# Press Release

Outside trading hours - Regulated information*

Brussels, 8 February 2024 (07.00 a.m. CET)

# KBC Group: Fourth-quarter result of 677 million euros

| KBC Group – overview (consolidated, IFRS) | 4Q2023 | 3Q2023 | 4Q2022 | FY2023 | FY2022 |
|---|---|---|---|---|---|
| Net result (in millions of EUR) | 677 | 877 | 727 | 3 402 | 2 818 |
| Basic earnings per share (in EUR) | 1.59 | 2.07 | 1.71 | 8.04 | 6.64 |
| Breakdown of the net result by business unit (in millions of EUR) | | | | | |
| *Belgium* | *474* | *517* | *545* | *1 866* | *1 876* |
| *Czech Republic* | *102* | *200* | *41* | *763* | *653* |
| *International Markets* | *178* | *200* | *160* | *676* | *428* |
| *Group Centre* | *-77* | *-41* | *-19* | *97* | *-139* |
| Parent shareholders’ equity per share (in EUR, end of period) | 53.9 | 52.2 | 48.7 | 53.9 | 48.7 |

*We recorded a net profit of 677 million euros in the last quarter of 2023. Compared to the result of the previous quarter, our total income benefitted from several factors, including better net fee and commission income and higher net other income, though these items were offset by a lower level of net interest income and lower insurance results. Costs, including bank and insurance taxes, were up quarter-on-quarter, as were impairment charges, driven mainly by an impairment of 109 million euros on goodwill on building savings company ČSOBS (a subsidiary of ČSOB Bank) in the Czech Republic and approximately 53 million euros impairment charges on software. Consequently, when adding up the four quarters of the year, our full-year net profit amounted to 3 402 million euros, up 21% year-on-year.*

*Our loan portfolio continued to expand, increasing by 1% quarter-on-quarter and by 3% compared to a year ago, with growth being recorded in each of the group’s core countries. Customer deposits were up 1% on the level of the previous quarter but down 3% year-on-year, as they were largely affected by deposit outflows caused by the issuance of a retail State Note (‘Staatsbon’) in Belgium at the start of September 2023.*

*On the sustainability front, we are delighted to note that the outside world is continuing to recognise our approach and achievements as ‘best in class’. In particular we note that renowned ESG Risk agency Sustainalytics has awarded KBC the excellent ‘ESG negligible risk rating category’. With this rating, KBC is included in the Sustainalytics 2024 ESG Top-Rated Companies List. We are equally proud to have received the coveted CDP A rating for our climate-related disclosures for a second year in a row.*

*As regards our ongoing share buyback programme of 1.3 billion euros, we had already bought back approximately 11 million shares for a total consideration of around 0.6 billion euros by the end of January 2024. The programme is planned to run until 31 July 2024.*

*Our solvency position remained strong, with a fully loaded common equity ratio of 15.2% at the end of December 2023, which already fully incorporates the effect of the ongoing share buyback programme of 1.3 billion euros. Our Board of Directors has decided to propose a total gross dividend of 4.15 euros per share to the General Meeting of Shareholders for the accounting year 2023 (of which an interim dividend of 1.0 euro per share was already paid in November 2023 and the remaining 3.15 euros per share is to be paid in May 2024). Including the proposed total dividend and additional tier-1 coupon, the pay-out ratio would amount to 51%. In line with our announced capital deployment plan for full-year 2023, the distribution of the surplus capital above the fully loaded common equity ratio of 15% will be decided at the discretion of the Board of Directors of KBC Group in the first half of 2024.*

*Lastly, we have also updated our three-year financial guidance. By 2026, we are aiming to achieve a cost/income ratio (excluding bank and insurance taxes) of below 42% and a combined ratio of maximum 91%.*

*In closing, I would like to sincerely thank all customers, employees, shareholders and all other stakeholders for their trust and support, and assure them that we remain committed to being the reference in bank-insurance and digitalisation in all our home markets.’*

*Johan Thijs*
*Chief Executive Officer*

# Financial highlights in the fourth quarter of 2023

**Net interest income** decreased by 2% quarter-on-quarter and by 4% year-on-year. The net interest margin for the quarter under review amounted to 1.99%, down 5 basis points on the previous quarter and 11 basis points on the year-earlier quarter. Loan volumes were up 1% quarter-on-quarter and 3% year-on-year. Deposits excluding debt certificates were up 1% quarter-on-quarter but down 3% year-on-year, the latter due largely to the outflow of deposits caused by the issuance of a 1-year State Note in Belgium in September 2023. Volume growth figures were calculated on an organic basis (excluding changes in the scope of consolidation and forex effects).

**The insurance service result** (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held) amounted to 100 million euros (compared to 138 million euros and 139 million euros in the previous and year-earlier quarters, respectively) and breaks down into 60 million euros for non-life insurance and 40 million euros for life insurance. The non-life combined ratio for full-year 2023 amounted to an excellent 87%, the same as for full-year 2022. Non-life insurance sales increased by 14% year-on-year, while life insurance sales were up 56% on the level recorded in the previous quarter but down 5% on the level recorded in the year-earlier quarter.

**Net fee and commission income** was up 2% and 9% on its level in the previous and year-earlier quarters, respectively. Fees for our asset management activities were up 5% quarter-on-quarter, while banking services-related fees were down 1% (as the previous quarter had benefitted from one-off securities-related fees received on the sale of the September State Note in Belgium). Year-on-year, fees for both our asset management activities and our banking service activities increased by 11% and 6%, respectively.

**Trading & fair value income** was stable compared to the previous quarter and down 35% on the level recorded in the year-earlier quarter. **Net other income** was slightly above its normal run rate due mainly to a one-off realised gain.

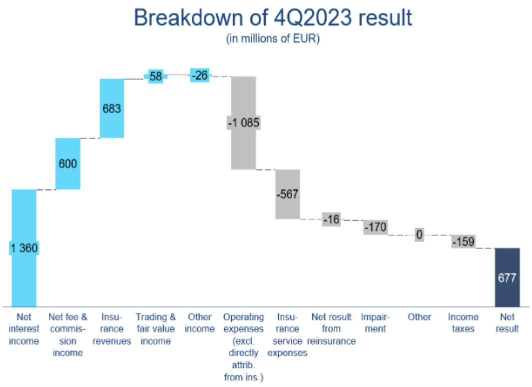
**Operating expenses including bank and insurance taxes** were up 7% on their level in the previous quarter and up 4% on their year-earlier level. The cost/income ratio for full-year 2023 came to 49%, the same as for full-year 2022. In that calculation, certain non-operating items have been excluded. Excluding all bank and insurance taxes, the cost/income ratio for full-year 2023 amounted to 43%, compared to 45% for full-year 2022.

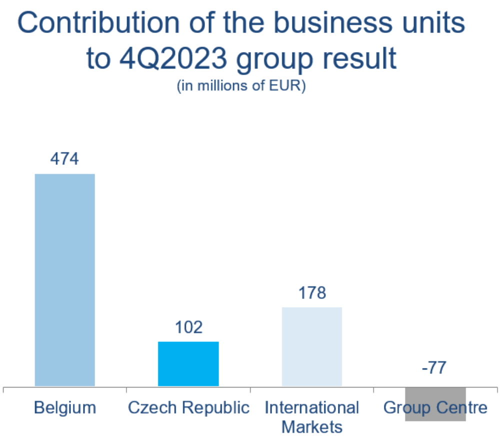
The quarter under review included a 5-million-euro net **loan loss impairment release**, as opposed to a net charge of 36 million euros in the previous quarter and a net charge of 82 million euros in the year-earlier quarter. The credit cost ratio for full-year 2023 amounted to 0.00%, compared to 0.08% for full-year 2022. Impairment on assets other than loans amounted to 175 million euros in the quarter under review (including a 109-million-euro impairment on goodwill in the Czech Republic), compared to 27 million euros in the previous quarter and 51 million euros in the year-earlier quarter.

Our **liquidity position** remained strong, with an LCR of 159% and NSFR of 136%. Our **capital base** remained robust, with a fully loaded common equity ratio of 15.2% (which already includes the full impact of the ongoing share buyback programme of 1.3 billion euros and the proposed dividend of 4.15 euros per share for full-year 2023).

## The cornerstones of our strategy


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



# Overview of results and balance sheet

| Consolidated income statement, IFRS, KBC Group (simplified; in millions of EUR) | 4Q2023 | 3Q2023 | 2Q2023 | 1Q2023 | 4Q2022 | FY2023 | FY2022 |
|---|---|---|---|---|---|---|---|
| Net interest income | 1 360 | 1 382 | 1 407 | 1 324 | 1 417 | 5 473 | 5 162 |
| Insurance revenues before reinsurance | 683 | 699 | 666 | 631 | 621 | 2 679 | 2 423 |
| *Non-life* | *584* | *587* | *567* | *543* | *526* | *2 280* | *2 050* |
| *Life* | *99* | *113* | *100* | *88* | *94* | *399* | *373* |
| Dividend income | 12 | 10 | 30 | 8 | 10 | 59 | 59 |
| Net result from financial instr. at fair value through P&L[1] | 58 | 58 | 115 | 90 | 90 | 322 | 252 |
| Net fee and commission income | 600 | 588 | 584 | 576 | 549 | 2 349 | 2 218 |
| Insurance finance income and expense | -98 | -67 | -82 | -66 | -63 | -313 | -96 |
| Net other income | 60 | 44 | 54 | 498 | -103 | 656 | 16 |
| Total income | 2 674 | 2 715 | 2 775 | 3 060 | 2 520 | 11 224 | 10 035 |
| Operating expenses (excl. directly attributable from insurance) | -1 085 | -1 011 | -1 019 | -1 501 | -1 036 | -4 616 | -4 327 |
| *Total operating expenses without bank and insurance taxes* | *-1 169* | *-1 101* | *-1 090* | *-1 077* | *-1 143* | *-4 438* | *-4 159* |
| *Total bank and insurance taxes* | *-36* | *-29* | *-51* | *-571* | *-15* | *-687* | *-646* |
| *Minus: op.expenses allocated to insurance service expenses* | *120* | *119* | *123* | *147* | *121* | *509* | *478* |
| Insurance service expenses before reinsurance | *-567* | *-540* | *-523* | *-490* | *-467* | *-2 120* | *-1 908* |
| *Of which Insurance commission paid* | *-94* | *-87* | *-82* | *-77* | *-79* | *-340* | *-308* |
| *Non-Life* | *-509* | *-485* | *-457* | *-418* | *-416* | *-1 870* | *-1 733* |
| *Life* | *-58* | *-55* | *-66* | *-72* | *-51* | *-251* | *-174* |
| Net result from reinsurance contracts held | -16 | -22 | -22 | -30 | -15 | -90 | -20 |
| Impairment | -170 | -63 | -8 | 26 | -132 | -215 | -282 |
| *Of which: on financial assets at amortised cost and at fair value through other comprehensive income*[2] | *5* | *-36* | *23* | *24* | *-82* | *16* | *-154* |
| Share in results of associated companies & joint ventures | 0 | 0 | -1 | -3 | -2 | -4 | -10 |
| Result before tax | 836 | 1 079 | 1 202 | 1 062 | 867 | 4 179 | 3 488 |
| Income tax expense | -159 | -203 | -236 | -180 | -139 | -778 | -670 |
| Result after tax | 677 | 877 | 966 | 882 | 727 | 3 401 | 2 818 |
| attributable to minority interests | 0 | 0 | 0 | 0 | 0 | -1 | 0 |
| **attributable to equity holders of the parent** | **677** | **877** | **966** | **882** | **727** | **3 402** | **2 818** |
| Basic earnings per share (EUR) | 1.59 | 2.07 | 2.29 | 2.08 | 1.71 | 8.04 | 6.64 |
| Diluted earnings per share (EUR) | 1.59 | 2.07 | 2.29 | 2.08 | 1.71 | 8.04 | 6.64 |

| Key consolidated balance sheet figures, IFRS, KBC Group (in millions of EUR) | 31-12-2023 | 30-09-2023 | 30-06-2023 | 31-03-2023 | 31-12-2022 |
|---|---|---|---|---|---|
| Total assets | 346 921 | 358 453 | 368 077 | 347 355 | 354 545 |
| Loans & advances to customers, excl. reverse repos | 183 613 | 181 821 | 182 005 | 179 520 | 178 053 |
| Securities (equity and debt instruments) | 73 696 | 72 765 | 71 839 | 70 291 | 67 160 |
| Deposits from customers excl. debt certificates & repos | 216 423 | 214 203 | 224 710 | 219 342 | 224 407 |
| Insurance contract liabilities | 16 784 | 15 920 | 16 295 | 16 282 | 16 158 |
| Liabilities under investment contracts, insurance | 13 461 | 12 655 | 12 751 | 12 164 | 12 026 |
| Total equity | 24 260 | 23 865 | 22 853 | 23 141 | 21 819 |

| Selected ratios KBC Group (consolidated) | FY2023 | FY2022 |
|---|---|---|
| Return on equity[3] | 16% | 13% |
| Cost/income ratio, group | | |
| - excl. non-operating items | 49% | 49% |
| - excl. all bank and insurance taxes | 43% | 45% |
| Combined ratio, non-life insurance | 87% | 87% |
| Common equity ratio (CET1), Basel III, Danish Compromise | | |
| - fully loaded | 15.2% | 15.3% |
| - transitional | 13.8% | 14.1% |
| Credit cost ratio[4] | 0.00% | 0.08% |
| Impaired loans ratio | 2.1% | 2.1% |
| for loans more than 90 days past due | 1.0% | 1.1% |
| Net stable funding ratio (NSFR) | 136% | 136% |
| Liquidity coverage ratio (LCR) | 159% | 152% |

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 15% in FY2023 when non-operating items are also excluded.
4 A negative figure indicates a net impairment release (positively affecting results).

# Analysis of the quarter (4Q2023)

## Total income: 2 674 million euros

-2% quarter-on-quarter and +6% year-on-year

**Net interest income** amounted to 1 360 million euros in the quarter under review, down 2% quarter-on-quarter and 4% year-on-year. The quarter-on-quarter decrease was due mainly to the negative direct impact from the issuance of a 1-year Belgian State Note in September, a higher pass-through on savings accounts in Belgium, further shifts from current and savings accounts to term deposits, higher costs related to the minimum required reserves held with the central banks in a number of our core countries, the higher funding cost of participations, increased wholesale funding costs, lower loan margins in most core markets and reduced short-term cash management. These items were partly offset by the positive impact of continued increasing reinvestment yields (which has a positive impact on commercial transformation result), the increase in customer term deposits, loan volume growth in all core countries and higher interest income from inflation-linked bonds. The year-on-year decrease was attributable primarily to lower lending income (volume growth more than offset by pressure on lending margins), the absence of a TLTRO impact, the sale of the remaining Irish portfolio in February 2023, lower net interest income from inflation-linked bonds, the higher funding cost of participations, increased wholesale funding costs and the higher cost related to the minimum required reserves held with the central banks in most of our core countries. These items were partly offset by the sharp increase in the commercial transformation result (despite deposit outflows due to the issuance of the State Note in Belgium) and increased customer term deposits at better margins. Consequently, the net interest margin for the quarter under review amounted to 1.99%, down 5 basis points quarter-on-quarter and 11 basis points year-on-year.

Customer loan volume was up 1% quarter-on-quarter and 3% year-on-year. Customer deposits excluding debt certificates were up 1% quarter-on-quarter but down 3% year-on-year. When excluding volatile low-margin short-term deposits at KBC Bank's foreign branches (driven by short-term cash management opportunities), customer deposits were up 1% quarter-on-quarter but down 2% year-on-year. These figures include the direct negative impact of the 5.7-billion-euro outflow of customer deposits to the Belgian State Note at the beginning of September 2023. In the growth figures above, the forex-related impact and the effects of changes in the scope of consolidation have been eliminated.

For guidance of the expected net interest income for full-year 2024, please refer to the section entitled 'Our guidance'.

The **insurance service result** (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held; the two latter items are not part of total income) amounted to 100 million euros and breaks down into 60 million euros for non-life insurance and 40 million euros for life insurance. The **non-life** insurance service result decreased by 26% quarter-on-quarter, as higher service expenses (due to higher storm-related claims in Belgium and parameter changes, among other factors) more than offset the higher reinsurance result. It was down 38% year-on-year, due to increased service expenses more than offsetting higher insurance revenues. The **life** insurance service result fell by 31% quarter-on-quarter, owing to a combination of lower revenues and higher insurance service expenses. It was down 7% year-on-year, due to increased service expenses more than offsetting higher insurance revenues. **Insurance finance income and expense** amounted to -98 million euros in the quarter under review, compared to -67 million euros in the previous quarter and -63 million euros in the year-earlier quarter (changes related to interest rate movements and stock market developments).

The combined ratio of the non-life insurance activities amounted to an excellent 87% for full-year 2023, in line with the ratio for full-year 2022. Non-life insurance sales came to 549 million euros, up 14% year-on-year, with growth in all countries and classes being accounted for by a combination of volume and tariff increases. Sales of life insurance products amounted to 685 million euros and were up 56% on the level recorded in the previous quarter, due mainly to higher sales of unit-linked life insurance products (owing primarily to the successful launch of new structured funds in Belgium) and higher sales of guaranteed-interest products (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in the fourth quarter in Belgium). Sales were down 5% on the year-earlier quarter, due entirely to lower sales of unit-linked products (as the launch of new structured funds had been even more successful in the previous year). Overall, the share of guaranteed-interest products and unit-linked products in our total life insurance sales in the quarter under review amounted to 43% and 51%, respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder.

**Net fee and commission income** amounted to 600 million euros, up 2% and 9% on its level in the previous and year-earlier quarters, respectively. Quarter-on-quarter, fees for our asset management activities were up 5% (due mainly to higher management fees and entry fees) while fees related to banking activities fell 1% (the previous quarter had included one-off fees earned from the sale of the Belgian State Note). Year-on-year, fees for both our asset management and banking activities increased by 11% and 6%, respectively. At the end of December 2023, our total assets under management amounted to 244 billion euros, up 8% quarter-on-quarter (+2 percentage points related to net inflows and +6 percentage points related to the quarter-on-quarter market performance). Assets under management were up 19% year-on-year, with net inflows accounting for +9 percentage points and market performance for +10 percentage points.

**Trading & fair value income** amounted to 58 million euros, stable quarter-on-quarter and down 35% on the year-earlier quarter. The quarter-on-quarter performance was attributable mainly to the better dealing room result and the higher result from investments backing unit-linked insurance contracts under IFRS 17, offset by the negative changes in market value adjustments (xVA) and in the market value of derivatives used for asset/liability management purposes. Year-on-year, the negative change in market value adjustments (xVA) and lower dealing room result more than offset the positive result from investments backing unit-linked insurance contracts under IFRS 17, among other factors.

The **other remaining income items** included dividend income of 12 million euros and net other income of 60 million euros, above its 50-million-euro normal run rate (as it included a one-off realised gain).

## Total operating expenses including bank and insurance taxes: 1 205 million euros

+7% quarter-on-quarter and +4% year-on-year

Total operating expenses including bank and insurance taxes amounted to 1 205 million euros in the last quarter of 2023, up by 7% on their level in the previous quarter. Bank and insurance taxes amounted to 36 million euros in the quarter under review, compared to 29 million euros in the previous quarter and 15 million euros in the year-earlier quarter. The figure for the quarter under review included an additional contribution of 8 million euros to the deposit guarantee fund in Belgium.

Excluding bank and insurance taxes, operating expenses were up 6%, owing mainly to seasonally higher marketing and professional fees, higher ICT costs and facility expenses, partly offset by lower staff costs and slightly lower depreciations.

Operating expenses including bank and insurance taxes were up 4% on their year-earlier level. Excluding bank and insurance taxes, operating expenses were up 2%, due to higher staff costs (wage drift and indexation, despite the lower number of FTEs), as well as higher ICT costs and facility expenses (mainly energy costs), partly offset by decreased costs for Ireland (given the sale of the Irish portfolios) and lower professional fees, marketing expenses and depreciation expenses.

When certain non-operating items are excluded, the cost/income ratio for full-year 2023 amounted to 49%, the same ratio as for full-year 2022. When excluding all bank and insurance taxes, the cost-income ratio improved to 43%, compared to 45% for full-year 2022.

For an indication of the operating expenses for full-year 2024, please refer to the section entitled ‘Our guidance’.

## Loan loss impairment: 5-million-euro net release

versus a 36-million-euro net charge in the previous quarter and an 82-million-euro net charge in the year-earlier quarter

In the quarter under review, we recorded a 5-million-euro net loan loss impairment release, as opposed to a net charge of 36 million euros in the previous quarter and a net charge of 82 million euros in the year-earlier quarter. The net impairment release in the quarter under review included a charge of 30 million euros in respect of our loan book, and a 35-million-euro release following the update of the reserve for geopolitical and emerging risks. As a consequence, the outstanding reserve for geopolitical and emerging risks amounted to 256 million euros at the end of December 2023.

For the entire group, the credit cost ratio amounted to 0.00% for full-year 2023 (0.07% excluding the changes in the reserve for geopolitical and emerging risks), compared to 0.08% for full-year 2022 (0.00% excluding the changes in the reserves for geopolitical and emerging risks and for the coronavirus crisis). At the end of December 2023, 2.1% of our total loan book was classified as impaired ('Stage 3'), unchanged on the level at year-end 2022. Impaired loans that are more than 90 days past due amounted to 1.0% of the loan book, compared to 1.1% at year-end 2022.

For an indication of the expected impact of loan loss impairment for full-year 2024, please refer to the section entitled 'Our guidance'.

Impairment on assets other than loans amounted to 175 million euros, compared to 27 million euros in the previous quarter and 51 million euros in the year-earlier quarter. The figure for the quarter under review was accounted for primarily by a 109-million-euro impairment on goodwill on building savings company ČSOBS (a subsidiary of ČSOB Bank) following the reduction in the building savings state subsidy in the Czech Republic, as well as by 56 million euros in impairment charges on tangible and intangible assets (mainly software) and a 10-million-euro impairment charge related to modification losses from the extension of the interest cap regulation in Hungary.

## Net result by business unit

Belgium 474 million euros; Czech Rep. 102 million euros; International Markets 178 million euros, Group Centre -77 million euros

**Belgium:** the net result (474 million euros) was down 8% quarter-on-quarter. This was due primarily to the combined effect of slightly lower total income (comprising higher net fee and commission income, dividend income and net other income, but lower trading & fair value income, insurance revenues, and net interest income), higher costs (including bank and insurance taxes) and insurance service expenses after reinsurance, and lower net impairment charges.

**Czech Republic:** the net result (102 million euros) was down 47% quarter-on-quarter (excluding forex effects). This was essentially attributable to a 109-million-euro impairment on goodwill on the building savings company ČSOBS, whereas higher costs and insurance service expenses after reinsurance were offset by higher quarter-on-quarter total income (owing primarily to higher trading & fair value income, net interest income and net other income).

**International Markets:** the 178-million-euro net result breaks down as follows: 18 million euros in Slovakia, 94 million euros in Hungary and 67 million euros in Bulgaria. For the business unit as a whole, the net result was down 11% on the previous quarter's result, due mainly to a combination of higher costs and insurance service expenses after reinsurance, and higher net impairment charges, partly offset by a slightly higher level of total income.

**Group Centre:** the net result (-77 million euros) was 37 million euros lower than the figure recorded in the previous quarter owing to a combination of lower total income, higher costs, lower insurance service expenses after reinsurance, and a net impairment charge as opposed to a net release in the previous quarter.

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

| | Belgium | | Czech Republic | | International Markets | |
|---|---|---|---|---|---|---|
| **Selected ratios by business unit** | **FY2023** | **FY2022** | **FY2023** | **FY2022** | **FY2023** | **FY2022** |
| Cost/income ratio, group | | | | | | |
| - excl. non-operational items | 46% | 47% | 47% | 44% | 45% | 47% |
| - excl. all bank and insurance taxes | 41% | 41% | 44% | 45% | 39% | 41% |
| Combined ratio, non-life insurance | 85% | 85% | 84% | 83% | 97%[2] | 91% |
| Credit cost ratio[1] | 0.06% | 0.03% | -0.18% | 0.13% | -0.06% | 0.31% |
| Impaired loans ratio | 2.0% | 1.9% | 1.4% | 1.7% | 1.8% | 1.9% |

1 A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.
2 Impacted by an additional windfall insurance tax being recorded in Hungary in 2023. Excluding this item, the ratio for 2023 would be 94%.

## Solvency and liquidity

Common equity ratio 15.2%, NSFR 136%, LCR 159%

At the end of December 2023, total equity came to 24.3 billion euros and comprised 22.0 billion euros in parent shareholders' equity and 2.3 billion euros in additional tier-1 instruments. Total equity was up 2.4 billion euros on its level at the end of 2022. This was accounted for by the combined effect of the inclusion of the profit for 2023 (+3.4 billion euros), the payment of the final dividend for 2022 in May 2023 and the interim dividend paid in November 2023 (-1.7 billion euros combined), the repurchase of own shares (-0.5 billion euros), a net increase in the revaluation reserves (+0.5 billion euros), the issuance of new additional tier-1 instruments in September 2023 (+0.75 billion euros) and a number of smaller items. We have provided details of these changes under ‘Consolidated statement of changes in equity’ in the ‘Consolidated financial statements’ section of the quarterly report.

Our solvency position remained strong, as illustrated by a fully loaded common equity ratio (CET1) of 15.2% at 31 December 2023, down slightly from 15.3% at the end of 2022. Note that the ratio includes both the effect of the ECB supervisory decisions following model reviews, as already announced in August 2023, as well as the full impact of the ongoing 1.3-billion-euro share buyback programme.

Our Board of Directors has decided to propose a total gross dividend of 4.15 euros per share to the General Meeting of Shareholders for the accounting year 2023 (of which an interim dividend of 1.0 euro per share was already paid in November 2023 and the remaining 3.15 euros per share is to be paid in May 2024). Including the proposed total dividend and additional tier-1 coupon, the pay-out ratio would amount to 51%. In line with our announced capital deployment plan for full-year 2023, the distribution of the surplus capital above the fully loaded common equity ratio of 15% will be decided at the discretion of the Board of Directors of KBC Group in the first half of 2024.

The solvency ratio for KBC Insurance under the Solvency II framework was 206% at the end of 2023, compared to 203% at the end of 2022. We have provided more details and additional information on solvency under ‘Solvency’ in the ‘Additional information’ section of the quarterly report.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 159% and an NSFR ratio of 136%, compared to 152% and 136%, respectively, at the end of 2022.

# Analysis of the year-to-date period (FY2023)

## Net result for full-year 2023: 3 402 million euros

+21% year-on-year

Highlights (compared to full-year 2022, unless otherwise stated):

- **Net interest income** up 6% to 5 473 million euros. This was attributable in part to the much higher commercial transformation result (due to higher reinvestment yields, despite deposit outflows due to the issuance of the State Note in Belgium and higher pass-through on savings accounts in some core countries), the consolidation of Raiffeisenbank Bulgaria (12 months in 2023 compared to six months in 2022) and the increase in term deposits at better margins, partly offset by lower lending income (as lower margins in most core markets more than offset loan volume growth in all core countries), the absence of a TLTRO and ECB tiering impact, the sale of the remaining Irish portfolio in February 2023, lower net interest income from inflation-linked bonds, the higher funding cost of participations, increased wholesale funding costs and the higher cost related to the minimum required reserves held with the central banks in most of our core countries. On an organic basis (i.e. excluding changes in the scope of consolidation and forex effects), the volume of customer loans rose by 3% whereas deposits excluding debt certificates were down 3% year-on-year, including the deposit outflows related to the issuance of the Belgian State Note in the third quarter of 2023. The net interest margin for full-year 2023 came to 2.05%, up 9 basis points year-on-year.

- **Insurance service result** (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held): amounted to 469 million euros. The non-life insurance service result increased by 9% year-on-year to 323 million euros, as increased higher insurance revenues more than offset the higher service expenses and lower reinsurance result. The life insurance service result decreased by 26% year-on-year to 146 million euros, due to increased service expenses (as 2022 had been positively impacted by a 67 million euros reversal of loss component) more than offsetting higher insurance revenues. The non-life combined ratio for full-year 2023 amounted to an excellent 87%, the same as the year-earlier figure. Non-life insurance sales were up

12% to 2 351 million euros, while life insurance sales were also up 12% to 2 328 million euros, due mainly to higher unit-linked insurance sales in Belgium.

- **Net fee and commission income:** up 6% to 2 349 million euros. This was attributable primarily to higher fees for banking services (including the effect of the consolidation of Raiffeisenbank Bulgaria and the sale of the Belgian State Note) and higher fees related to asset management services. At the end of December 2023, total assets under management were up 19% to 244 billion euros due to a combination of net inflows (+9 percentage points) and a positive price effect (+10 percentage points).

- **Trading & fair value income:** up 28% to 322 million euros. This was due mainly to a better dealing room result and a higher result from investments backing unit-linked insurance contracts under IFRS 17, which more than offset the negative changes in market value adjustments (xVA) and in the market value of derivatives used for asset/liability management purposes.

- **All other income items combined:** up 420 million euros to 402 million euros. This came about mainly because of higher net other income, which included a 0.4-billion-euro gain on the sale of the loan and deposit portfolios of KBC Bank Ireland in February 2023. Note that full-year 2022 had included a negative 149 million euros related to a legacy legal file in the Czech Republic.

- **Operating expenses including bank and insurance taxes:** up 7% to 5 125 million euros. Total bank and insurance taxes increased by 6% to 687 million euros. Operating expenses excluding bank and insurance taxes went up by 7% to 4 438 million euros, in line with the guidance. The year-on-year increase was due in part to the consolidation and integration of the former Raiffeisenbank Bulgaria, wage drift and inflation/indexation, higher ICT expenses, facility costs (mainly energy costs) and depreciation expenses. These items were only partly offset by the impact of the sale of the Irish portfolios in February 2023, among other factors. The cost/income ratio amounted to 49% when certain non-operating items are excluded (49% for full-year 2022). When bank and insurance taxes are fully excluded, the cost-income ratio for the period under review amounted to 43% (45% for full-year 2022).

- **Loan loss impairment:** net release of 16 million euros, as opposed to a net charge of 154 million euros in the reference period. Full-year 2023 included a net charge of 139 million euros in respect of our loan book and a net release of 155 million euros in the reserve for geopolitical and emerging risks. As a result, the credit cost ratio amounted to 0.00%, compared to 0.08% for full-year 2022. Impairment on assets other than loans amounted to 231 million euros (including a 109-million-euro impairment on goodwill in the Czech Republic), compared to 128 million euros in the reference period.

- The **net result** of 3 402 million euros for full-year 2023 breaks down as follows: 1 866 million euros for the Belgium Business Unit (down 10 million euros on its year-earlier level), 763 million euros for the Czech Republic Business Unit (up 109 million euros), 676 million euros for the International Markets Business Unit (up 249 million euros) and 97 million euros for the Group Centre (up 236 million euros, accounted for entirely by the gain realised on the sale of the loan and deposit portfolios of KBC Bank Ireland in February 2023).

# ESG developments, risk statement and economic views

## ESG developments

KBC continues to be committed to increasing its positive impact on society and the environment. We also apply strict sustainability policies and exclusionary criteria to our business activities. We believe that issuing green bonds will contribute to the development of a sustainable financial market and to diversify our investor base. We have recently updated our Green Bond Framework with reviewed eligibility criteria and asset selection, aligned with the ICMA Green Bond Principles 2021 and further aligning it towards the criteria for environmentally sustainable economic activities, as set out in the EU Taxonomy Climate Delegated Act (June 2021).

We also recently announced that we became an inaugural Taskforce on Nature related Financial Disclosure (TNFD) Early Adopter. As such, we will start making disclosures aligned with the TNFD Recommendations in our corporate reporting by financial year 2025. Besides our climate related approach, KBC increasingly sees nature-related issues as a strategic risk management topic and believes the TNFD recommendations and guidance will support us in identifying and assessing our nature-related dependencies, impacts, risks and opportunities.

Last but not least, we are delighted to note that the outside world is continuing to recognise our approach and achievements as ‘best in class’. In particular we note that renowned ESG Risk agency Sustainalytics has awarded KBC the excellent ‘ESG negligible risk rating category’. With this rating, KBC is included in the Sustainalytics 2024 ESG Top-Rated Companies List. We are equally proud to have received the coveted CDP A rating for our climate-related disclosures for a second year in a row.

## Risk statement

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

At present, a number of factors are considered to constitute the main challenges for the financial sector. These stem primarily from the mostly indirect, but lingering, impact of the war in Ukraine, including the delayed effects of the increase in energy and commodity prices and the supply-side shortages it triggered. This has led to a surge in inflation, resulting in upward pressure on interest rates, lower growth prospects (or even fears of a recession) and some concerns about the creditworthiness of counterparties in the economic sectors most exposed. Geopolitical risks remain elevated, as evidenced by the conflict in Gaza/Israel and the Red Sea. All these risks affect global, but especially, European economies, including KBC’s home markets. Rising interest rates were also the main source of some turmoil in the financial sector in the spring of 2023, although that has abated somewhat. Regulatory and compliance risks (including in relation to capital requirements, anti-money laundering regulations, GDPR and ESG/sustainability) also remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate and environmental-related risks are becoming increasingly prevalent. Cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole. The war in Ukraine has triggered an increase in attacks worldwide. Finally, we have seen governments across Europe taking additional measures to support their budgets (via increased tax contributions from the financial sector) and their citizens and corporate sector (by, for instance, implementing interest rate caps on loans or by pushing for higher rates on savings accounts).

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

## Our view on economic growth

After exceptionally strong quarter-on-quarter growth in the third quarter of 2023 (1.2% non-annualised), US growth slowed somewhat in the fourth quarter to 0.8% (non-annualised). This stronger-than-expected growth was mainly attributable to robust domestic demand, in particular to strong private consumption growth which was supported by persistently solid job creation and a low unemployment rate. Due in part to the impact of the past Fed tightening cycle, quarter-on-quarter growth is expected to stagnate in the first quarter of 2024, before gradually returning to a positive growth path again.

After posting a slightly negative quarter-on-quarter growth in the third quarter of 2023 (-0.1%), the euro area economy stagnated in the fourth quarter (quarterly growth of 0%), due mainly to the impact of the ECB's tightening cycle on credit growth and the weakness in the manufacturing sector. From the first quarter of 2024 onwards, quarterly growth is expected to marginally and gradually rebound, with the recovery gathering pace towards the second half of 2024.

Quarter-on-quarter growth in the fourth quarter in Belgium amounted to 0.4%. Relatively strong domestic demand (based on private consumption and corporate investment) most likely counterbalanced the continuing weakness of net exports. For 2024, we expect growth to remain broadly in line with that of the euro area. Following a very weak third quarter (-0.6% quarter-on-quarter), the Czech economy grew again by 0.2% in the fourth quarter of 2023. The current relative weakness is still the result of very sluggish private consumption and a weak manufacturing sector. We expect a recovery to meaningfully positive quarter-on-quarter growth from the first quarter of 2024 on. Based on our latest estimates, quarter-on-quarter growth for the fourth quarter in KBC's other Central European home markets was also modest (Bulgaria 0.2%, Slovakia 0.2% and Hungary 0.7%). As is the case for the euro area economy, growth is expected to gradually rebound and accelerate in the course of 2024.

The main risks to our short-term outlook for European growth include the global weakness of the manufacturing sector, particularly its effect on the German economy. Moreover, current geopolitical tensions pose risks of supply chain disruptions and higher energy and commodity prices. Additional risks include the election calendar for 2024 and the increasing cost of financing high levels of sovereign debt in the euro area in the context of subdued short-term economic growth, the run-up to the re-activation of the Stability and Growth Pact and the announced phasing out of PEPP reinvestments by the ECB.

## Our view on interest rates and foreign exchange rates

Both the Fed and the ECB are expected to start a rate-cutting cycle in the course of 2024. In the background, the run-down of the Fed's and ECB's balance sheet (Quantitative Tightening or QT) continues. While the Fed had started discussing potentially slowing down the pace of QT in December 2023, the ECB is planning to increase the pace of its QT by reducing the amount of monthly reinvestments of maturing assets in its Pandemic Emergency Purchase Programme (PEPP) portfolio from the second half of 2024 on, and by ending reinvestments altogether from 2025 on.

After their sharp rise during the third quarter of 2023, both 10-year US and German government bond yields corrected sharply downwards towards the end of the fourth quarter. US and German yields temporarily peaked at about 5% and 3%, respectively, before falling abruptly below 4% and 2%, respectively, towards the end of the fourth quarter. A modest upward correction occurred in January 2024.

With the market gradually becoming convinced that the Fed had reached the peak of its policy rate cycle, declining interest rate support led to a weakening of the US dollar against the euro during the fourth quarter. On balance, the dollar depreciated from about 1.05 to approximately 1.10 USD per EUR at the end of 2023. Based on valuation fundamentals, we expect the US dollar to gradually weaken further in the course of 2024.

During the fourth quarter, the Czech koruna (CZK) continued to depreciate against the euro, largely driven by the (expected) start of policy rate cuts. In the fourth quarter, the Czech National Bank (CNB) cut the policy rate to 6.75% and further rate cuts will follow in 2024. Moreover, the abandonment by the CNB of its FX interventions continued to weigh on the CZK. We expect the current weakness of the Koruna to persist in early 2024 before strengthening again against the euro when the ECB starts easing its policy.

During the fourth quarter, the National Bank of Hungary (NBH) continued its rate-cutting cycle by lowering its base rate by 75 basis points on three occasions, taking it to 10.75% by the end of 2023. At the end of January 2024, the NBH further lowered its base rate by 75 basis points to 10%. Additional rate cuts by the NBH will follow, which will probably leave the base rate at about 6.25% by the end of the year. At the same time, it will keep the short-term real interest rate sufficiently positive to keep inflation on a downward path.

The exchange rate of the Hungarian forint against the euro was again quite volatile during the fourth quarter of 2023. On balance, the forint appreciated from around 390 to 383 forints per euro. In early January the appreciation continued, helped by the release of frozen EU funds. Against the background of still relevant inflation differentials with the euro area and the NBH's ongoing easing cycle, the forint is expected to start weakening again from current levels during 2024.

# Our guidance

## Guidance for full-year 2024

- Net interest income: in the range of 5.3-5.5 billion euros, supported by an organic loan volume growth of approximately 3%.
- Insurance revenues (before reinsurance): at least +6% year-on-year
- Operating expenses and insurance commissions paid (excluding bank and insurance taxes): below +1.7% year-on-year, which is substantially below inflation.
- Cost/income ratio (excluding bank and insurance taxes): below 45%.
- Combined ratio: below 91%.
- Credit cost ratio (excluding any changes in the ECL buffers for geopolitical risk that were still in place at year-end 2023): well below the through-the-cycle credit cost ratio of 25-30 basis points.

## Medium to long-term guidance

- CAGR net interest income (2023-2026): at least 1.8%.
- CAGR insurance revenues (before reinsurance) (2023-2026): at least 6%.
- CAGR operating expenses and insurance commissions paid (excluding bank and insurance taxes) (2023-2026): below 1.7%, which is substantially below inflation.
- Cost/income ratio (excluding bank and insurance taxes): below 42% by the end of 2026.
- Combined ratio: below 91%.
- Credit cost ratio (excluding any changes in the ECL buffers for geopolitical risk that were still in place at year-end 2023): well below the through-the-cycle credit cost ratio of 25-30 basis points.
- Indicative view on transitional risk-weighted assets (RWA) evolution under Basel IV (based on current EU consensus - updated based on the political agreement of the trilogue in December 2023 -, a static balance sheet and all other parameters ceteris paribus, without any mitigating actions): we expect a fully loaded impact of approximately +8 billion euros, by 1 January 2033 (no first-time application impact on 1 January 2025).
- Please refer to the company presentation (on www.kbc.com) for details and background information.

# Other information

## Statement of the auditor

The statutory auditor, PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises SRL, represented by Damien Walgrave and Jeroen Bockaert, has confirmed that its audit work, which is substantially complete, has, to date, not revealed any significant matters requiring adjustments to the 2023 consolidated income statement, the condensed consolidated statement of comprehensive income for the year, the consolidated balance sheet and the consolidated statement of changes in equity and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, as included in this press release.

## Upcoming events and references

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|---|---|
| | Annual report: 2 April 2024<br>AGM: 2 May 2024<br>Dividend: ex-coupon date 13 May 2024, record date 14 May 2024, payment date 15 May 2024 (subject to AG approval)<br>1Q2024 results: 16 May 2024<br>Other events: www.kbc.com / Investor Relations / Financial calendar |
| More information on 4Q2023 | Quarterly report: www.kbc.com / Investor Relations / Reports<br>Company presentation: www.kbc.com / Investor Relations / Presentations |
| Information on IFRS 17 implementation | Press release of 18 April 2023: www.kbc.com / Newsroom / Press release archive |


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


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