j	k	L	m	n	o	P
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD	
		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount	
	(in millions of EUR)		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable
1	A – Agriculture, forestry and fishing	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	B – Mining and quarrying	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	B.05 – Mining of coal and lignite	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4	B.06 – Extraction of crude petroleum and natural gas	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	B.07 – Mining of metal ores	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	B.08 – Other mining and quarrying	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	B.09 – Mining support service activities	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	C- Manufacturing	1 090	63	N/A	N/A	1 090	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	C.10 – Manufacture of food products	160	0	N/A	N/A	160	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	C.11 – Manufacture of beverages	17	0	N/A	N/A	17	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11	C.12 – Manufacture of tobacco products	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12	C.13 – Manufacture of textiles	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	C.14 – Manufacture of wearing apparel	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14	C.15 – Manufacture of leather and related products	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	C.17 – Manufacture of paper and paper products	54	0	N/A	N/A	54	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	C.18 – Printing and reproduction of recorded media	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
18	C.19 – Manufacture of coke and refined petroleum products	10	0	N/A	N/A	10	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	C.20 – Manufacture of chemicals and chemical products	309	33	N/A	N/A	309	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	148	0	N/A	N/A	148	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
21	C.22 – Manufacture of rubber products	101	8	N/A	N/A	101	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
22	C.23 – Manufacture of other non-metallic mineral products	6	0	N/A	N/A	6	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
23	C.24 – Manufacture of basic metals	128	0	N/A	N/A	128	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
24	C.25 – Manufacture of fabricated metal products, except machinery and equipment	2	0	N/A	N/A	2	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	C.26 – Manufacture of computer, electronic and optical products	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	C.27 – Manufacture of electrical equipment	36	21	N/A	N/A	36	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	C.28 – Manufacture of machinery and equipment n.e.c..	13	0	N/A	N/A	13	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	11	1	N/A	N/A	11	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	C.30 – Manufacture of other transport equipment	71	0	N/A	N/A	71	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	C.31 – Manufacture of furniture	8	0	N/A	N/A	8	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	C.32 – Other manufacturing	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	C.33 – Repair and installation of machinery and equipment	11	0	N/A	N/A	11	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	D – Electricity, gas, steam and air conditioning supply	675	185	N/A	N/A	675	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	D35.1 – Electric power generation, transmission and distribution	601	183	N/A	N/A	601	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	D.35.11 – Production of electricity	478	66	N/A	N/A	478	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	D.35.2 – Manufacture of gas, distribution of gaseous fuels through mains	70	2	N/A	N/A	70	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37	D.35.3 – Steam and air conditioning supply	5	0	N/A	N/A	5	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
38	E – Water supply; sewerage, waste management and remediation activities	44	0	N/A	N/A	44	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
39	F – Construction	45	3	N/A	N/A	45	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
40	F.41 – Construction of buildings	11	3	N/A	N/A	11	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
41	F.42 – Civil engineering	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
42	F.43 – Specialised construction activities	33	0	N/A	N/A	33	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
43	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	522	17	N/A	N/A	522	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
44	H – Transportation and storage	640	97	N/A	N/A	640	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
45	H.49 – Land transport and transport via pipelines	559	74	N/A	N/A	559	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46	H.50 – Water transport	47	0	N/A	N/A	47	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
47	H. 51 – Air transport	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
48	H. 52 – Warehousing and support activities for transportation	33	23	N/A	N/A	33	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
49	H.35 – Postal and courier activities	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
50	I – Accommodation and food service activities	0	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
51	K- Financial and insurance services	869	70	N/A	N/A	869	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
52	L – Real estate activities	90	10	N/A	N/A	90	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
53	Exposures to other sectors (NACE codes J, M-U)	384	90	N/A	N/A	384	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
54	**TOTAL**	**4 364**	**535**	**N/A**	**N/A**	**4 364**	**10**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

KBC as a credit institution – GAR sector information (Capex based) – PART 2

		q	r	s	t	u	v	w	x	y	z	aa	ab
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)			
		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD	
	31-12-2023; Breakdown by sector – NACE 4 digits level (code and label)	(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount		(Gross) Carrying amount	
	(in millions of EUR)		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable		Of which environ-mentally sustainable
1	A – Agriculture, forestry and fishing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
2	B – Mining and quarrying	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
3	B.05 – Mining of coal and lignite	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
4	B.06 – Extraction of crude petroleum and natural gas	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
5	B.07 – Mining of metal ores	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
6	B.08 – Other mining and quarrying	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
7	B.09 – Mining support service activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
8	C- Manufacturing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1 090	67	N/A	N/A
9	C.10 – Manufacture of food products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	160	0	N/A	N/A
10	C.11 – Manufacture of beverages	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17	0	N/A	N/A
11	C.12 – Manufacture of tobacco products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
12	C.13 – Manufacture of textiles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
13	C.14 – Manufacture of wearing apparel	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
14	C.15 – Manufacture of leather and related products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
15	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
16	C.17 – Manufacture of paper and paper products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54	0	N/A	N/A
17	C.18 – Printing and reproduction of recorded media	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
18	C.19 – Manufacture of coke and refined petroleum products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10	0	N/A	N/A
19	C.20 – Manufacture of chemicals and chemical products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	309	37	N/A	N/A
20	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	148	0	N/A	N/A
21	C.22 – Manufacture of rubber products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	101	8	N/A	N/A
22	C.23 – Manufacture of other non-metallic mineral products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6	0	N/A	N/A
23	C.24 – Manufacture of basic metals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	128	0	N/A	N/A
24	C.25 – Manufacture of fabricated metal products, except machinery and equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	0	N/A	N/A
25	C.26 – Manufacture of computer, electronic and optical products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
26	C.27 – Manufacture of electrical equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36	21	N/A	N/A
27	C.28 – Manufacture of machinery and equipment n.e.c..	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13	0	N/A	N/A
28	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	0	N/A	N/A
29	C.30 – Manufacture of other transport equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	71	0	N/A	N/A
30	C.31 – Manufacture of furniture	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8	0	N/A	N/A
31	C.32 – Other manufacturing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
32	C.33 – Repair and installation of machinery and equipment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	0	N/A	N/A
33	D – Electricity, gas, steam and air conditioning supply	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	675	185	N/A	N/A
34	D35.1 – Electric power generation, transmission and distribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	601	183	N/A	N/A
35	D.35.11 – Production of electricity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	478	66	N/A	N/A
36	D.35.2 – Manufacture of gas, distribution of gaseous fuels through mains	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	70	2	N/A	N/A
37	D.35.3 – Steam and air conditioning supply	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	0	N/A	N/A
38	E – Water supply; sewerage, waste management and remediation activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	44	0	N/A	N/A
39	F – Construction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	45	3	N/A	N/A
40	F.41 – Construction of buildings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	3	N/A	N/A
41	F.42 – Civil engineering	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
42	F.43 – Specialised construction activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	33	0	N/A	N/A
43	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	522	17	N/A	N/A
44	H – Transportation and storage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	640	97	N/A	N/A
45	H.49 – Land transport and transport via pipelines	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	559	74	N/A	N/A
46	H.50 – Water transport	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	47	0	N/A	N/A
47	H. 51 – Air transport	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
48	H. 52 – Warehousing and support activities for transportation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	33	23	N/A	N/A
49	H.35 – Postal and courier activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
50	I – Accommodation and food service activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	N/A	N/A
51	K- Financial and insurance services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	869	75	N/A	N/A
52	L – Real estate activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90	10	N/A	N/A
53	Exposures to other sectors (NACE codes J, M-U)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	384	90	N/A	N/A
54	**TOTAL**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**4 364**	**545**	**N/A**	**N/A**

KBC as a credit institution – GAR KPI stock (Turnover based) – PART 1

	31-12-2023 % (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	40.8%	0.2%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	**Financial undertakings**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
3	Credit institutions	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
4	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
5	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
6	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
7	Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
8	Of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
9	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
10	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
11	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
12	Of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
13	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
14	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
15	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
16	Of which insurance companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
17	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
18	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
19	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
20	**Non-Financial undertakings**	**0.4%**	**0.2%**	**0.0%**	**0.0%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
21	Loans and advances	0.4%	0.2%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
22	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
23	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
24	**Households**	**39.8%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
25	Of which loans collateralised by residential immovable property	37.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
26	Of which building renovation loans	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
27	Of which motor vehicle loans	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
28	**Local government financing**	**0.5%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
29	Housing financing	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
30	Other local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
32	**Total GAR assets**	**40.8%**	**0.2%**	**0.0%**	**0.0%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**

KBC as a credit institution – GAR KPI stock (Turnover based) – PART 2

	31-12-2023 % (compared to total covered assets in the denominator)	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling	
	GAR - Covered assets in both numerator and denominator														
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	40.8%	0.2%	0,0%	0.0%	0.1%	42.9%
2	**Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.1%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.3%**
3	Credit institutions	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.1%	0.0%	0,0%	0.0%	0.0%	0.3%
4	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.1%
5	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.2%
6	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
7	Other financial corporations	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
8	Of which investment firms	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
9	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
10	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
11	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
12	Of which management companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
13	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
14	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
15	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
16	Of which insurance companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
17	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
18	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
19	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
20	**Non-Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.4%**	**0.2%**	**0,0%**	**0.0%**	**0.1%**	**2.2%**
21	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.4%	0.2%	0,0%	0.0%	0.1%	2.0%
22	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.2%
23	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
24	**Households**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**39.8%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**39.8%**
25	Of which loans collateralised by residential immovable property	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	37.7%	0.0%	0.0%	0.0%	0.0%	37.7%
26	Of which building renovation loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	2.3%	0.0%	0,0%	0.0%	0.0%	2.3%
27	Of which motor vehicle loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.3%	0.0%	0,0%	0.0%	0.0%	0.3%
28	**Local government financing**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.5%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.6%**
29	Housing financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.5%	0.0%	0,0%	0.0%	0.0%	0.5%
30	Other local government financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.1%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
32	**Total GAR assets**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**40.8%**	**0.2%**	**0,0%**	**0.0%**	**0.1%**	**42,9%**

KBC as a credit institution – GAR-KPI stock (Capex based) – PART 1

	31-12-2023 % (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	40.9%	0.3%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	**Financial undertakings**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
3	Credit institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
4	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
5	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
6	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
7	Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
8	Of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
9	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
10	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
11	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
12	Of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
13	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
14	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
15	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
16	Of which insurance companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
17	Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
18	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
19	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
20	**Non-Financial undertakings**	**0.5%**	**0.3%**	**0.0%**	**0.1%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
21	Loans and advances	0.5%	0.3%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
22	Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
23	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
24	**Households**	**39.8%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
25	Of which loans collateralised by residential immovable property	37.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
26	Of which building renovation loans	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
27	Of which motor vehicle loans	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
28	**Local government financing**	**0.5%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
29	Housing financing	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
30	Other local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
32	**Total GAR assets**	**40.9%**	**0.3%**	**0.0%**	**0.1%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**

KBC as a credit institution – GAR-KPI stock (Capex based) – PART 2

	31-12-2023 % (compared to total covered assets in the denominator)	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Pollution (PPC))				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling	
	GAR - Covered assets in both numerator and denominator														
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	40.9%	0.3%	0.0%	0.1%	0.1%	42.9%
2	**Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.3%**
3	Credit institutions	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
4	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
5	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
6	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
7	Other financial corporations	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	Of which investment firms	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
12	Of which management companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
14	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
16	Of which insurance companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
20	**Non-Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.5%**	**0.3%**	**0.0%**	**0.1%**	**0.1%**	**2.2%**
21	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.5%	0.3%	0.0%	0.1%	0.1%	2.0%
22	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
23	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
24	**Households**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**39.8%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**39.8%**
25	Of which loans collateralised by residential immovable property	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	37.7%	0.0%	0.0%	0.0%	0.0%	37.7%
26	Of which building renovation loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	2.3%	0.0%	0.0%	0.0%	0.0%	2.3%
27	Of which motor vehicle loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.3%	0.0%	0.0%	0.0%	0.0%	0.3%
28	**Local government financing**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.5%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.6%**
29	Housing financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.5%	0.0%	0.0%	0.0%	0.0%	0.5%
30	Other local government financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
32	**Total GAR assets**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**40.9%**	**0.3%**	**0.0%**	**0.1%**	**0.1%**	**42,9%**

KBC as a credit institution – GAR KPI flow (Turnover based) – PART 1

	31-12-2023 % (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	100.0%	1.7%	0,0%	0.1%	0.9%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	**Financial undertakings**	**0.3%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
3	Credit institutions	0.3%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
4	Loans and advances	0.2%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
5	Debt securities, including UoP	0.1%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
6	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
7	Other financial corporations	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
8	Of which investment firms	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
9	Loans and advances	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
10	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
11	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
12	Of which management companies	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
13	Loans and advances	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
14	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
15	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
16	Of which insurance companies	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
17	Loans and advances	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
18	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
19	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
20	**Non-Financial undertakings**	**4.3%**	**39.3%**	**0,0%**	**2.2%**	**21.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
21	Loans and advances	4.0%	42.1%	0,0%	2.3%	22.5%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
22	Debt securities, including UoP	0.3%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
23	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
24	**Households**	**94.1%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
25	Of which loans collateralised by residential immovable property	80.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
26	Of which building renovation loans	37.1%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
27	Of which motor vehicle loans	4.3%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
28	**Local government financing**	**1.4%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
29	Housing financing	0.6%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
30	Other local government financing	0.8%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
32	**Total GAR assets**	**100.0%**	**1.7%**	**0,0%**	**0.1%**	**0.9%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**

KBC as a credit institution – GAR KPI flow (Turnover based) – PART 2

	31-12-2023 % (compared to flow of total eligible assets)	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Pollution (PPC))				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling	
	GAR - Covered assets in both numerator and denominator														
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	1.7%	0,0%	0.1%	0.9%	48.5%
2	**Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.3%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.6%**
3	Credit institutions	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.3%	0.0%	0,0%	0.0%	0.0%	0.6%
4	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.2%	0.0%	0,0%	0.0%	0.0%	0.4%
5	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.1%	0.0%	0,0%	0.0%	0.0%	0.2%
6	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
7	Other financial corporations	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
8	Of which investment firms	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
9	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
10	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
11	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
12	Of which management companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
13	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
14	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
15	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
16	Of which insurance companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
17	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
18	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
19	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
20	**Non-Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**4.3%**	**39.3%**	**0,0%**	**2.2%**	**21.0%**	**5.5%**
21	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	4.0%	42.1%	0,0%	2.3%	22.5%	5.3%
22	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.3%	0.0%	0,0%	0.0%	0.0%	0.2%
23	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
24	**Households**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**94.1%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**39.9%**
25	Of which loans collateralised by residential immovable property	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	80.6%	0.0%	0.0%	0.0%	0.0%	28.9%
26	Of which building renovation loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	37.1%	0.0%	0,0%	0.0%	0.0%	13.3%
27	Of which motor vehicle loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	4.3%	0.0%	0,0%	0.0%	0.0%	1.5%
28	**Local government financing**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**1.4%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**2.5%**
29	Housing financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.6%	0.0%	0,0%	0.0%	0.0%	0.2%
30	Other local government financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.8%	0.0%	0,0%	0.0%	0.0%	2.2%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
32	**Total GAR assets**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**100.0%**	**1.7%**	**0,0%**	**0.1%**	**0.9%**	**48.5%**

KBC as a credit institution – GAR-KPI flow (Capex based) – PART 1

	31-12-2023 % (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	100.0%	2.2%	0,0%	0.5%	0.6%	0.0%	96.5%	0,0%	0.2%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	**Financial undertakings**	**0.1%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
3	Credit institutions	0.1%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
4	Loans and advances	0.1%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
5	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
6	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
7	Other financial corporations	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
8	Of which investment firms	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
9	Loans and advances	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
10	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
11	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
12	Of which management companies	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
13	Loans and advances	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
14	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
15	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
16	Of which insurance companies	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
17	Loans and advances	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
18	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
19	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
20	**Non-Financial undertakings**	**5.2%**	**41.3%**	**0,0%**	**10.3%**	**12.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
21	Loans and advances	5.2%	41.3%	0,0%	10.3%	12.0%	0.0%	96.5%	0,0%	0.2%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
22	Debt securities, including UoP	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	96.5%	0,0%	0.2%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
23	Equity instruments	0.0%	0.0%	N/A	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
24	**Households**	**93.3%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
25	Of which loans collateralised by residential immovable property	79.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
26	Of which building renovation loans	36.8%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
27	Of which motor vehicle loans	4.3%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
28	**Local government financing**	**1.4%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
29	Housing financing	0.6%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
30	Other local government financing	0.8%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**
32	**Total GAR assets**	**100.0%**	**2.2%**	**0,0%**	**0.5%**	**0.6%**	**0.0%**	**96.5%**	**0,0%**	**0.2%**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**

KBC as a credit institution – GAR-KPI flow (Capex based) – PART 2

	31-12-2023 % (compared to flow of total eligible assets)	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Pollution (PPC))				Biodiversityand Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling	
	GAR - Covered assets in both numerator and denominator														
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	2.2%	0,0%	0.5%	0.6%	48.5%
2	**Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.1%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**0.6%**
3	Credit institutions	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.1%	0.0%	0,0%	0.0%	0.0%	0.6%
4	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.1%	0.0%	0,0%	0.0%	0.0%	0.4%
5	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.2%
6	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
7	Other financial corporations	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
8	Of which investment firms	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
9	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
10	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
11	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
12	Of which management companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
13	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
14	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
15	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
16	Of which insurance companies	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
17	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
18	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%
19	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
20	**Non-Financial undertakings**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**5.2%**	**41.6%**	**0,0%**	**10.2%**	**12.0%**	**5.5%**
21	Loans and advances	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	5.2%	41.6%	0,0%	10.2%	12.0%	5.3%
22	Debt securities, including UoP	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	0,0%	0.0%	0.0%	0.2%
23	Equity instruments	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
24	**Households**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**93.3%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**39.9%**
25	Of which loans collateralised by residential immovable property	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	79.9%	0.0%	0.0%	0.0%	0.0%	28.9%
26	Of which building renovation loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	36.8%	0.0%	0,0%	0.0%	0.0%	13.3%
27	Of which motor vehicle loans	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	4.3%	0.0%	0,0%	0.0%	0.0%	1.5%
28	**Local government financing**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**1.3%**	**0.0%**	**0,0%**	**0.0%**	**0.0%**	**2.5%**
29	Housing financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.6%	0.0%	0,0%	0.0%	0.0%	0.2%
30	Other local government financing	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	0.8%	0.0%	0,0%	0.0%	0.0%	2.2%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
32	**Total GAR assets**	**0.0%**	**N/A**	**N/A**	**N/A**	**0.0%**	**N/A**	**N/A**	**N/A**	**100.0%**	**2.2%**	**0,0%**	**0.5%**	**0.6%**	**48.5%**

KBC as a credit institution – KPI off-balance sheet exposures (stock - Turnover based) – PART 1

	31-12-2023 % (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible))				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned))		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	100.0%	36.0%	0.0%	1.7%	9.2%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	Assets under management (AuM KPI)	96.9%	42.0%	0.0%	0.6%	24.0%	3.1%	2.5%	0.0%	0.1%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A

KBC as a credit institution – KPI off-balance sheet exposures (stock - Turnover based) – PART 2

	31-12-2023 % (compared to total eligible off-balance sheet assets)	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling
1	Financial guarantees (FinGuar KPI)	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	36.0%	0.0%	1.7%	9.2%
2	Assets under management (AuM KPI)	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	44.5%	0.0%	0.6%	24.1%

KBC as a credit institution – KPI off-balance sheet exposures (flow - Turnover based) – PART 1

	31-12-2023 % (compared to flow of total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible))				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	100.0%	36.8%	0.0%	0.7%	9.2%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	Assets under management (AuM KPI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Information on flow for Assets under management is not available

KBC as a credit institution – KPI off-balance sheet exposures (flow - Turnover based) – PART 2

	31-12-2023 % (compared to flow of total eligible off-balance sheet assets)	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling
1	Financial guarantees (FinGuar KPI)	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	36.8%	0.0%	0.7%	9.2%
2	Assets under management (AuM KPI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Information on flow for Assets under management is not available

KBC as a credit institution – KPI off-balance sheet exposures (stock - Capex based) – PART 1

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	31-12-2023 % (compared to total eligible off-balance sheet assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	100.0%	62.8%	0.0%	1.1%	12.6%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	Assets under management (AuM KPI)	96.5%	38.8%	0.0%	1.9%	18.1%	3.5%	1.7%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A

KBC as a credit institution – KPI off-balance sheet exposures (stock - Capex based) – PART 2

		r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
	31-12-2023 % (compared to total eligible off-balance sheet assets)	Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling
1	Financial guarantees (FinGuar KPI)	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	62.8%	0.0%	1.1%	12.6%
2	Assets under management (AuM KPI)	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	40.5%	0.0%	1.9%	18.1%

KBC as a credit institution – KPI off-balance sheet exposures (flow - Capex based) – PART 1

	31-12-2023 % (compared to flow of total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of proceeds	Of which transitio-nal	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	100.0%	64.1%	0.0%	0.2%	12.2%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A
2	Assets under management (AuM KPI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Information on flow for Assets under management is not available

KBC as a credit institution – KPI off-balance sheet exposures (flow - Capex based) – PART 2

	31-12-2023 % (compared to flow of total eligible off-balance sheet assets)	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which enabling			Of which Use of proceeds	Of which transitio-nal	Of which enabling
1	Financial guarantees (FinGuar KPI)	0.0%	N/A	N/A	N/A	0.0%	N/A	N/A	N/A	100.0%	64.1%	0.0%	0.2%	12.2%
2	Assets under management (AuM KPI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Information on flow for Assets under management is not available

KBC as a credit institution – nuclear and fossil gas related activities (further referred to as 'template 1')

NUCLEAR ENERGY RELATED ACTIVITIES		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	Yes
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	Yes
FOSSIL GAS RELATED ACTIVITIES		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	Yes
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	Yes

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy aligned economic activities (denominator) - Turnover based

Row	31-12-2023 Economic activities (amounts in millions of EUR)	GAR stock						AuM KPI						Financial guarantees KPI					
		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	31	0.0%	31	0.0%	0	0.0%	3	0.0%	3	0.0%	0	0.0%	0	0.1%	0	0.1%	0	0.0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	58	0.2%	58	0.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	374	0.2%	365	0.2%	10	0.0%	637	2.1%	599	2.0%	39	0.1%	39	6.5%	39	6.5%	0	0.0%
8	**Total applicable KPI**	**200 776**	**100.0%**					**30 431**	**100.0%**					**601**	**100.0%**				

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy aligned economic activities (denominator) – Capex based

Row	31-12-2023 Economic activities (amounts in millions of EUR)	GAR stock						AuM KPI						Financial guarantees KPI					
		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1	0.0%	1	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	27	0.0%	27	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.1%	0	0.0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	90	0.3%	90	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	518	0.3%	508	0.3%	10	0.0%	935	3.1%	890	2.9%	44	0.1%	119	19.9%	119	19.9%	0	0.0%
8	**Total applicable KPI**	**200 776**	**100.0%**					**30 431**	**100.0%**					**601**	**100.0%**				

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy aligned economic activities (numerator) - Turnover based

Row	31-12-2023 Economic activities (amounts in millions of EUR)	GAR stock						AuM KPI						Financial guarantees KPI					
		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	31	7.7%	31	7.9%	0	0.0%	3	0.4%	3	0.4%	0	0.0%	0	1.0%	0	1.0%	0	0.0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	58	8.8%	58	8.8%	0	0.0%	0	100%	0	0.0%	0	0.0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	374	92.3%	365	92.1%	10	100.0%	637	91.3%	599	90.7%	39	100.0%	39	99.0%	39	99.0%	0	100.0%
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**406**	**100.0%**	**396**	**100.0%**	**10**	**100.0%**	**698**	**100.0%**	**660**	**100.0%**	**39**	**100.0%**	**40**	**100.0%**	**40**	**100.0%**	**0**	**100.0%**

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy aligned economic activities (numerator) – Capex based

Row	31-12-2023 Economic activities (amounts in millions of EUR)	GAR stock						AuM KPI						Financial guarantees KPI					
		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	1	0.2%	1	0.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	27	4.9%	27	5.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	90	8.8%	90	9.2%	0	0.0%	0	100%	0	0.0%	0	0.0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	518	94.9%	508	94.9%	10	100.0%	935	91.2%	890	90.8%	44	100.0%	119	100.0%	119	100.0%	0	100.0%
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**546**	**100.0%**	**536**	**100.0%**	**10**	**100.0%**	**1 025**	**100.0%**	**981**	**100.0%**	**44**	**100.0%**	**119**	**100.0%**	**119**	**100.0%**	**0**	**100.0%**

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy-eligible but not taxonomy-aligned economic activities - Turnover based

	31-12-2023	GAR stock						AuM KPI						Financial guarantees KPI					
	Economic activities	CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	(amounts in millions of EUR)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	31	0.0%	31	0.0%	0	0.0%	3	0.0%	3	0.0%	0	0.0%	0	0.1%	0	0.1%	0	0.0%
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	126	0.1%	126	0.1%	0	0.0%	58	0.2%	58	0.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	81 747	40.7%	81.737	40.7%	11	0.0%	1 508	5.0%	1 459	4.8%	48	0.2%	110	18.2%	110	18.2%	0	0.0%
8	**Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**81 904**	**40.8%**	**81 893**	**40.8%**	**11**	**0.0%**	**1 569**	**5.2%**	**1 520**	**5.0%**	**48**	**0.2%**	**110**	**18.3%**	**110**	**18.3%**	**0**	**0.0%**

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy-eligible but not taxonomy-aligned economic activities – Capex based

	31-12-2023	GAR stock						AuM KPI						Financial guarantees KPI					
	Economic activities	CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM+CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	(amounts in millions of EUR)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1	0.0%	1	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	27	0.0%	27	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	0.2%	1	0.2%	0	0.0%
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	126	0.1%	126	0.1%	0	0.0%	90	0.3%	90	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	81 887	40.8%	81 869	40.8%	17	0.0%	2 438	8.0%	2 349	7.7%	88	0.3%	189	31.4%	189	31.4%	0	0.0%
8	**Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**82 040**	**40.9%**	**82 023**	**40.8%**	**17**	**0.0%**	**2 528**	**8.3%**	**2 440**	**8.0%**	**88**	**0.3%**	**190**	**31.6%**	**190**	**31.6%**	**0**	**0.0%**

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy non-eligible activities - Turnover based

Row	31-12-2023 Economic activities (amounts in millions of EUR)	GAR stock		AuM KPI		Financial guarantees KPI	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	130	0.1%	0	0.0%	0	0.0%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2	0.0%	0	0.0%	2	0.4%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	118 740	59.1%	28.862	94.8%	489	1.6%
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**118 871**	**59.2%**	**28.862**	**94.8%**	**491**	**1.6%**

KBC as a credit institution – nuclear and fossil gas related activities – taxonomy non-eligible activities - Capex based

Row	31-12-2023 Economic activities (amounts in millions of EUR)	GAR stock		AuM KPI		Financial guarantees KPI	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	130	0.1%	0	0.0%	0	0.0%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2	0.0%	0	0.0%	2	0.4%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%	0	0.0%
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	118 604	59.1%	27.903	91.7%	409	1.3%
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**118 736**	**59.1%**	**27.903**	**91.7%**	**411**	**1.4%**

KBC as a (re)insurance company – Green underwriting

	Substantial contribution to climate change adaptation			DNSH (Do Not Significant Harm)					
	Absolute premiums 31-12-2023 (2)	Proportion of premiums 31-12-2023 (3)	Proportion of premiums 31-12-2022 (4)	Climate change mitigation (5)	Water and marine resources (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	Minimum safeguards (10)
Economic activities (1)	in millions of EUR	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A.1 Non-life insurance and reinsurance underwriting taxonomy-aligned activities (environmentally sustainable)	156	6.6%	6.7%	Y	Y	Y	Y	Y	Y
A.1.1 of which reinsured	-30	N/A	N/A	Y	Y	Y	Y	Y	Y
A.1.2 of which stemming from reinsurance activity	3	0.1%	0.1%	Y	Y	Y	Y	Y	Y
A.1.2.1. of which reinsured (retrocession)	-1	N/A	N/A	Y	Y	Y	Y	Y	Y
A.2 Non-life insurance and reinsurance underwriting taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)	181	7.7%	7.1%	N/A	N/A	N/A	N/A	N/A	N/A
B Non-life insurance and reinsurance underwriting taxonomy-non-eligible activities	2 031	85.7%	86.3%	N/A	N/A	N/A	N/A	N/A	N/A
Total (A.1+A.2+B)	2 368	100%	100%	N/A	N/A	N/A	N/A	N/A	N/A

KBC as a (re)insurance company – Green investment ratio

(in millions of EUR, unless otherwise mentioned)

The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below: Turnover-based: 0.5% Capital expenditures-based: 0.8%	The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below: Turnover-based: 130 Capital expenditures-based: 185
The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities. Coverage ratio: 97.3%	The monetary value of assets covered by the KPI. Excluding investments in sovereign entities. Coverage: 24.251
Additional, complementary disclosures: breakdown of denominator of the KPI	
The percentage of derivatives relative to total assets covered by the KPI. . 0.2%	The value in monetary amounts of derivatives. 41
The proportion of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 24.5% For financial undertakings: 8.3%	Value of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU: For non-financial undertakings: 5 940 For financial undertakings: 2 019
The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 23.7% For financial undertakings: 8.0%	Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU: For non-financial undertakings: 5 742 For financial undertakings: 1 928
The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 21.4% For financial undertakings: 20.8%	Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU: For non-financial undertakings: 5 188 For financial undertakings: 5 048
The proportion of exposures to other counterparties and assets over total assets covered by the KPI: 24.8%	Value of exposures to other counterparties and assets: 6 016
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders: 40.8%	Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders: 9.903
The value of all the investments that are funding economic activities that are not Taxonomy-eligible relative to the value of total assets covered by the KPI: 91.5%	Value of all the investments that are funding economic activities that are not Taxonomy-eligible: 22 178
The value of all the investments that are funding Taxonomy- eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI: 8.0%	Value of all the investments that are funding Taxonomy- eligible economic activities, but not Taxonomy- aligned: 1 943
Additional, complementary disclosures: breakdown of numerator of the KPI	
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: Turnover-based: 0.5% Capital expenditures-based: 0.8% For financial undertakings: Turnover-based: 0.0% Capital expenditures-based: 0.0%	Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU: For non-financial undertakings: Turnover-based: 130 Capital expenditures-based: 185 For financial undertakings: Turnover-based: 0 Capital expenditures-based: 0
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned: Turnover-based: 0.1% Capital expenditures-based: 0.2%	Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned: Turnover-based: 35 Capital expenditures-based: 46
The proportion of Taxonomy-aligned exposures to other counterparties and assets over total assets covered by the KPI: Turnover-based: 0.0% Capital expenditures-based: 0.0%	Value of Taxonomy-aligned exposures to other counterparties and assets: Turnover-based: 0 Capital expenditures-based: 0

Breakdown of the numerator of the KPI per environmental objective Taxonomy-aligned activities – provided 'do-not-significant-harm'(DNSH) and social safeguards positive assessment:			
(1) Climate change mitigation	Turnover: 94.5% CapEx: 95.3%	Transitional activities: Enabling activities:	Turnover: 2.1% Capex: 5.4% Turnover 56.9% Capex: 39.8%
(2) Climate change adaptation	Turnover: 5.5% CapEx: 4.7%	Enabling activities:	Turnover: 4.0% Capex: 3.0%
(3) The sustainable use and protection of water of marine resources	Turnover: N/A CapEx: N/A	Enabling activities:	Turnover: N/A Capex: N/A
(4) The transition to a circular economy	Turnover: N/A CapEx: N/A	Enabling activities:	Turnover: N/A Capex: N/A
(5) Pollution prevention and control	Turnover: N/A CapEx: N/A	Enabling activities:	Turnover: N/A Capex: N/A
(6) The protection and restoration of biodiversity and ecosystems	Turnover: N/A CapEx: N/A	Enabling activities:	Turnover: N/A Capex: N/A

KBC as a (re)insurance company – nuclear and fossil gas related activities (further referred to as 'template 1')

NUCLEAR ENERGY RELATED ACTIVITIES		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	Yes
FOSSIL GAS RELATED ACTIVITIES		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	Yes
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

KBC as a (re)insurance company – nuclear and fossil gas related activities – taxonomy aligned economic activities (denominator)

		Green Investment Ratio (Turnover based)						Green Investment Ratio (Capex based)					
	31-12-2023	Total		Climate change mitigation (CCM)		Climate change adaptation (CCA)		Total		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities (amounts in millions of EUR)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2	0.0%	2	0.0%	0	0.0%	1	0.0%	1	0.0%	0	0.0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	19	0.1%	19	0.1%	0	0.0%	31	0.1%	31	0.1%	0	0.0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	109	0.5%	102	0.4%	7	0.0%	153	0.6%	145	0.6%	9	0.0%
8	**Total applicable KPI**	**24 251**	**100%**					**24 251**	**100%**				

KBC as a (re)insurance company – nuclear and fossil gas related activities – taxonomy aligned economic activities (numerator)

		Green Investment Ratio (Turnover based)						Green Investment Ratio (Capex based)					
	31-12-2023	Total		Climate change mitigation (CCM)		Climate change adaptation (CCA)		Total		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities (amounts in millions of EUR)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	2	1.6%	2	1.6%	0	0.0%	1	0.5%	1	0.5%	0	0.0%
4	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	19	14.4%	19	14.4%	0	0.0%	31	16.8%	31	16.8%	0	0.0%
5	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Amount and proportion of taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	109	84.1%	102	78.5%	7	5,5%	153	82.7%	145	78.1%	9	4.7%
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**130**	**100%**	**123**	**94,5%**	**7**	**5,5%**	**185**	**100%**	**177**	**95.3%**	**9**	**4.7%**

KBC as a (re)insurance company – nuclear and fossil gas related activities – taxonomy-eligible but not taxonomy-aligned activities

Row	31-12-2023 Economic activities (amounts in millions of EUR)	Green Investment Ratio (turnover based)		Green Investment Ratio (Capex based)	
		Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0.0%	0	0.0%
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	N/A	N/A	N/A	N/A
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1 943	8.0%	1 743	7.2%
8	**Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**1 943**	**8.0%**	**1 743**	**7.2%**

KBC as a (re)insurance company – nuclear and fossil gas related activities – taxonomy non-eligible economic activities

Row	31-12-2023 Economic activities (amounts in millions of EUR)	Green Investment Ratio (turnover based)		Green Investment Ratio (Capex based)	
		Amount	%	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPII	N/A	N/A	N/A	N/A
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPII	N/A	N/A	N/A	N/A
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPII	0	0.0%	0	0.0%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPII	0	0.0%	0	0.0%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPII	N/A	N/A	N/A	N/A
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPII	N/A	N/A	N/A	N/A
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPII	22 178	91.5%	22 322	92.0%
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**22 178**	**91.5%**	**22 322**	**92.0%**

Management certification

"I, Luc Popelier, Chief Financial Officer of the KBC group, certify on behalf of the Executive Committee of KBC Group NV that, to the best of my knowledge, the financial statements, which are based on the relevant standards for annual accounts, fairly present in all material respects the assets, the financial condition and results of KBC Group NV, including its consolidated subsidiaries, and that the annual report provides a fair overview of the development, the results and the situation of KBC Group NV, including its consolidated subsidiaries, as well as an overview of the main risks and uncertainties to which they are exposed."

Contact details and calendar

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Calendar for 2024	
Publication of the Annual Report, the Sustainability Report and the Risk Report for 2023	2 April 2024
General Meeting of Shareholders (agenda available at www.kbc.com)	2 May 2024
Earnings release for 1Q 2024	16 May 2024
Earnings release for 2Q 2024	8 August 2024
Earnings release for 3Q 2024	7 November 2024

The most up-to-date version of the financial calendar is available at www.kbc.com.

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