KBC Group
Quarterly Report
4Q2023

More information: www.kbc.com
KBC Group – Investor Relations Office: IR4U@kbc.be

KBC GROUP
4Q 2023 report

Report for 4Q2023

Consolidated financial statements

Additional information

Forward-looking statements

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

Management certification

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

Investor Relations contact details

IR4U@kbc.be, KBC Group NV, Investor Relations Office, Havenlaan 2, 1080 Brussels, Belgium

This report contains information that is subject to transparency regulations for listed companies. Date of release: 8 February 2024

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

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 focusing on the joint development of solutions, initiatives and ideas within the group

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.

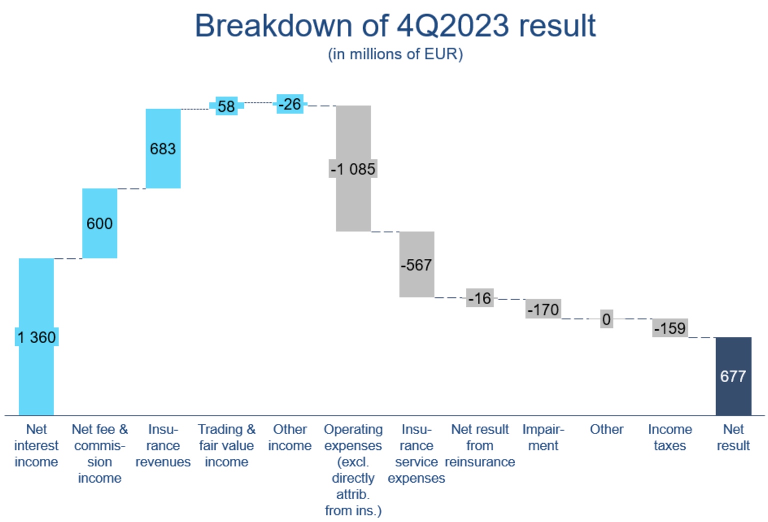
Net fee and commission income was up 2% and 9% on its level in the previous and year-earlier quarters, respectively. Fees for our asset management activities were up 5% quarter-on-quarter, while banking services-related fees were down 1% (as the previous quarter had benefitted from one-off securities-related 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.

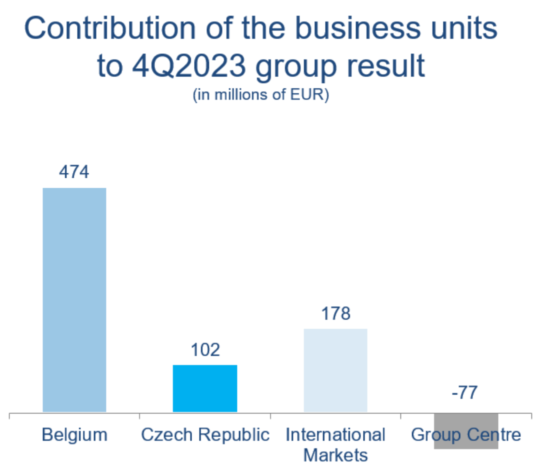
Trading & fair value income was stable compared to the previous quarter and down 35% on the level recorded in the year-earlier quarter. **Net other income** was slightly above its normal run rate due mainly to a one-off realised gain.

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).





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 (full-year 2023)

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

	Annual report: 2 April 2024 AGM: 2 May 2024 Dividend: ex-coupon date 13 May 2024, record date 14 May 2024, payment date 15 May 2024 (subject to AG approval) 1Q2024 results: 16 May 2024 Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 4Q2023	Quarterly report: www.kbc.com / Investor Relations / Reports 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

KBC Group

Consolidated financial statements according to IFRS

4Q 2023 and FY 2023

On 1 January 2023, IFRS 17 replaced IFRS 4 (Insurance contracts):

The new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) is mandatory for the reporting period beginning on 1 January 2023.

As a consequence of the IFRS 17 implementation the reference figures have been restated accordingly.

For more information, see note 6.10.

Glossary:

AC: Amortised Cost
ALM: Asset Liability Management
AT1: Additional tier-1 instruments
BBA: Building block approach
CSM: Contractual service margin
ECL: Expected Credit Loss
FA: Financial Assets
FV: Fair Value
FVO: Fair Value Option (designated upon initial recognition at Fair Value through Profit or Loss)
FVOCI: Fair Value through Other Comprehensive Income
FVPL: Fair Value through Profit or Loss
GCA: Gross Carrying Amount
HFT: Held For Trading
IFIE: Insurance finance income and expense
MFVPL: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)
OCI: Other Comprehensive Income
OPEX: Operating expenses
P&L: Income statement
PAA: Premium allocation approach
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings
UL: Unit linked
VFA: Variable fee approach

Consolidated income statement

(in millions of EUR)	Note	2023	2022	4Q 2023	3Q 2023	4Q 2022
Net interest income	3.1	5 473	5 162	1 360	1 382	1 417
Interest income	*3.1*	*20 170*	*11 225*	*5 391*	*5 399*	*3 473*
Interest expense	*3.1*	*-14 697*	*-6 063*	*-4 031*	*-4 017*	*-2 056*
Insurance revenues before reinsurance	3.7	2 679	2 423	683	699	621
Non-life	3.7	*2 280*	*2 050*	*584*	*587*	*526*
Life	3.7	*399*	*373*	*99*	*113*	*94*
Dividend income		59	59	12	10	10
Net result from financial instruments at fair value through profit or loss	3.3	322	252	58	58	90
Net fee and commission income	3.5	2 349	2 218	600	588	549
Fee and commission income	3.5	*2 991*	*2 800*	*771*	*751*	*714*
Fee and commission expense	3.5	*- 642*	*- 581*	*- 171*	*- 163*	*- 165*
Insurance finance income and expense (for insurance contracts issued)	3.7	- 313	- 96	- 98	- 67	- 63
Net other income	3.6	656	16	60	44	- 103
TOTAL INCOME		11 224	10 035	2 674	2 715	2 520
Operating expenses (excluding directly attributable from insurance)	3.8	-4 616	-4 327	-1 085	-1 011	-1 036
Total Opex without banking and insurance tax	3.8	*-4 438*	*-4 159*	*-1 169*	*-1 101*	*-1 143*
Total banking and insurance tax	3.8	*- 687*	*- 646*	*- 36*	*- 29*	*- 15*
Minus: Opex allocated to insurance service expenses	3.8	*509*	*478*	*120*	*119*	*121*
Insurance service expenses before reinsurance	3.7	-2 120	-1 908	- 567	- 540	- 467
Of which insurance commissions paid	*3.7*	*- 340*	*- 308*	*- 94*	*- 87*	*- 79*
Non-Life	3.7	*-1 870*	*-1 733*	*- 509*	*- 485*	*- 416*
Of which Non-life - Claim related expenses	3.7	*-1 157*	*-1 077*	*- 328*	*- 308*	*- 247*
Life	3.7	*- 251*	*- 174*	*- 58*	*- 55*	*- 51*
Net result from reinsurance contracts held	3.7	- 90	- 20	- 16	- 22	- 15
Impairment	3.10	- 215	- 282	- 170	- 63	- 132
on FA at amortised cost and at FVOCI	3.10	*16*	*- 154*	*5*	*- 36*	*- 82*
on goodwill	3.10	*- 109*	*- 5*	*- 109*	*0*	*- 5*
other	3.10	*- 122*	*- 123*	*- 66*	*- 27*	*- 46*
Share in results of associated companies and joint ventures		- 4	- 10	0	0	- 2
RESULT BEFORE TAX		4 179	3 488	836	1 079	867
Income tax expense	3.12	- 778	- 670	- 159	- 203	- 139
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		3 401	2 818	677	877	727
attributable to minority interests		- 1	0	0	0	0
attributable to equity holders of the parent		**3 402**	**2 818**	**677**	**877**	**727**
Earnings per share (in EUR)						
Ordinary		8.04	6.64	1.59	2.07	1.71
Diluted		8.04	6.64	1.59	2.07	1.71

We describe the impact of the most significant acquisitions and disposals in 2022 and 2023 (the acquisition of Bulgarian operations of Raiffeisen Bank International and the sale of the Irish loan and deposit portfolios to Bank of Ireland Group) in note 6.6 further in this report.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	2023	2022	4Q 2023	3Q 2023	4Q 2022
RESULT AFTER TAX	**3 401**	**2 818**	**677**	**877**	**727**
Attributable to minority interests	- 1	0	0	0	0
Attributable to equity holders of the parent	3 402	2 818	677	877	727
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**370**	**257**	**23**	**18**	**16**
Net change in revaluation reserve (FVOCI debt instruments)	499	- 2 166	583	- 182	- 175
Net change in hedging reserve (cashflow hedges)	358	171	113	141	50
Net change in translation differences	- 115	- 15	- 75	- 202	103
Hedge of net investments in foreign operations	52	- 4	36	32	8
Net insurance finance income and expense from (re)insurance contracts issued	- 428	2 288	- 639	233	32
Net insurance finance income and expense from reinsurance contracts held	6	- 19	6	- 2	- 2
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	- 1	1	0	- 3	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**125**	**- 40**	**47**	**- 54**	**49**
Net change in revaluation reserve (FVOCI equity instruments)	159	- 263	51	- 34	39
Net change in defined benefit plans	- 34	222	- 5	- 20	10
Net change in own credit risk	0	1	0	0	0
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**3 896**	**3 035**	**746**	**840**	**792**
Attributable to minority interests	- 1	0	0	0	0
Attributable to equity holders of the parent	3 897	3 035	747	840	792

The largest movements in other comprehensive income (2023 and 2022):

- Net change in revaluation reserve (FVOCI debt instruments): the +499 million euros in 2023 is mainly explained by lower interest rates and the unwinding effect of the negative outstanding revaluation reserve. The -2 166 million euros in 2022 is mainly explained by much higher interest rates, for the largest part related to government bonds of European countries.
- Net change in hedging reserve (cash flow hedge): the +358 million euros in 2023 can for a large part be explained by the unwinding effect of the negative outstanding cash flow hedge reserve and positive MtM on net receiver swaps position due to lower interest rates. The +171 million euros in 2022 can mainly be explained by the positive MtM on the net payer swaps position due to much higher interest rates
- The net change in translation differences: the -115 million euros in 2023 was mainly caused by the depreciation of the CZK versus the EUR, partly compensated by the appreciation of the HUF versus the EUR. This was partly offset by the hedge of net investments in foreign operations (+52 million euros). The -15 million euros in 2022 was mainly caused by the depreciation of the HUF versus the EUR and the realization of positive translation differences in CZK through dividend distribution within the group, largely compensated by the appreciation of the USD and CZK. The hedge of net investments in foreign operations in 2022 (-4 million euros) was negatively impacted due to the appreciation of the USD and CZK (only limited hedged volumes in HUF). The hedging policy of FX participations aims to stabilize the group capital ratio (and not parent shareholders' equity).
- The net change in net insurance finance income and expense from (re)insurance contracts issued and held in 2023 of -422 million euros is explained by the interest rate decrease and by the unwinding effect of the outstanding positive IFIE through OCI. The net impact of +2 269 million euros in 2022 is mainly explained by much higher interest rates.
- Net change in revaluation reserve (FVOCI equity instruments): the +159 million euros in 2023 is mainly explained by positive fair value movements driven by better stock markets. The -263 million euros in 2022 can be explained by negative fair value movements due to negative stock markets evolution.
- Net change in defined benefit plans: the -34 million euros in 2023 is mainly explained by the impact of the lower discount rate applied on the obligations, partly offset by the positive return of the plan assets and the lower expected inflation rate. The +222 million euros in 2022 is mainly explained by the effect of the higher discount rate applied on the obligations, partly offset by the negative return of the plan assets and the impact of the higher inflation rate.

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*
Reinsurers' contract assets held		64	55
Profit/loss on positions in portfolios hedged for interest rate risk		-2 402	-4 335
Tax assets		900	1 175
Current tax assets		*176*	*174*
Deferred tax assets		*724*	*1 001*
Non-current assets held for sale and disposal groups	*5.11*	4	8 054
Investments in associated companies and joint ventures		30	32
Property, equipment and investment property		3 702	3 560
Goodwill and other intangible assets		2 355	2 331
Other assets		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		*2 922*	*2 714*
Life		*13 862*	*13 444*
Profit/loss on positions in portfolios hedged for interest rate risk		- 505	-1 443
Tax liabilities		472	462
Current tax liabilities		*99*	*150*
Deferred tax liabilities		*373*	*312*
Liabilities associated with disposal groups	*5.11*	0	2 020
Provisions for risks and charges	5.7.3	183	418
Other liabilities		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 decrease of the total liabilities in 2023 can for the largest part be explained by lower deposits from credit institutions and investment firms, lower repos and lower demand deposits and saving accounts from customers, partly driven by outflow to the Belgian State Note in 3Q 2023 (see note 3.1 for more details) and partial repayment of the TLTRO III by 12.9 billion euros. This is partly compensated by higher time deposits from customers, certificates of deposits and other issued bonds and increased total equity.

Total assets decrease can for the largest part be explained by lower cash and cash balances with central banks, partly compensated by higher loans and advances to customers, increased government bond portfolio and lower profit/loss on positions in portfolios hedged for interest rate risk.

The impact of the most important acquisitions and divestments in 2023 is described in note 6.6.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
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 AT1	0	0	0	- 50	0	- 50	0	0	- 50
Issue/repurchase of AT1 included in equity	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 on 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 minorities 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	-	22 404
Net result for the period	0	0	0	2 818	0	2 818	0	-	2 818
Other comprehensive income for the period	0	0	0	1	215	217	0	-	217
Subtotal	0	0	0	2 819	215	3 035	0	-	3 035
Dividends	0	0	0	- 3 585	0	- 3 585	0	-	- 3 585
Coupon on AT1	0	0	0	- 50	0	- 50	0	-	- 50
Capital increase	1	14	0	0	0	15	0	-	15
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	152	- 152	0	0	-	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	-	0
Change in minorities interests	0	0	0	0	0	0	0	-	0
Total change	1	14	0	- 663	63	- 585	0	-	- 585
Balance at the end of the period	1 461	5 542	0	12 626	690	20 319	1 500	-	21 819

2023

The Annual General Meeting on 4 May 2023 approved a final gross dividend of 4.00 euros per share related to the accounting year 2022, of which:

- an interim dividend of 1.00 euro per share (417 million euros in total), as decided by KBC Group's Board of Directors of 10 August 2022 and paid on 16 November 2022 (was deducted from retained earnings in 3Q 2022)
- an ordinary dividend of 3.00 euros per share and paid on 11 May 2023 (1 252 million euros in total), deducted from retained earnings in 2Q 2023.

Furthermore, the Board of Directors will propose to the Annual General Meeting of shareholders on 2 May 2024 a total gross dividend of 4.15 euros per share related to the accounting year 2023, of which:

- an interim dividend of 1.00 euro per share (411 million euros in total), as decided by KBC Group's Board of Directors of 9 August 2023 and paid on 15 November 2023 (was deducted from retained earnings in 3Q 2023)
- an final ordinary dividend of 3.15 euros per share based on the outstanding number of shares entitled to dividend, which excludes the shares bought in the share buyback programme (see further) and to be paid in May 2024, will be deducted from retained earnings in 2Q 2024.

Treasury shares: within the framework of the share buyback programme of 1.3 billion euros announced on 10 August 2023, the total number of own shares bought by KBC related to the share buyback programme amounted to 8 797 069 at the end of 2023.

For more information: https://www.kbc.com/en/share-buy-back and Solvency section further in this report.

2022

The 'Dividends' item in 2022 (3 585 million euros) includes the final dividend of 7.60 euros per share (3 168 million euros paid in May 2022) and the interim dividend of 1.00 euro per share (417 million euros paid in November 2022).

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	31-12-2023	31-12-2022	31-12-2021
Total	1 166	690	627
Revaluation reserve (FVOCI debt instruments)	- 596	-1 095	1 071
Revaluation reserve (FVOCI equity instruments)	222	84	499
Hedging reserve (cashflow hedges)	- 579	- 937	-1 108
Translation differences	- 240	- 125	- 110
Hedge of net investments in foreign operations	127	75	79
Remeasurement of defined benefit plans	434	467	246
Own credit risk through OCI	0	0	- 1
Insurance finance income and expense through OCI after reinsurance	1 799	2 221	- 48

Consolidated cash flow statement

More details will be available in the annual report of 2023.

Notes to the accounting policies

Statement of compliance (note 1.1 in the annual accounts 2022)

The condensed interim financial statements of the KBC Group for the period ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (‘endorsed IFRS’).

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (‘endorsed IFRS’).

The following IFRS standards and amendments became effective in 2023 and KBC has applied them:

- IFRS 17: see note 6.10 in the annual report of 2022 and further in this report.
- Amendment to IAS 1, presentation of Financial Statements
- Amendment to IAS 12, income taxes

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

Summary of significant accounting policies (note 1.2 in the annual accounts 2022)

A summary of the main accounting policies is provided in the group’s interim consolidated financial statements as at 31 March 2023.

Main exchange rates used:

	Exchange rate at 31-12-2023		Average exchange rate in FY 2023	
		Changes relative to 31-12-2022		Changes relative to the average FY 2022
	1 EUR = …	Positive: appreciation relative to EUR	1 EUR = …	Positive: appreciation relative to EUR
	… currency	Negative: depreciation relative to EUR	… currency	Negative: depreciation relative to EUR
CZK	24.724	-2%	23.946	3%
HUF	382.80	5%	381.33	3%

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2022)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2022.

As a result of the Irish sale transaction, the P&L-lines of KBC Bank Ireland have been transferred from Business Unit International Markets to Group Centre as of 1 January 2022. Regarding the impact of the acquisition of Raiffeisenbank Bulgaria and the sale of the Irish loan and deposit portfolios to Bank of Ireland Group, see further in note 6.6.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
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
Net other 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 OPEX (insurance))	-2 532	- 865	- 962	*- 463*	*- 229*	*- 270*	- 256	*- 112*	-4 616
Total Opex without banking and insurance tax	*-2 463*	*- 916*	*- 805*	*- 275*	*- 250*	*- 281*	*- 254*	*- 107*	*-4 438*
Total Banking and insurance tax	*- 361*	*- 60*	*- 262*	*- 238*	*- 4*	*- 20*	*- 4*	*- 4*	*- 687*
Minus: Opex allocated 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
of which on FA at AC 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**

(in millions of EUR) 2022	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
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
Net other 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 OPEX (insurance))	-2 360	- 815	- 816	*- 409*	*- 226*	*- 181*	- 337	*- 208*	-4 327
Total Opex without banking and insurance tax	*-2 284*	*- 861*	*- 683*	*- 238*	*- 248*	*- 197*	*- 332*	*- 200*	*-4 159*
Total Banking and insurance tax	*- 349*	*- 61*	*- 228*	*- 211*	*- 7*	*- 10*	*- 8*	*- 8*	*- 646*
Minus: Opex allocated 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
of which on FA at AC 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**

Other notes

Net interest income (note 3.1 in the annual accounts 2022)

(in millions of EUR)	2023	2022	4Q 2023	3Q 2023	4Q 2022
Total	5 473	5 162	1 360	1 382	1 417
Interest income	20 170	11 225	5 391	5 399	3 473
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	10 233	7 848	2 688	2 650	2 450
Financial assets at FVOCI	384	376	123	89	94
Hedging derivatives	5 094	1 838	1 515	1 556	658
Financial liabilities (negative interest)	11	289	2	2	45
Other	2 143	130	475	551	59
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	55	35	16	14	10
Financial assets held for trading	2 250	710	574	538	157
Of which economic hedges	*2 085*	*582*	*531*	*490*	*121*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-14 697	-6 063	-4 031	-4 017	-2 056
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	-6 757	-2 320	-1 854	-1 812	-1 054
Financial assets (negative interest)	- 1	- 94	0	0	- 1
Hedging derivatives	-5 277	-1 972	-1 542	-1 604	- 694
Other	- 5	- 3	- 1	- 1	- 1
Interest expense on other financial instruments					
Financial liabilities held for trading	-2 599	-1 639	- 621	- 584	- 293
Of which economic hedges	*-2 546*	*-1 595*	*- 604*	*- 570*	*- 285*
Other financial liabilities at FVPL	- 68	- 33	- 18	- 18	- 13
Net interest expense relating to defined benefit plans	10	- 1	4	3	0

The year-on-year increase of interest income on financial instruments calculated using the effective interest rate method – other, is mainly related to interest income on cash balances with central banks. These cash and cash balances are mainly funded with short term liabilities, such as certificates of deposits and repos. The interest expense related to this funding is part of interest expense on financial liabilities at AC. Net interest margin on this activity is narrow, resulting in limited net interest income.

End of August 2023, the Kingdom of Belgium issued a State Note with a tenor of 1 year, resulting in following impact on KBC:

- Client deposits outflow of 5.7 billion euros
- -73 million euros negative direct impact on net interest income in 2023
- +11 million euros one-off positive impact on net fee and commission income (securities fees) in 3Q 2023.

Different Central Banks decided to increase the Minimum Reserve Requirements (MRR) and/or reduce the remuneration on these deposits. This results in a negative impact on net interest income of about 125 million euros in 2023, compared to about 13 million euros in 2022.

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2022)

(in millions of EUR)	2023	2022	4Q 2023	3Q 2023	4Q 2022
Total	322	252	58	58	90
Breakdown by driver					
Dealing room income	288	245	78	47	90
MTM ALM derivatives and other	- 47	- 7	- 18	- 17	- 16
Market value adjustments (xVA)	- 15	80	- 41	17	0
Result on investment backing UL contracts - under IFRS17	96	- 65	40	11	15

The result from financial instruments at fair value through profit or loss in 4Q 2023 is at the same level compared to 3Q 2023.

The quarter-on-quarter evolution is explained as follows:

- Higher dealing room income in Czech Republic and Belgium
- Higher fair value result on investments backing unit-linked contracts under IFRS 17 (offset by more negative insurance finance income and expenses; for more information see note 3.7 further in this report)

Offset by

- Negative impact from market value adjustments (xVA) in 4Q 2023 compared to positive impact in 3Q 2023, for a large part driven by a drop in EUR yield curves and KBC credit and funding spreads
- Slightly more negative MTM ALM derivatives and other income in 4Q 2023 compared to 3Q 2023

The result from financial instruments at fair value through profit or loss in 2023 is 70 million euros higher compared to 2022, for a large part explained by:

- Much better result on investments backing unit-linked contracts under IFRS 17 in 2023 compared to 2022 thanks to improved financial markets in 2023 while depressed financial markets in 2022
- Higher dealing room income in 2023 in Belgium, partly offset by lower dealing room income in Hungary and to a lesser extent in Slovakia and Czech Republic

Partly offset by

- Negative impact from market value adjustments (xVA) in 2023 (driven by a drop in EUR yield curves and KBC credit and funding spreads) compared to high positive impact in 2022
- More negative MTM ALM derivatives and other income in 2023 compared to 2022

Net fee and commission income (note 3.5 in the annual accounts 2022)

(in millions of EUR)	2023	2022	4Q 2023	3Q 2023	4Q 2022
Total	2 349	2 218	600	588	549
Fee and commission income	2 991	2 800	771	751	714
Fee and commission expense	- 642	- 581	- 171	- 163	- 165
Breakdown by type					
Asset Management Services	1 247	1 199	323	309	290
Fee and commission income	*1 305*	*1 259*	*338*	*324*	*304*
Fee and commission expense	*- 59*	*- 60*	*- 14*	*- 16*	*- 14*
Banking Services	1 057	983	265	268	249
Fee and commission income	*1 632*	*1 495*	*421*	*414*	*398*
Fee and commission expense	*- 575*	*- 512*	*- 156*	*- 146*	*- 150*
Other	*45*	*36*	*12*	*12*	*10*
Fee and commission income	*53*	*46*	*12*	*13*	*11*
Fee and commission expense	*- 8*	*- 10*	*0*	*- 1*	*- 1*

- Asset Management Services include management fees, entry fees and distribution fees on mutual funds and unit-linked life products (under IFRS 9).
- Banking Services include credit- and guarantee related fees, payment service fees, network income, securities related fees, distribution fees banking products and other banking services. In 3Q 2023 Securities related fees include 11 million euros one-off fee related to distribution of Belgian State Note (see note 3.1 for more details)
- The distribution commissions paid regarding insurance contracts (life and non-life under IFRS 17) are presented in the income statement as Insurance Service Expenses (for more information, see note 3.7).
- The line Other includes distribution fees from third party insurance companies (not under IFRS 17) and platformication revenues.

Net other income (note 3.6 in the annual accounts 2022)

(in millions of EUR)	2023	2022	4Q 2023	3Q 2023	4Q 2022
Total	656	16	60	44	- 103
of which gains or losses on					
Sale of financial assets measured at amortised cost	- 22	- 32	- 4	- 12	- 2
Sale of debt instruments at FVOCI	- 7	- 69	- 1	- 7	- 1
Repurchase of financial liabilities measured at amortised cost	0	0	0	0	0
of which other, including:	685	117	65	63	- 100
Income from operational leasing activities	101	94	19	32	16
Income from VAB Group	39	50	10	8	11
Gain on sale real estate subsidiary at KBC Insurance	0	68	0	0	0
Legacy legal cases excl. ICEC-Holding	0	0	0	0	- 7
Legal file ICEC-Holding in Czech Republic	0	- 149	0	0	- 149
Gain on sale in Ireland	405	0	0	0	0
Gain on sale in Belgium	18	0	18	0	0
Recuperation Belgian Banking taxes (including moratorium interests)	48	0	0	0	0

In 2023:

- Gain on sale in Ireland: positive one-off impact of the sale transaction of KBC Bank Ireland's loan assets and its deposit book (+405 million euros in 1Q 2023) (for more information, see note 6.6).
- Recuperation of Belgian banking taxes (2016) and linked moratorium interests (+48 million euros) in 1Q 2023
- Realised loss on sale of low yielding bonds at amortised cost and FVOCI in Belgium, Czech Republic, Hungary and Group Re (total -29 million euros, mainly in 3Q 2023)
- Realized gain on sale of a participation under equity method in Belgium (+18 million euros in 4Q 2023)

In 2022:

- Gain on sale of a real estate subsidiary at KBC Insurance (KBC Vastgoed Nederland) (+68 million euros in 2Q 2022)
- Realised loss on sale of low yielding bonds at amortised cost mainly in Czech Republic, Belgium, Slovakia and Hungary (total -101 million euros spread over different quarters)
- Arbitration proceedings against ICEC-Holding (-149 million euros in 4Q 2022)

Breakdown of the insurance results (note 3.7 in the annual accounts 2022)

The table below includes intragroup transactions between bank and insurance entities (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, distribution commissions intra-group…) in order to give a more accurate view of the profitability of the insurance business.

(in millions of EUR)	Life	*of which life direct participating (VFA)*	Non-life	Non-technical	Total
2023					
Insurance service 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 expenses	**151**	***0***	***63***	**—**	***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 P&L	*100*	*96*	*0*	*6*	*106*
Net other income	*10*	*0*	*2*	*- 3*	*10*
Impairment	*- 1*	*0*	*0*	*0*	*- 2*
Total insurance finance income and expenses 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 re. liabilities of IFRS 17 unit linked contracts	*- 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*
Commissions received	*7*	—	*10*	—	*17*
Amounts recoverable from reinsurer	*21*	—	*0*	—	*21*
Total (ceded) reinsurance finance income and expense	*0*	—	*- 2*	—	*- 2*
Net insurance and investment result after reinsurance	**297**	***12***	**394**	**19**	**710**
Non-directly attributable income and expenses	**10**	***- 1***	**- 50**	**9**	**- 31**
Net fee and commission income	*67*	*0*	*- 2*	*24*	*90*
Net other income	*- 1*	—	—	*69*	*68*
Operating expenses (incl. banking and insurance tax)	*- 48*	*- 1*	*- 48*	*- 83*	*- 179*
Impairment - Other	*- 9*	*0*	*- 1*	*0*	*- 10*
Share in results of assoc. comp & joint-ventures	—	—	—	*0*	*0*
Income tax	**—**	**—**	**—**	**- 152**	**- 152**
Result after tax	**307**	**11**	**344**	**- 124**	***527***
Attributable to minority interest	—	—	—	—	*0*
Attributable to equity holders of the parent	**—**	**—**	**—**	**—**	***527***

(in millions of EUR)	Life	*of which life direct participating (VFA)*	Non-life	Non-technical	Total
2022					
Insurance service 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 expenses	**179**	***0***	***95***	**—**	***317***
Investment result on assets	**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 P&L	*- 65*	*- 65*	5	- 2	- 63
Net other income	*12*	*0*	- 20	1	- 8
Impairment	*0*	*0*	0	2	2
Total insurance finance income and expenses 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 re. liabilities of IFRS 17 unit linked contracts	*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
Commissions received	*12*	—	9	—	21
Amounts recoverable from reinsurer	*15*	—	54	—	69
Total (ceded) reinsurance finance income and expenses	*0*	—	- 1	—	- 1
Net insurance and investment result after reinsurance	**376**	***10***	**400**	**43**	**819**
Non-directly attributable income and expenses	**20**	***- 1***	**- 37**	**12**	**- 5**
Net fee and commission income	*62*	*0*	- 2	19	80
Net other income	—	—	—	64	64
Operating expenses (incl. banking and insurance tax)	*- 42*	*- 1*	- 35	- 71	- 148
Impairment - Other	*0*	*0*	0	0	0
Share in results of assoc. comp & joint-ventures	—	—	—	0	0
Income tax	**—**	**—**	**—**	**- 179**	**- 179**
Result after tax	**396**	**9**	**363**	**- 125**	**635**
Attributable to minority interest	—	—	—	—	0
Attributable to equity holders of the parent	**—**	**—**	**—**	—	**635**

The non-technical account includes also results of non-insurance companies such as VAB group and ADD.
The column 'of which life direct participating (VFA)' relates to results of long-term unit-linked contracts in Central and Eastern Europe. Total insurance finance income and expenses before reinsurance includes changes in fair value of underlying assets of contracts measured under VFA, which represents the fair value movement of unit-linked liabilities, valued under IFRS 17 (variable fee approach), with the offsetting impact in fair value movement of underlying unit-linked assets in net result from financial instruments at fair value through profit or loss (see also note 3.3, result on investment backing UL contracts - under IFRS 17).

In 2023, the insurance service result non-life was negatively impacted by storms mainly in 4Q 2023 in Belgium (-29 million euros before reinsurance and -34 million euros after reinsurance, taken into account the update of the reinsurance amounts of last year).

In 2022, the insurance service result non-life was negatively impacted by storms mainly in 1Q 2022 in Belgium (-89 million euros before reinsurance and -35 million euros after reinsurance).

In 2022, the insurance service result life was positively impacted by a reversal of loss component for an amount of 90 million euros (before tax) on modern saving products in Belgium driven by increased interest rates (largely booked in 2Q 2022).

Operating expenses – income statement (note 3.8 in the annual accounts 2022)

The total Operating expenses by nature include also Opex allocated to insurance service expenses (directly attributable from insurance) in order to provide a comprehensive overview of the total cost evolution.

(in millions of EUR)	2023	2022	4Q 2023	3Q 2023	4Q 2022
Total Operating expenses by nature	**-5 125**	**-4 805**	**-1 205**	**-1 130**	**-1 158**
Staff Expenses	-2 677	-2 561	- 667	- 682	- 662
General administrative expenses	-2 062	-1 870	- 443	- 351	- 394
ICT Expenses	- 634	- 562	- 167	- 164	- 163
Facility Expenses	- 265	- 224	- 72	- 66	- 63
Marketing & communication expenses	- 108	- 109	- 40	- 24	- 42
Professional fees	- 144	- 157	- 45	- 29	- 52
Banking and insurance tax	- 687	- 646	- 36	- 29	- 15
Other	- 224	- 172	- 82	- 39	- 59
Depreciation and amortisation of fixed assets	- 386	- 374	- 96	- 97	- 102

The operating expenses for 4Q 2023 include 36 million euros related to bank and insurance levies (29 million euros in 3Q 2023; 15 million euros in 4Q 2022). Application of IFRIC 21 (Levies) has as a consequence that the majority of the levies are taken upfront in expense of the first quarter of the year.

On 4 June 2022 the Hungarian government has adopted a decree, levying extra profit surtaxes, affecting several sectors, of which also the banking and insurance sector. For K&H, the extraordinary sectoral tax amounts to 101 million euros in 2023 (of which 79 million euros included in the result of 1Q 2023 and 22 million euros included in the result of 2Q 2023, driven by a change in calculation method), compared to 78 million euros in 2022 (fully included in the result of 2Q 2022).

At the beginning of April 2022 the National Deposit Insurance Fund of Hungary (OBA) required an extraordinary contribution fee of all its member banks, due to the revoking of the license of Sberbank Hungary by the Hungarian National Bank at the beginning of March 2022, which triggered the compensation for the deposits of clients up to 100 000 euro from the Deposit Guarantee Fund. For K&H Bank the extraordinary contribution fee amounted to 24 million euros and was included in the result of 1Q 2022. In 4Q 2022, 14 million euros of this extraordinary contribution fee was recuperated.

In 3Q 2023, the Belgian government decided to increase the national bank taxes by: (1) higher bank taxes for deposits on the balance sheet above 50 billion EUR and (2) abolishment of the income tax deductibility of the banking taxes (see note 3.12 further in this report). The combined impact for KBC is roughly -40 million euros and expected as of 2024 (of which roughly -30 million euros in banking and insurance tax). Additionally, a further increase of the bank taxes is driven by an increase of the contribution to the Deposit Guarantee Scheme, which resulted in -8 million euros in 4Q 2023. For 2024 an impact of roughly -24 million euros can be expected.

In 1Q 2022 an extraordinary staff bonus was decided for in total 41 million euros (10 million euros in Business Unit Belgium, 12 million euros in Business Unit Czech Republic, 4 million euros in Hungary, 4.5 million euros in Slovakia, 4 million euros in Bulgaria and 6.5 million euros in Group Centre, of which 1 million euros in Ireland).

Note: One-off impact from the sale transaction in Ireland (see note 6.6 further in this report).

Impairment – income statement (note 3.10 in the annual accounts 2022)

(in millions of EUR)	2023	2022	4Q 2023	3Q 2023	4Q 2022
Total	**- 215**	**- 282**	**- 170**	**- 63**	**- 132**
Impairment on financial assets at AC and at FVOCI	16	- 154	5	- 36	- 82
By IFRS category					
Impairment on financial assets at AC	*17*	*- 155*	*7*	*- 36*	*- 82*
Impairment on financial assets at FVOCI	*- 1*	*1*	*- 2*	*0*	*0*
By product					
Loans and advances	*- 5*	*- 177*	*14*	*- 48*	*- 81*
Debt securities	*7*	*- 3*	*- 4*	*8*	*- 1*
Off-balance-sheet commitments and financial guarantees	*15*	*25*	*- 4*	*5*	*1*
By type					
Stage 1 (12-month ECL)	*- 41*	*5*	*4*	*2*	*23*
Stage 2 (lifetime ECL)	*161*	*- 107*	*61*	*10*	*- 56*
Stage 3 (non-performing; lifetime ECL)	*- 92*	*- 60*	*- 57*	*- 42*	*- 54*
Purchased or originated credit impaired assets	*- 11*	*8*	*- 2*	*- 7*	*6*
By division/country					
Belgium	*- 82*	*- 35*	*- 10*	*- 42*	*- 38*
Czech Republic	*70*	*- 46*	*14*	*- 4*	*- 23*
International Markets	*19*	*- 78*	*1*	*7*	*- 27*
Slovakia	*8*	*- 19*	*2*	*- 2*	*- 8*
Hungary	*11*	*- 29*	*- 1*	*6*	*- 5*
Bulgaria	*0*	*- 30*	*- 1*	*3*	*- 14*
Group Centre	*8*	*5*	*0*	*2*	*6*
Of which Ireland	*9*	*7*	*3*	*3*	*5*
Impairment on goodwill	- 109	- 5	- 109	0	- 5
Impairment on other	- 122	- 123	- 66	- 27	- 46
Intangible fixed assets (other than goodwill)	- 77	- 34	- 50	- 26	- 12
Property, plant and equipment (including investment property)	- 15	- 18	- 5	- 1	- 9
Associated companies and joint ventures	0	0	0	0	0
Other	- 30	- 71	- 10	0	- 25

The impairment on financial assets at AC and at FVOCI in 2023 includes:

- A net impairment release of 155 million euros for the geopolitical and emerging risks (of which 21 million euros in 1Q 2023, 40 million in 2Q 2023, 59 million in 3Q 2023 and 35 million euros in 4Q 2023), compared to a 158 million net impairment charge for the Covid, geopolitical and emerging risks in 2022 (of which 18 million euros charge in 1Q 2022, 5 million euros release in 2Q 2022, 103 million euros charge in 3Q 2022 and 42 million euros charge in 4Q 2022). The outstanding balance of ECL for the geopolitical and emerging risks amounts to 256 million euros at the end of 2023. As a reminder, this is determined based on individual counterparties and sectors deemed to have incurred an increase in credit risk because they are either exposed to the current emerging risks or indirectly exposed to ongoing military conflicts. The 35 million ECL release for geopolitical & emerging risks in 4Q 2023 is driven mainly by the evolution of the micro- and macroeconomic indicators.
- Additionally, the impairments on financial assets at AC and at FVOCI in 2023 include 139 million euros charge (a net release of 3 million euros in 1Q 2023, 17 million euros charge in 2Q 2023, 95 million euros charge in 3Q 2023 and 30 million euros charge in 4Q 2023), largely in stage 3 mainly related to a number of corporate and retail files in Belgium and Bulgaria, compared to +3 million euros net releases in 2022, largely in stage 3 mainly related to a number of corporate and retail files in Czech Republic and Belgium (33 million euros release in 1Q 2022, 14 million euros charge in 2Q 2022, 24 million euros release in 3Q 2022 and 40 million euros charge in 4Q 2022).

Impairment on goodwill: ČSOB Stavební spořitelna (or ČSOB Stavební, subsidiary of ČSOB Czech Republic) is impacted by the reduction of the building saving state subsidy in the Czech Republic, having a substantial negative impact on its future projected earnings. This leads to an impairment of 109 million euros on the total outstanding goodwill of 175 million euros (based on the exchange rate of 31 December 2023). This goodwill was created in June 2019 during the full acquisition of ČSOB Stavební (former ČMSS), partially via the revaluation of the group's existing 55% stake at that moment in ČMSS which generated a one-off gain of 82 million euros. The Czech Government coalition presented on May, 11th its fiscal stabilization package, which included a proposal for the reduction of the building saving state subsidy. The Czech coalition compromise was translated in the government proposal, which was approved by the Czech Parliament on 8 November 2023. No impact on the common equity capital (CET1). In 2022 the impairments on goodwill included 5 million euros on small subsidiaries of the Czech Republic due to the annual goodwill impairment test.

The impairments on property and equipment and intangible assets in 2023 (-92 million euros) mainly include -77 million euros impairments on software in most countries (in 3Q and 4Q 2023) and -11 million euros related to the full write down of leased assets in Ireland (in 2Q 2023). 2022 included -52 million euros, of which -24 million euros in Ireland in 1Q 2022.

The impairment on other (Other) in 2023 of -30 million euros include -29 million euros modification losses (in 2Q and 4Q 2023), related to the latest extension of the interest cap regulation in Hungary until 1 July 2024. The impairment on other (Other) in 2022 included 63 million euros modification losses, largely related to the extension of the interest cap regulation in Hungary.

Income tax expense (note 3.12 in the annual accounts 2022)

In 2023, income tax expense is impacted by the non-tax deductibility as of 2023 (for 80%) of the Belgian national banking and insurance taxes, increasing the income tax expenses with about 36 million euros (impact fully in 1Q 2023). The Belgian government decided to abolish the remainder of the tax deductibility of the banking taxes (versus the current 20%) as of 2024.

2022 income tax was positively impacted by the one-off recognition of 51 million euros deferred tax assets, amongst others following the increase of the UK Corporate tax rate from 19% to 25% and the recognition of deferred tax assets in Ireland (see note 6.6 for more information).
2023 income tax was positively impacted by an updated estimate of the future taxable profits of KBC Bank London branch (one-off impact of 15 million euros).

Based on the approval received from the Irish Department of Finance on 13 September 2023, to transfer the remaining positions of KBC Bank Ireland to KBC Bank Dublin branch, which was implemented in December 2023, the main hurdles to start the legal liquidation process of KBC Bank Ireland have been taken. The aim is to close this liquidation process in the course of 2024. The closing of the liquidation process can give rise to a tax deductible loss in KBC Bank NV in 2024 for which no deferred tax assets are yet recognized, as we consider this as a contingent asset at this moment subject to official authorization of the Irish tax authorities to liquidate KBC Bank Ireland. This could lead to a tax benefit in P&L of 0.3 billion euros in 2024.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2022)

(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 (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 repayable on demand and term loans at not more than three months							*222*
Loans and advances to customers (excl. 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	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)	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	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 repayable on demand and term loans 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	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)	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	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 repayable on demand					*6 136*
Deposits from customers and debt securities (excl. repos)	258 051	81	1 359	0	259 491
Demand 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 of clients, 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	5 235	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	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	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 repayable on demand					*5 085*
Deposits from customers and debt securities (excl. repos)	251 496	44	1 205	0	252 746
Demand 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 of clients, 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	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	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	2 448	0	0	0	2 448
Total	289 885	9 096	13 201	577	312 759

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme. In 2023 an amount of 12.9 billion euros was repaid (of which 10.9 billion euros at maturity in 2Q 2023 and 2 billion euros in 1Q 2023), leaving 2.6 billion euros outstanding.

Impaired financial assets (note 4.2.1 in the annual accounts 2022)

(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
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
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 is equal to the sum of the lines Loans and advances to credit institutions and investment firms (excl. reverse repos), Loans and advances to customers (excl. reverse repos) and Reverse repos in note 4.1 (in the column Measured at amortised cost)

A collective shift of an exposure of 12.0 billion euros from stage 1 to stage 2 has been applied at 31 December 2023, compared to 10.4 billion euros at 30 September 2023 and 14.2 billion euros at 31 December 2022. It concerns stage 1 portfolios that are either:

- vulnerable to the emerging risks or
- indirectly exposed to ongoing military conflicts.

The increase compared to 30 September 2023 is due mainly to a review of the sectors considered to be impacted by the geopolitical and emerging risks. For more information, see note 3.10.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2022)

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 4.4 up to and including 4.7 of the annual accounts 2022.

(in millions of EUR) Fair value hierarchy	Level 1	Level 2	Level 3	31-12-2023 Total	Level 1	Level 2	Level 3	31-12-2022 Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	14 253	107	851	15 212	12 651	146	643	13 440
Held for trading	2 991	4 625	711	8 327	1 912	5 825	733	8 471
Designated at fair value	0	0	0	0	0	0	0	0
At fair value through OCI	15 290	2 628	669	18 587	13 350	2 645	622	16 617
Hedging derivatives	0	295	0	295	0	542	0	542
Total	32 534	7 656	2 231	42 422	27 913	9 159	1 998	39 070
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 429	4 582	1 039	7 050	885	7 086	1 125	9 096
Designated at fair value	13 432	202	1 157	14 791	11 996	74	1 131	13 201
Hedging derivatives	0	306	95	401	0	479	98	577
Total	14 862	5 090	2 290	22 242	12 881	7 638	2 355	22 874

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2022)

During 2023, KBC transferred about 176 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 286 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2022)

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 and loss: the fair value of loans and advances increased by 210 million euros, mostly due to new transactions and changes in market parameters, only partially offset by instruments that reached maturity.
- Financial assets held for trading: the fair value of derivatives decreased by 22 million euros, primarily due to sales of existing positions, not fully offset by new acquisitions and changes in market parameters.
- Financial assets measured at fair value through other comprehensive income: the fair value of debt securities has decreased by 33 million euros, primarily due to instruments that reached maturity and sales of existing positions. The fair value of equity instruments increased by 80 million euros, mostly due to acquisitions.
- Financial liabilities held for trading: the fair value of derivatives decreased by 86 million euros, mostly due to sales of existing positions and changes in market parameters, only partially compensated by new transactions
- Financial liabilities designated at fair value: the fair value of debt securities issued increased by 26 million euros, primarily due to acquisitions and changes in market parameters, only partially offset by deals that reached maturity and sales of existing positions.

Insurance contract liabilities (note 5.6 in the annual accounts 2022)

The Contractual Service Margin (CSM) as included in the insurance contract liabilities, evolved from 2 061 million euros at the end of 2022 to 2 244 million euros at 31 December 2023, or an increase of 183 million euros. This increase is mainly explained by the positive change in best estimates reflected in the CSM (+154m; mainly driven by parameter updates, changes in non-economic & experience variances), CSM of new business (+167m) was slightly higher compared to the CSM release in the income statement (-150m), reinforced by positive interest accretion (time value) on the CSM (+17m).

Details of provisions for other risks and charges (note 5.7.3 in the annual accounts 2022)

Possible loss: On 6 October 2011, Irving H. Picard, trustee for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) before the bankruptcy court in New York to recover (claw-back) approximately USD 110 000 000 which had been transferred from Madoff (via a feeder fund called Harley) to KBC entities. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors ('joint defense group').

For events before 2023 we refer to the annual report.

Recent developments: On 26 April 2023 the Bankruptcy Court judge dismissed the motion. So the procedure on the merits of the case continues. End of June 2023 KBC filed an answer to the amended complaint. A case management plan was agreed upon with the Trustee with deadlines for completion of pretrial discovery on the asserted claims and defences. The next step is to agree a protocol framework to contact certain of the named individuals in the Initial Disclosures who will likely be deposed by KBC and/or the Trustee. The deadline for fact discovery under this plan is end of September 2025. KBC still believes, although the burden of proof has been increased, it has good and credible defenses, including demonstrating its good faith. The procedure may still take several years.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2022)

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

The ordinary shares of KBC Group NV have no nominal value and are quoted on Euronext Brussels.
The treasury shares largely relate to shares bought in the share buyback programme and to a lesser extent to positions in shares of KBC Group to hedge outstanding derivatives on indices that include KBC Group shares.

In December 2023 the number of KBC Group NV shares went up by 136 462 to 417 305 876 (in December 2022 the number of shares went up by 285 822 to 417 169 414), due to new shares being issued following the yearly capital increases reserved for staff.

In September 2023, KBC issued AT1 securities for 750 million euros (perpetual with first call date after 5 years; temporary write-down trigger should the common equity ratio fall below 5.125%; initial coupon of 8.00% per year payable every six months). On 9 January 2024, KBC Group NV announced to call on 5 March 2024 the Additional Tier-1 Securities issued in 2019. The European Central Bank (ECB) has granted KBC permission to call this instrument, which has a nominal value of 500 million euros, and at the same time to call the subordinated inter-company loan of the same amount that KBC Group NV granted to KBC Bank NV.

Non-current assets held for sale and discontinued operations (note 5.11 in the annual accounts 2022)

In 2021, the pending sale of loans and deposits at KBC Bank Ireland resulted in a shift to the items 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups'. On 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group.

Off-balance-sheet commitments and financial guarantees given and received (note 6.1 in the annual accounts 2022)

KBC has in the years 2016-2022 provided irrevocable payment commitments (IPC's) for an amount of 90 million euros to the Single Resolution Fund (SRF) which are covered fully by cash collateral. In line with industry practice, following accounting treatment is applied to IPC's:

- The amount of cash collateral is recognized as a financial asset.
- The hypothetic 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 IPC's.

The 90 million euros is deducted in the calculation of the common equity capital (CET1).

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2022)

KBC Bank Ireland:

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

On 23 May 2022, the transaction received approval from the Irish Competition and Consumer Protection Commission (CCPC) and the deal received final approval from the Irish Minister for Finance on 2 December 2022.

Finally, on 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group. The acquisition for a total consideration of 6.5 billion euros, involves 7.6 billion euros of performing mortgages, 0.1 billion euros of mainly performing commercial and consumer loans, 0.1 billion euros of non-performing mortgages and 1.8 billion euros of deposits.

The transaction had an impact on KBC Group's P&L (1Q 2023) of +0.4 billion euros (for more information on the impact on the P&L of 2022 and 2023, see table below). Combined with the reduction of risk-weighted assets by c.4 billion euros, this improved KBC's solid capital position in 1Q 2023, with a positive impact of 0.9% pt. on the CET1 ratio (fully loaded).

Impact of transactions relating to Ireland non-recurring items (in millions of EUR)	Sale of loans and deposits to BOI and planned wind-down
FY 2023	
Total income	409
of which net other income	*408*
Operating expenses	- 11
Impairment	- 5
on financial assets at AC and at FVOCI	*6*
other	*- 11*
Income tax expense	- 28
RESULT AFTER TAX	365
FY 2022	
Total income	1
Operating expenses	- 32
Impairment	- 38
on financial assets at AC and at FVOCI	*- 15*
other	*- 24*
Income tax expense	36
RESULT AFTER TAX	- 35

Bulgarian operations of Raiffeisen Bank International:

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

The transaction was completed on 7 July 2022 and the results have been fully consolidated as of 3Q 2022. The impact in 2H 2022 amounted to +108 million euros in total income (of which +70 million euros in net interest income and +36 million euros in net fee and commission income), -51 million euros in operating expenses, -5 million euros in impairment, and +47 million euros in result after tax. The transaction had an impact of -0.9 percentage points on KBC Group's common equity ratio in the third quarter of 2022.

On 10 April 2023, UBB merged with KBC Bank Bulgaria into United Bulgarian Bank AD.

For more information, see note 6.6 in the annual accounts of 2022.

Post-balance sheet events (note 6.8 in the annual accounts 2022)

Significant non-adjusting event between the balance sheet date (31 December 2023) and the publication of this report (8 February 2024): none

First time application of IFRS 17 (note 6.10 in the annual accounts 2022)

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 significant 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 non-life (+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 annual report 2022.

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 lines that were related to IFRS 4 have been excluded or represented 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 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 of insurance finance income and expense through OCI after reinsurance for +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 on the website of KBC under the section Investor Relations ('KBC discloses the impact of IFRS 17 on the income statement with restated comparative results, key ratios and short-term and long-term financial guidance').

KBC Group

Additional Information

4Q 2023 and FY 2023

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities in the investment portfolio are included if they are issued by companies or banks. Government bonds are not included. The loan portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section of the annual accounts 2022. For more information, please refer to 'Details of ratios and terms on KBC Group level'.

A snapshot of the banking portfolio is shown in the table below. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. On 3 February 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group (for more information, see note 6.6). Therefore the loan portfolio of KBC Bank Ireland is no longer included in this credit risk section.

Credit risk: loan portfolio overview	31-12-2023	31-12-2022	Pro forma excl. Ireland 31-12-2022
Total loan portfolio (in billions of EUR)[1]			
Amount outstanding and undrawn	258	259	251
Amount outstanding	203	206	198
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)			
Belgium	64.7%	62.7%	65.3%
Czech Republic	19.3%	18.6%	19.4%
International Markets	15.4%	13.9%	14.5%
Group Centre[2]	0.6%	4.7%	0.8%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)			
Private individuals	40.8%	43.2%	40.9%
Finance and insurance	6.0%	5.9%	6.1%
Governments	2.7%	3.1%	3.2%
Corporates	50.5%	47.9%	49.9%
Services	10.5%	9.9%	10.2%
Distribution	8.3%	8.2%	8.5%
Real estate	6.9%	6.3%	6.6%
Building & construction	4.5%	4.2%	4.4%
Agriculture, farming, fishing	2.9%	2.8%	2.9%
Automotive	2.6%	2.5%	2.6%
Electricity	1.8%	1.7%	1.7%
Food Producers	1.8%	1.7%	1.8%
Metals	1.6%	1.6%	1.6%
Chemicals	1.5%	1.4%	1.5%
Machinery & Heavy equipment	1.0%	0.9%	0.9%
Oil, gas & other fuels	0.9%	0.9%	0.9%
Shipping	0.8%	0.7%	0.8%
Hotels, bars & restaurants	0.8%	0.7%	0.7%
Electrotechnics	0.6%	0.5%	0.6%
Timber & wooden furniture	0.5%	0.4%	0.4%
Other[3]	3.7%	3.6%	3.8%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)			
Belgium	54.8%	52.7%	54.8%
Czech Republic	18.4%	18.2%	18.9%
Slovakia	6.3%	5.8%	6.1%
Hungary	4.1%	3.6%	3.8%
Bulgaria	5.1%	4.5%	4.7%
Rest of Western Europe	7.6%	11.0%	7.3%
Rest of Central and Eastern Europe	0.2%	0.4%	0.4%
of which: Russia and Ukraine	0.01%	0.01%	0.01%
North America	1.4%	1.4%	1.4%
Asia	0.9%	1.2%	1.3%
Other	1.1%	1.2%	1.3%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)			
Retail	40.8%	43.2%	40.9%
of which: mortgages	37.1%	39.6%	37.2%
of which: consumer finance	3.7%	3.5%	3.6%
SME	21.8%	20.9%	21.8%
Corporate	37.4%	35.9%	37.4%

	31-12-2023	31-12-2022	Pro forma excl. Ireland 31-12-2022
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)			
Stage 1 (credit risk has not increased significantly since initial recognition)	80.1%	78.0%	77.4%
of which: PD 1 - 4	64.5%	61.4%	63.6%
of which: PD 5 - 9 including unrated	15.5%	16.6%	13.8%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI[4]	17.9%	19.9%	20.5%
of which: PD 1 - 4	5.1%	6.1%	6.4%
of which: PD 5 - 9 including unrated	12.7%	13.8%	14.1%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI[4]	2.1%	2.1%	2.1%
of which: PD 10 impaired loans	1.1%	1.0%	1.0%
of which: more than 90 days past due (PD 11+12)	1.0%	1.1%	1.1%
Impaired loan portfolio (in millions of EUR)			
Impaired loans (PD10 + 11 + 12)	4 221	4 350	4 119
of which: more than 90 days past due	2 051	2 289	2 157
Impaired loans ratio (%)			
Belgium	2.0%	1.9%	1.9%
Czech Republic	1.4%	1.7%	1.7%
International Markets	1.8%	1.9%	1.9%
Group Centre[2]	36.2%	6.6%	26.4%
Total	2.1%	2.1%	2.1%
of which: more than 90 days past due	1.0%	1.1%	1.1%
Loan loss impairment (in millions of EUR)			
Loan loss Impairment for Stage 1 portfolio	168	134	128
Loan loss Impairment for Stage 2 portfolio	502	694	674
Loan loss Impairment for Stage 3 portfolio	1 888	2 048	1 921
of which: more than 90 days past due	1 459	1 547	1 466
Cover ratio of impaired loans (%)			
Loan loss impairments for stage 3 portfolio / impaired loans	44.7%	47.1%	46.6%
of which: more than 90 days past due	71.2%	67.6%	68.0%
Cover ratio of impaired loans, mortgage loans excluded (%)			
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	47.4%	49.7%	49.6%
of which: more than 90 days past due	74.2%	70.6%	70.5%
Credit cost ratio (%)			
Belgium	0.06%	0.03%	0.03%
Czech Republic	-0.18%	0.13%	0.13%
International Markets	-0.06%	0.31%	0.31%
Slovakia	-0.07%	0.17%	0.17%
Hungary	-0.14%	0.42%	0.42%
Bulgaria	0.00%	0.43%	0.43%
Group Centre	0.07%	-0.04%	0.10%
Total	0.00%	0.08%	0.09%

[1]Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; the amounts are measured in Gross Carrying Amounts

[2] Business Unit Group Centre = part of non-legacy portfolio assigned to BU Group, activities in wind-down (e.g. ex-Antwerp Diamond Bank), and – until 31-12-2022 – the remaining portfolio of KBC Bank Ireland. The presence of the residual portfolios of the activities in wind-down explains the high share of impaired loans

[3] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors

[4] Purchased or originated credit impaired assets

As of 2022, a collective shift to stage 2 has been applied for the stage 1 portfolios that are indirectly exposed to Russia, Ukraine and Belarus or vulnerable to the emerging risks (for more information see note 4.2.1). The remaining direct exposure to these countries (100% stage 3) is 17 million euros or 0.01% of the outstanding loan portfolio in FY 2023.

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2022 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Loan portfolio per Business Unit (banking activities)

Legend:

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

Loan portfolio per Business Unit 31-12-2023, in millions of EUR	Business Unit Belgium[1]			Business Unit Czech Republic			Business Unit International Markets			Business Unit Group Centre[2]		
Total portfolio outstanding	**131 322**			**39 122**			**31 335**			**1 173**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	46 237	35%		22 665	58%		13 841	44%		0	0%	
o/w mortgages	44 572	34%		20 091	51%		10 637	34%		0	0%	
o/w consumer finance	1 665	1%		2 574	7%		3 204	10%		0	0%	
SME	35 061	27%		5 674	15%		3 577	11%		0	0%	
corporate	50 024	38%		10 783	28%		13 917	44%		1 173	100%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	44 572	34%	53%	20 091	51%	49%	10 637	34%	59%	0	0%	0%
o/w FX mortgages	0	0%	-	0	0%	-	93	0%	45%	0	0%	-
o/w ind. LTV > 100%	374	0%	-	21	0%	-	88	0%	-	0	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	100 092	76%		22 978	59%		17 585	56%		705	60%	
medium risk (PD 5-7; 0.80%-6.40%)	25 505	19%		14 346	37%		11 903	38%		44	4%	
high risk (PD 8-9; 6.40%-100.00%)	2 808	2%		1 238	3%		1 171	4%		0	0%	
impaired loans (PD 10 - 12)	2 676	2%		558	1%		563	2%		424	36%	
unrated	242	0%		2	0%		113	0%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 676	1 025	38%	558	252	45%	563	243	43%	424	369	87%
o/w PD 10 impaired loans	1 541	256	17%	250	71	28%	315	80	25%	65	22	34%
o/w more than 90 days past due (PD 11+12	1 135	769	68%	308	181	59%	248	163	66%	359	346	96%
all impairments (stage 1+2+3)	1 329			433			428			369		
o/w stage 1+2 impairments (incl. POCI)	304			181			185			0		
o/w stage 3 impairments (incl. POCI)	1 025			252			243			369		
2022 Credit cost ratio (CCR)[3]	0.03%			0.13%			0.31%			-0.04%		
2023 Credit cost ratio (CCR)[3]	0.06%			-0.18%			-0.06%			0.07%		

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

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

[3] CCR at country level in local currency

Loan portfolio Business Unit International Markets

Legend:

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

Loan portfolio Business Unit International Markets

31-12-2023, in millions of EUR	Slovakia			Hungary			Bulgaria		
Total portfolio outstanding	**12 318**			**8 406**			**10 611**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	7 004	57%		2 800	33%		4 037	38%	
o/w mortgages	6 500	53%		1 850	22%		2 287	22%	
o/w consumer finance	505	4%		950	11%		1 750	16%	
SME	1 204	10%		93	1%		2 280	21%	
corporate	4 109	33%		5 514	66%		4 294	40%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	6 499	53%	62%	1 850	22%	46%	2 287	22%	59%
o/w FX mortgages	0	0%	-	1	0%	56%	92	1%	45%
o/w ind. LTV > 100%	41	0%	-	28	0%		18	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	8 353	68%		4 700	56%		4 532	43%	
medium risk (PD 5-7; 0.80%-6.40%)	3 213	26%		3 351	40%		5 339	50%	
high risk (PD 8-9; 6.40%-100.00%)	565	5%		195	2%		411	4%	
impaired loans (PD 10 - 12)	168	1%		160	2%		235	2%	
unrated	18	0%		1	0%		93	1%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	168	87	52%	160	43	27%	235	112	48%
o/w PD 10 impaired loans	65	18	28%	132	26	20%	119	36	30%
o/w more than 90 days past due (PD 11+12)	103	69	67%	28	18	62%	117	77	66%
all impairments (stage 1+2+3)	152			100			175		
o/w stage 1+2 impairments (incl. POCI)	65			57			63		
o/w stage 3 impairments (incl. POCI)	87			43			112		
2022 Credit cost ratio (CCR)[1]	0.17%			0.42%			0.43%		
2023 Credit cost ratio (CCR)[1]	-0.07%			-0.14%			0.00%		

[1] CCR at country level in local currency

Solvency

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the competent regulator.

Solvency KBC Group

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD. This regulation entered gradually into force as of 1 January 2014.

KBC makes use of the IFRS 9 transitional measures (applied from the second quarter of 2020). These transitional measures make it possible to add back a portion of the increased impairment charges to common equity capital (CET1), during a transitional period until 31 December 2024.

Based on CRR/CRD, profit can be included in CET1 capital only after the profit appropriation decision by the final decision body, for KBC Group it is the General Meeting. ECB can allow to include interim or annual profit in CET1 capital before the decision by the General Meeting. In that case, the foreseeable dividend should be deducted from the profit that is included in CET1. Considering that our Dividend Policy of “at least 50%” does not include a maximum, KBC Group no longer requests ECB approval to include interim or annual profit in CET1 capital before the decision by the General Meeting. As such, the annual profit of 2023 and the final dividend re. 2023 is recognised in the official (transitional) CET1 of the 1st quarter 2024, which is reported after the General Meeting. The (informal) fully loaded 31-12-2023 figures already fully reflected the 2023 profit and proposed dividend.

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

In addition to the solvency ratios under CRR/CRD, KBC is considered a financial conglomerate since it covers both significant banking and insurance activities. Therefore KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC). This implies that available capital is calculated on the basis of the consolidated position of the group and the eligible items recognised as such under the prevailing sectorial rules, which are CRR/CRD for the banking business and Solvency II for the insurance business. The capital requirement for the insurance business based on Solvency II is multiplied by 12.5 to obtain a risk weighted asset equivalent.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC’s risk weighted assets. This is, based on a full application of all the CRR/CDR rules, used for approximately 64% of the weighted credit risks. The remaining weighted credit risks (ca. 36%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 10.92% (fully loaded, Danish Compromise which includes the CRR/CRD minimum requirement (4.50%), the Pillar 2 Requirement (1.05% P2R, taking into account CRD V Art 104a(4)) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% buffer for other systemically important banks, 0.14% Systemic Risk Buffer and 1.24% Countercyclical Buffer(1)). Furthermore ECB has set a Pillar 2 Guidance of 1.25%. In line with CRD V Art. 104a(4), ECB allows banks to satisfy the P2R (1.86%) with additional tier-1 instruments (up to 1.5/8) and tier-2 instruments (up to 2/8) based on the same relative weights as allowed for meeting the 8% Pillar 1 Requirement. In 2Q 2023, KBC indicated it may consider further optimising its capital structure by filling up the AT1 and T2 buckets within P2R.

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

(1) The countercyclical buffer requirement (0.5% as from April 2024, increasing to 1% as from October 2024) and Systemic Risk buffer (decrease from 9% to 6% in April 2024 on exposures secured by residential real estate) in Belgium

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	31-12-2023 Fully loaded	31-12-2023 Actuals	31-12-2022 Fully loaded	31-12-2022 Actuals
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 (SRyB)	0.14%	0.21%	0.19%	0.19%
Entity-specific countercyclical buffer	1.24%	0.67%	0.75%	0.40%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. 104a(4)	**10.92%**	**10.43%**	**10.49%**	**10.14%**
CET1 used to satisfy shortfall in AT1 bucket	0.30%	0.30%	0.48%	0.48%
CET1 used to satisfy shortfall in T2 bucket	0.45%	0.36%	0.84%	0.86%
CET1 requirement for MDA	**11.68%**	**11.09%**	**11.82%**	**11.48%**
CET1 capital	17 236	15 639	16 818	15 474
CET1 buffer (= buffer compared to MDA)	4 036	3 105	3 820	2 846

Note: CET1 capital used to satisfy the shortfall in the AT1 and T2 buckets for both the pillar 1 minimum and the pillar 2 requirement. The fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2; these T2 instruments are included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework (introduced as from 2Q 2021 reporting).

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

Overview of KBC Group's capital ratios (in millions of EUR) 31-12-2023		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	17 236	113 038	15.25%
Deduction Method	Fully loaded	16 521	108 287	15.26%
Financial Conglomerates Directive	Fully loaded	18 625	128 965	14.44%
Danish Compromise	Transitional	15 639	113 029	13.84%
Deduction Method	Transitional	14 755	107 858	13.68%
Financial Conglomerates Directive	Transitional	17 536	128 956	13.60%

KBC's fully loaded CET1 ratio of 15.25% at the end of December 2023 represents a solid capital buffer of 3.57% compared with the Maximum Distributable Amount (MDA) of 11.68%.

After having received ECB approval, the Board of Directors decided to distribute 1.3 billion euros in the form of a share buyback, which has started on 11 August 2023 and will end by August 2024. As such, 1.3 billion euros is deducted from the fully loaded and transitional Common equity ratio as of 3Q 2023. End of 2023, an amount of 497 million euros have been purchased (deducted in IFRS parent shareholders capital), the remaining 803 million euro to be purchased is deducted separately in the fully loaded and transitional Common equity ratio.

As of 3Q 2023, the total weighted risk volume includes the effects of the ECB supervisory decisions regarding model reviews.

The Board of Directors will propose to the Annual General Meeting of shareholders on 2 May 2024 a total gross dividend of 4.15 euros per share related to the accounting year 2023, of which:

- an interim dividend of 1.00 euro per share (411 million euros in total), as decided by KBC Group's Board of Directors of 9 August 2023 and paid on 5 November 2023
- an final ordinary dividend of 3.15 euros per share and to be paid 15 May 2024 (1 287 million euros in total based on the number of shares as at 31-12-2023; the effective amount that will be paid depends on the number of shares at ex-coupon date, excluding the shares that are bought back until that date).

In line with our announced capital deployment plan for 2023, the distribution of the surplus capital above the fully loaded CET1 ratio of 15% will be decided at the discretion of the Board of Directors of KBC Group in 1H 2024.

Note. The indicative view on transitional weighted risk volume 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), is expected at approximately +8 billion euros fully loaded by 2033 (no first-time application impact estimated in 2025).

Solvency ratios KBC Group (Danish Compromise)

	31-12-2023	31-12-2023	31-12-2022	31-12-2022
In millions of EUR	Fully loaded	Transitional	Fully loaded	Transitional
Total regulatory capital (after profit appropriation)	21 260	19 768	20 100	18 742
Tier-1 capital	18 986	17 389	18 318	16 974
Common equity	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 (cash flow hedges) (-)	579	579	936	936
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 29	- 29	- 40	- 40
Value adjustment due to the requirements for prudent valuation (-)	- 24	- 24	- 31	- 31
Dividend payout (-)	- 1 287	0	- 1 252	0
Share buyback (part not yet executed) (-)	- 803	- 803	0	0
Coupon of AT1 instruments (-)	- 26	- 26	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 56	- 56	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 90	- 90	- 90	- 90
Deduction re NPL backstops (-)	- 204	- 204	- 158	- 158
Deduction re 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 sector entities (-)	0	0	0	0
Additional going concern capital	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 T2	0	- 60	0	- 46
Subordinated liabilities	1 997	2 174	1 498	1 677
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Total weighted risk volume	113 038	113 029	109 981	109 966
Banking	103 201	103 192	100 300	100 285
Insurance	9 133	9 133	9 133	9 133
Holding activities	710	710	562	562
Elimination of intercompany transactions	- 6	- 6	- 14	- 14
Solvency ratios				
Common equity ratio	15.25%	13.84%	15.29%	14.07%
Tier-1 ratio	16.80%	15.38%	16.66%	15.44%
Total capital ratio	18.81%	17.49%	18.28%	17.04%

Note:

- For the composition of the banking RWA, see section 'Solvency banking and insurance activities separately' further in this memo.
- As at 31-12-2023, the difference between the fully loaded total own funds (21 260 million euros, including full year profit after deduction of proposed total closing dividend) and the transitional own funds (19 768 million euros, interim profit is not included) is explained by the net result for 2023 (3 383 million euros under the Danish Compromise method), the 50% pay-out (-1 698 million euros dividend accrual), 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).
- At year-end 2022, the difference between the fully loaded total own funds (20 100 million euros; profit and dividend re. 2022 is included) and the transitional own funds (18 742 million euros; profit and dividend re. 2022 is not included) as at 31-12-2022 is explained by the net result for 2022 (2 641 million euros under the Danish Compromise method), the proposed final dividend (-1 252 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (+148 million euros) and the grandfathered tier-2 subordinated debt instruments (-179 million euros).
- KBC has issued 750 million euros 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 euros AT1 callable in March 2024 is therefore derecognized from own funds and consequently also from MREL.

Leverage ratio KBC Group

Leverage ratio KBC Group 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 exposures	333 791	333 894	346 481	346 538
Total Assets	346 921	346 921	355 872	355 872
Deconsolidation 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 Basel III 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 exposure	0	0	0	0
Off-balance sheet exposures	20 119	20 119	25 442	25 442
Leverage ratio	5.69%	5.21%	5.29%	4.90%

At the end of December 2023, the fully loaded leverage ratio increased compared to December 2022, due to higher Tier-1 capital (driven mainly by inclusion of 2023 profits, but partly offset by share buyback) and lower leverage ratio exposure (for more information see balance sheet in the Consolidated financial statements section).

Solvency banking and insurance activities separately

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

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

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	31-12-2023 Fully loaded	31-12-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital, after profit appropriation	19 375	17 952	17 164	17 516
Tier-1 capital	16 924	15 573	15 202	15 749
Common equity	15 174	13 823	13 702	14 249
Parent shareholders' equity	17 695	15 450	16 313	15 618
Solvency adjustments	-2 521	-1 627	-2 610	-1 370
Additional going concern capital	1 750	1 750	1 500	1 500
Tier-2 capital	2 451	2 379	1 962	1 768
Total weighted risk volume	103 201	103 192	100 300	100 285
Credit risk	88 051	88 042	85 003	84 988
Market risk	2 116	2 116	3 132	3 132
Operation risk	13 034	13 034	12 166	12 166
Common equity ratio	14.7%	13.4%	13.7%	14.2%

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-12-2023	31-12-2022
Own Funds	4 130	3 721
Tier 1	3 629	3 220
IFRS Parent shareholders' equity	3 302	2 157
Dividend payout	- 233	- 309
Deduction intangible assets and goodwill (after tax)	- 198	- 194
Valuation differences (after tax)	597	1 410
Volatility adjustment	137	150
Other	25	6
Tier 2	501	501
Subordinated liabilities	501	501
Solvency Capital Requirement (SCR)	2 005	1 833
Market risk	1 434	1 252
Non-life	786	714
Life	1 131	1 114
Health	278	230
Counterparty	124	122
Diversification	-1 293	-1 185
Other	- 455	- 414
Solvency II ratio	206%	203%

Minimum requirement for own funds and eligible liabilities (MREL)

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

In April 2023, the SRB formally communicated to KBC updated MREL targets (under BRRD2) for 01-01-2024, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE):

- 28.30% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 26.51% at YE 2023 (including the Combined Buffer Requirement[(1)])
- 7.38% of LRE as from 01-01-2024, with an intermediate target of 7.34% of LRE as from 01-01-2022.

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

The binding subordinated MREL targets are:

- 24.35% of RWA as from 01-01-2024 with an intermediate target as from 01-01-2022, reaching 18.38% at YE 2023 (including the Combined Buffer Requirement[(1)])
- 7.38% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of December 2023, the MREL ratio stands at 30.7% as a % of RWA (versus 30.2% as at the end of September 2023) and at 10.4% as % of LRE (versus 10.1% as at the end of September 2023). The increase of the MREL ratio in % of RWA is driven mainly by the decrease of RWA. The increase of the MREL ratio as % of LRE is due mainly by the decrease of the leverage ratio exposure.

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.67% at YE2023 and 1.24% fully loaded) + Systemic Risk Buffer (0.21% at YE 2023 and 0.14% fully loaded), comes on top of the MREL target as a percentage of RWA

Income statement, volumes and ratios of KBC Group and per business unit

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

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

KBC Group (in millions of EUR)	FY 2023	FY 2022	4Q 2023	3Q 2023	2Q 2023	1Q 2023	4Q 2022
Breakdown P&L							
Net interest income	5 473	5 162	1 360	1 382	1 407	1 324	1 417
Insurance revenues before reinsurance	2 679	2 423	683	699	666	631	621
Non-life	2 280	2 050	584	587	567	543	526
Life	399	373	99	113	100	88	94
Dividend income	59	59	12	10	30	8	10
Net result from financial instruments at fair value through profit or loss	322	252	58	58	115	90	90
Net fee and commission income	2 349	2 218	600	588	584	576	549
Insurance finance income and expense (for contracts issued)	- 313	- 96	- 98	- 67	- 82	- 66	- 63
Net other income	656	16	60	44	54	498	- 103
TOTAL INCOME	11 224	10 035	2 674	2 715	2 775	3 060	2 520
Operating expenses (excluding directly attributable from insurance)	- 4 616	- 4 327	- 1 085	- 1 011	- 1 019	- 1 501	- 1 036
Total Opex without banking and insurance tax	- 4 438	- 4 159	- 1 169	- 1 101	- 1 090	- 1 077	- 1 143
Total banking and insurance tax	- 687	- 646	- 36	- 29	- 51	- 571	- 15
Minus: Opex allocated to insurance service expenses	509	478	120	119	123	147	121
Insurance service expenses before reinsurance	- 2 120	- 1 908	- 567	- 540	- 523	- 490	- 467
Of which Insurance commissions paid	- 340	- 308	- 94	- 87	- 82	- 77	- 79
Non-Life	- 1 870	- 1 733	- 509	- 485	- 457	- 418	- 416
of which Non-Life - Claim related expenses	- 1 157	- 1 077	- 328	- 308	- 284	- 237	- 247
Life	- 251	- 174	- 58	- 55	- 66	- 72	- 51
Net result from reinsurance contracts held	- 90	- 20	- 16	- 22	- 22	- 30	- 15
Impairment	- 215	- 282	- 170	- 63	- 8	26	- 132
on FA at amortised cost and at FVOCI	16	- 154	5	- 36	23	24	- 82
on goodwill	- 109	- 5	- 109	0	0	0	- 5
other	- 122	- 123	- 66	- 27	- 31	1	- 46
Share in results of associated companies and joint ventures	- 4	- 10	0	0	- 1	- 3	- 2
RESULT BEFORE TAX	4 179	3 488	836	1 079	1 202	1 062	867
Income tax expense	- 778	- 670	- 159	- 203	- 236	- 180	- 139
RESULT AFTER TAX	3 401	2 818	677	877	966	882	727
attributable to minority interests	- 1	0	0	0	0	0	0
attributable to equity holders of the parent	**3 402**	**2 818**	**677**	**877**	**966**	**882**	**727**
Banking	2 832	2 203	566	722	790	755	566
Insurance	527	635	108	134	159	125	170
Holding activities	43	- 20	3	20	17	2	- 9
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	183 613	178 053	183 613	181 821	182 005	179 520	178 053
of which Mortgage loans (end of period)	*75 482*	*73 660*	*75 482*	*75 105*	*75 255*	*74 811*	*73 660*
Customer deposits and debt certificates excl. repos (end of period)	259 491	252 746	259 491	260 383	264 167	248 882	252 746
Insurance related liabilities (including Inv. Contracts)							
Life insurance	27 323	25 470	27 323	25 754	26 204	25 626	25 470
Liabilities under investment contracts (IFRS 9)	*13 461*	*12 026*	*13 461*	*12 655*	*12 751*	*12 164*	*12 026*
Insurance contract liabilities (IFRS 17)	*13 862*	*13 444*	*13 862*	*13 099*	*13 453*	*13 463*	*13 444*
Non-life insurance	2 922	2 714	2 922	2 821	2 842	2 819	2 714
Performance Indicators							
Risk-weighted assets, banking (Basel III fully loaded, end of period)	113 038	109 981	113 038	115 255	108 945	107 686	109 981
Required capital, insurance (end of period)	2 005	1 833	2 005	2 034	2 015	1 965	1 833
Allocated capital (end of period)	13 858	13 269	13 858	14 068	13 334	13 141	13 269
Return on allocated capital (ROAC, YTD)	25%	22%	25%	27%	28%	27%	22%
Cost/income ratio without banking and insurance tax (YTD)	43%	45%	43%	41%	40%	38%	45%
Combined ratio, non-life insurance (YTD)	87%	87%	87%	85%	84%	83%	87%
Net interest margin, banking (QTD)	2.05%	1.96%	1.99%	2.04%	2.11%	2.04%	2.10%

Business unit Belgium (in millions of EUR)	FY 2023	FY 2022	4Q 2023	3Q 2023	2Q 2023	1Q 2023	4Q 2022
Breakdown P&L							
Net interest income	3 248	2 827	809	812	857	769	812
Insurance revenues before reinsurance	1 637	1 507	416	430	407	385	385
Non-life	1 387	1 269	355	354	344	333	323
Life	250	238	61	76	63	52	63
Dividend income	53	54	11	7	27	7	9
Net result from financial instruments at fair value through profit or loss	- 22	57	- 38	- 2	7	11	14
Net fee and commission income	1 537	1 512	393	384	378	382	369
Insurance finance income and expense (for contracts issued)	- 175	- 131	- 48	- 45	- 43	- 40	- 38
Net other income	235	213	57	43	48	87	48
TOTAL INCOME	6 512	6 039	1 600	1 628	1 681	1 603	1 599
Operating expenses (excluding directly attributable from insurance)	- 2 532	- 2 360	- 583	- 556	- 545	- 849	- 542
Total Opex without banking and insurance tax	- 2 463	- 2 284	- 643	- 625	- 611	- 584	- 612
Total banking and insurance tax	- 361	- 349	- 8	0	- 6	- 347	0
Minus: Opex allocated to insurance service expenses	292	273	68	70	72	82	71
Insurance service expenses before reinsurance	- 1 285	- 1 174	- 341	- 327	- 313	- 304	- 277
Of which Insurance commissions paid	- 220	- 198	- 57	- 58	- 53	- 51	- 52
Non-Life	- 1 116	- 1 084	- 305	- 292	- 269	- 250	- 239
of which Non-Life - Claim related expenses	- 734	- 711	- 211	- 194	- 173	- 156	- 142
Life	- 169	- 90	- 36	- 35	- 44	- 54	- 38
Net result from reinsurance contracts held	- 63	21	- 19	- 7	- 16	- 21	- 15
Impairment	- 114	- 46	- 28	- 58	- 40	11	- 43
on FA at amortised cost and at FVOCI	- 82	- 35	- 10	- 42	- 39	9	- 38
on goodwill	0	0	0	0	0	0	0
other	- 33	- 12	- 18	- 16	- 1	2	- 5
Share in results of associated companies and joint ventures	- 3	- 9	1	0	- 1	- 2	- 2
RESULT BEFORE TAX	2 515	2 472	630	682	766	438	719
Income tax expense	- 650	- 596	- 156	- 164	- 191	- 139	- 174
RESULT AFTER TAX	1 865	1 876	474	517	575	299	545
attributable to minority interests	- 1	0	0	0	0	0	0
attributable to equity holders of the parent	**1 866**	**1 876**	**474**	**517**	**576**	**299**	**545**
Banking	1 469	1 318	392	414	448	214	415
Insurance	397	558	82	103	128	85	131
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	119 168	117 221	119 168	118 189	118 345	116 698	117 221
of which Mortgage loans (end of period)	*45 394*	*44 326*	*45 394*	*45 147*	*45 031*	*44 627*	*44 326*
Customer deposits and debt certificates excl. repos (end of period)	154 238	155 971	154 238	155 868	160 503	147 749	155 971
Insurance related liabilities (including Inv. Contracts)							
Life insurance	25 572	23 858	25 572	24 070	24 483	23 950	23 858
Liabilities under investment contracts (IFRS 9)	*13 461*	*12 026*	*13 461*	*12 655*	*12 751*	*12 164*	*12 026*
Insurance contract liabilities (IFRS 17)	*12 111*	*11 832*	*12 111*	*11 415*	*11 732*	*11 787*	*11 832*
Non-life insurance	2 204	2 101	2 204	2 139	2 173	2 177	2 101
Performance Indicators							
Risk-weighted assets, banking (Basel III fully loaded, end of period)	62 030	55 783	62 030	64 014	57 399	56 186	55 783
Required capital, insurance (end of period)	1 694	1 505	1 694	1 702	1 679	1 634	1 505
Allocated capital (end of period)	8 728	7 831	8 728	8 961	8 188	8 006	7 831
Return on allocated capital (ROAC, YTD)	22%	24%	22%	23%	22%	15%	24%
Cost/income ratio without banking and insurance tax (YTD)	41%	41%	41%	40%	40%	40%	41%
Combined ratio, non-life insurance (YTD)	85%	85%	85%	83%	82%	81%	85%
Net interest margin, banking (QTD)	1.94%	1.68%	1.90%	1.91%	2.05%	1.91%	1.95%

Business unit Czech Republic (in millions of EUR)	FY 2023	FY 2022	4Q 2023	3Q 2023	2Q 2023	1Q 2023	4Q 2022
Breakdown P&L							
Net interest income	1 271	1 313	322	316	325	309	323
Insurance revenues before reinsurance	555	488	142	143	139	132	128
Non-life	459	401	117	119	115	109	106
Life	96	87	25	24	24	23	22
Dividend income	0	1	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	132	133	34	22	37	38	26
Net fee and commission income	324	282	81	81	83	80	62
Insurance finance income and expense (for contracts issued)	- 68	- 10	- 22	- 11	- 19	- 16	- 15
Net other income	5	- 185	3	- 5	5	2	- 144
TOTAL INCOME	2 220	2 023	560	546	569	544	381
Operating expenses (excluding directly attributable from insurance)	- 865	- 815	- 210	- 203	- 199	- 253	- 209
Total Opex without banking and insurance tax	- 916	- 861	- 237	- 231	- 228	- 220	- 235
Total banking and insurance tax	- 60	- 61	0	0	1	- 60	- 1
Minus: Opex allocated to insurance service expenses	111	107	27	29	28	28	27
Insurance service expenses before reinsurance	- 420	- 378	- 113	- 108	- 109	- 90	- 104
Of which Insurance commissions paid	- 65	- 46	- 21	- 16	- 15	- 14	- 13
Non-Life	- 368	- 327	- 100	- 94	- 95	- 79	- 95
of which Non-Life - Claim related expenses	- 213	- 190	- 57	- 55	- 57	- 43	- 59
Life	- 52	- 51	- 13	- 14	- 15	- 11	- 9
Net result from reinsurance contracts held	- 16	- 6	- 2	- 5	0	- 9	1
Impairment	- 57	- 60	- 114	- 3	53	6	- 29
on FA at amortised cost and at FVOCI	70	- 46	14	- 4	53	7	- 23
on goodwill	- 109	- 5	- 109	0	0	0	- 5
other	- 18	- 9	- 19	0	0	0	- 1
Share in results of associated companies and joint ventures	- 1	- 1	- 1	0	0	0	0
RESULT BEFORE TAX	860	762	121	228	314	198	40
Income tax expense	- 97	- 109	- 19	- 27	- 37	- 14	1
RESULT AFTER TAX	763	653	102	200	276	184	41
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**763**	**653**	**102**	**200**	**276**	**184**	**41**
Banking	646	591	73	172	248	153	13
Insurance	117	62	29	28	29	32	28
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	36 470	35 445	36 470	36 530	36 792	36 609	35 445
of which Mortgage loans (end of period)	*19 641*	*19 696*	*19 641*	*19 796*	*20 184*	*20 313*	*19 696*
Customer deposits and debt certificates excl. repos (end of period)	52 642	51 069	52 642	54 569	54 798	54 569	51 069
Insurance related liabilities (including Inv. Contracts)							
Life insurance	931	943	931	927	971	975	943
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*931*	*943*	*931*	*927*	*971*	*975*	*943*
Non-life insurance	357	316	357	347	342	336	316
Performance Indicators							
Risk-weighted assets, banking (Basel III fully loaded, end of period)	17 515	17 408	17 515	17 647	17 738	17 625	17 408
Required capital, insurance (end of period)	165	170	165	170	172	175	170
Allocated capital (end of period)	2 152	2 144	2 152	2 171	2 183	2 173	2 144
Return on allocated capital (ROAC, YTD)	35%	31%	35%	40%	42%	34%	31%
Cost/income ratio without banking and insurance tax (YTD)	44%	45%	44%	44%	43%	43%	45%
Combined ratio, non-life insurance (YTD)	84%	83%	84%	83%	82%	82%	83%
Net interest margin, banking (QTD)	2.30%	2.55%	2.29%	2.26%	2.35%	2.30%	2.40%

Business unit International Markets (in millions of EUR)	FY 2023	FY 2022	4Q 2023	3Q 2023	2Q 2023	1Q 2023	4Q 2022
Breakdown P&L							
Net interest income	1 179	888	308	296	291	284	270
Insurance revenues before reinsurance	473	412	122	122	117	111	103
Non-life	420	365	109	109	104	98	93
Life	53	47	13	14	13	13	9
Dividend income	1	1	0	0	1	0	0
Net result from financial instruments at fair value through profit or loss	125	70	37	26	39	23	41
Net fee and commission income	493	429	127	124	125	116	120
Insurance finance income and expense (for contracts issued)	- 70	45	- 29	- 11	- 20	- 10	- 10
Net other income	15	- 7	0	5	5	5	- 5
TOTAL INCOME	2 216	1 837	566	562	558	530	520
Operating expenses (excluding directly attributable from insurance)	- 962	- 816	- 222	- 218	- 218	- 305	- 190
Total Opex without banking and insurance tax	- 805	- 683	- 219	- 209	- 194	- 183	- 200
Total banking and insurance tax	- 262	- 228	- 28	- 29	- 47	- 158	- 13
Minus: Opex allocated to insurance service expenses	104	95	26	20	22	36	23
Insurance service expenses before reinsurance	- 414	- 347	- 114	- 104	- 100	- 96	- 87
Of which Insurance commissions paid	- 55	- 63	- 16	- 14	- 13	- 12	- 14
Non-Life	- 384	- 314	- 105	- 97	- 93	- 89	- 83
of which Non-Life - Claim related expenses	- 211	- 170	- 62	- 58	- 54	- 37	- 48
Life	- 30	- 33	- 9	- 7	- 7	- 7	- 4
Net result from reinsurance contracts held	- 15	- 14	- 1	- 4	- 5	- 5	- 3
Impairment	- 36	- 152	- 24	- 5	- 11	3	- 62
on FA at amortised cost and at FVOCI	19	- 78	1	7	8	4	- 27
on goodwill	0	0	0	0	0	0	0
other	- 56	- 74	- 25	- 11	- 19	0	- 36
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	789	509	206	232	223	128	178
Income tax expense	- 112	- 81	- 27	- 32	- 33	- 20	- 17
RESULT AFTER TAX	676	428	178	200	190	108	160
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**676**	**428**	**178**	**200**	**190**	**108**	**160**
Banking	631	387	171	185	178	96	150
Insurance	45	41	7	14	12	12	11
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	27 975	25 384	27 975	27 101	26 865	26 210	25 384
of which Mortgage loans (end of period)	*10 447*	*9 638*	*10 447*	*10 162*	*10 040*	*9 871*	*9 638*
Customer deposits and debt certificates excl. repos (end of period)	31 687	29 962	31 687	29 959	29 879	29 577	29 962
Insurance related liabilities (including Inv. Contracts)							
Life insurance	820	669	820	757	750	701	669
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*820*	*669*	*820*	*757*	*750*	*701*	*669*
Non-life insurance	343	281	343	317	307	292	281
Performance Indicators							
Risk-weighted assets, banking (Basel III fully loaded, end of period)	22 980	21 501	22 980	22 584	22 624	22 562	21 501
Required capital, insurance (end of period)	165	150	165	160	163	155	150
Allocated capital (end of period)	2 771	2 588	2 771	2 721	2 729	2 713	2 588
Return on allocated capital (ROAC, YTD)	25%	18%	25%	25%	22%	16%	18%
Cost/income ratio without banking and insurance tax (YTD)	39%	41%	39%	38%	37%	37%	41%
Combined ratio, non-life insurance (YTD)	97%	91%	97%	96%	97%	97%	91%
Net interest margin, banking (QTD)	3.26%	3.00%	3.27%	3.21%	3.26%	3.31%	3.18%

Note: The combined ratio, non-life insurance of 97% in 1Q 2023 included a significant windfall tax fully booked in 1Q 2023. Excluding the windfall tax, the combined ratio amounted to 83% in 1Q 2023, 90% in 1H 2023, 92% in 9M 2023 and 94% in 2023)

Slovakia

(in millions of EUR)	FY 2023	FY 2022	4Q 2023	3Q 2023	2Q 2023	1Q 2023	4Q 2022
Breakdown P&L							
Net interest income	254	235	65	60	64	65	66
Insurance revenues before reinsurance	96	86	25	25	23	23	22
Non-life	79	70	20	21	19	18	19
Life	17	16	4	4	4	4	3
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	6	33	- 3	3	5	1	6
Net fee and commission income	84	82	22	21	21	20	22
Insurance finance income and expense (for contracts issued)	- 5	8	- 3	0	- 1	- 1	1
Net other income	11	- 3	2	5	2	2	- 6
TOTAL INCOME	446	441	108	113	115	110	111
Operating expenses (excluding directly attributable from insurance)	- 229	- 226	- 59	- 57	- 55	- 58	- 59
Total Opex without banking and insurance tax	- 250	- 248	- 66	- 63	- 60	- 60	- 67
Total banking and insurance tax	- 4	- 7	0	0	1	- 4	0
Minus: Opex allocated to insurance service expenses	25	29	7	6	5	7	8
Insurance service expenses before reinsurance	- 90	- 71	- 30	- 22	- 19	- 19	- 20
Of which Insurance commissions paid	- 10	- 8	- 4	- 2	- 2	- 2	- 3
Non-Life	- 80	- 59	- 27	- 20	- 17	- 16	- 17
of which Non-Life - Claim related expenses	- 51	- 33	- 18	- 13	- 10	- 10	- 10
Life	- 10	- 12	- 3	- 2	- 2	- 3	- 3
Net result from reinsurance contracts held	1	- 3	4	- 1	- 2	- 1	- 1
Impairment	6	- 21	0	- 2	9	- 1	- 10
on FA at amortised cost and at FVOCI	8	- 19	2	- 2	9	- 1	- 8
on goodwill	0	0	0	0	0	0	0
other	- 2	- 3	- 2	0	0	0	- 2
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	134	119	24	32	48	31	21
Income tax expense	- 30	- 27	- 6	- 7	- 11	- 6	- 5
RESULT AFTER TAX	105	91	18	25	37	24	16
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**105**	**91**	**18**	**25**	**37**	**24**	**16**
Banking	98	81	18	23	35	22	15
Insurance	6	11	0	2	2	2	1
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	11 589	10 796	11 589	11 433	11 359	11 168	10 796
of which Mortgage loans (end of period)	*6 451*	*6 114*	*6 451*	*6 373*	*6 303*	*6 217*	*6 114*
Customer deposits and debt certificates excl. repos (end of period)	8 836	8 421	8 836	8 491	8 375	8 156	8 421
Insurance related liabilities (including Inv. Contracts)							
Life insurance	168	169	168	154	159	164	169
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*168*	*169*	*168*	*154*	*159*	*164*	*169*
Non-life insurance	58	44	58	51	48	47	44
Performance Indicators							
Risk-weighted assets, banking (Basel III fully loaded, end of period)	7 911	6 383	7 911	6 451	6 512	6 508	6 383
Required capital, insurance (end of period)	29	27	29	28	28	28	27
Allocated capital (end of period)	926	751	926	760	766	766	751
Return on allocated capital (ROAC, YTD)	13%	13%	13%	15%	16%	13%	13%
Cost/income ratio without banking and insurance tax (YTD)	58%	58%	58%	56%	56%	57%	58%
Combined ratio, non-life insurance (YTD)	101%	90%	101%	97%	96%	93%	90%

Hungary (in millions of EUR)	FY 2023	FY 2022	4Q 2023	3Q 2023	2Q 2023	1Q 2023	4Q 2022
Breakdown P&L							
Net interest income	529	423	140	132	127	130	123
Insurance revenues before reinsurance	189	159	48	48	47	46	39
Non-life	169	141	43	43	42	41	35
Life	20	18	5	5	5	5	4
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	97	60	29	22	29	18	34
Net fee and commission income	260	228	69	66	66	58	60
Insurance finance income and expense (for contracts issued)	- 46	14	- 15	- 10	- 14	- 6	- 11
Net other income	- 3	- 8	- 3	- 2	1	1	1
TOTAL INCOME	1 026	876	267	256	256	247	245
Operating expenses (excluding directly attributable from insurance)	- 463	- 409	- 93	- 93	- 110	- 168	- 72
Total Opex without banking and insurance tax	- 275	- 238	- 75	- 71	- 68	- 60	- 67
Total banking and insurance tax	- 238	- 211	- 28	- 29	- 52	- 130	- 13
Minus: Opex allocated to insurance service expenses	49	40	10	7	10	23	8
Insurance service expenses before reinsurance	- 186	- 142	- 44	- 45	- 47	- 49	- 30
Of which Insurance commissions paid	- 12	- 26	- 3	- 3	- 3	- 2	- 4
Non-Life	- 173	- 130	- 41	- 42	- 44	- 46	- 28
of which Non-Life - Claim related expenses	- 85	- 60	- 22	- 24	- 25	- 14	- 13
Life	- 12	- 12	- 3	- 3	- 3	- 3	- 2
Net result from reinsurance contracts held	- 3	- 3	- 1	- 1	- 1	- 1	- 1
Impairment	- 38	- 97	- 21	- 4	- 24	11	- 36
on FA at amortised cost and at FVOCI	11	- 29	- 1	6	- 5	11	- 5
on goodwill	0	0	0	0	0	0	0
other	- 50	- 68	- 20	- 10	- 19	0	- 30
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	336	225	108	113	75	40	108
Income tax expense	- 51	- 37	- 14	- 16	- 12	- 8	- 9
RESULT AFTER TAX	285	188	94	96	63	32	99
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**285**	**188**	**94**	**96**	**63**	**32**	**99**
Banking	282	181	91	94	63	34	93
Insurance	3	7	3	2	0	- 2	6
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	6 764	5 879	6 764	6 445	6 548	6 334	5 879
of which Mortgage loans (end of period)	*1 818*	*1 681*	*1 818*	*1 754*	*1 796*	*1 766*	*1 681*
Customer deposits and debt certificates excl. repos (end of period)	9 610	9 515	9 610	8 881	9 305	9 302	9 515
Insurance related liabilities (including Inv. Contracts)							
Life insurance	299	236	299	285	289	268	236
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*299*	*236*	*299*	*285*	*289*	*268*	*236*
Non-life insurance	114	85	114	104	104	91	85
Performance Indicators							
Risk-weighted assets, banking (Basel III fully loaded, end of period)	6 646	7 721	6 646	8 240	8 347	8 540	7 721
Required capital, insurance (end of period)	59	49	59	54	54	53	49
Allocated capital (end of period)	812	925	812	989	1 001	1 022	925
Return on allocated capital (ROAC, YTD)	30%	21%	30%	26%	19%	13%	21%
Cost/income ratio without banking and insurance tax (YTD)	28%	30%	28%	27%	27%	25%	30%
Combined ratio, non-life insurance (YTD)	105%	94%	105%	108%	111%	115%	94%

Note: The combined ratio, non-life insurance of 115% in 1Q 2023 included a significant windfall tax fully booked in 1Q 2023. Excluding the windfall tax, the combined ratio amounted to 83% in 1Q 2023, 95% in 1H 2023, 97% in 9M 2023 and 2023.

Bulgaria (in millions of EUR)	FY 2023	FY 2022	4Q 2023	3Q 2023	2Q 2023	1Q 2023	4Q 2022
Breakdown P&L							
Net interest income	396	229	103	104	99	90	81
Insurance revenues before reinsurance	189	166	50	50	47	43	42
Non-life	172	153	45	45	43	39	40
Life	16	13	5	4	4	4	2
Dividend income	1	1	0	0	1	0	0
Net result from financial instruments at fair value through profit or loss	22	- 22	12	1	5	4	1
Net fee and commission income	149	119	37	37	37	37	39
Insurance finance income and expense (for contracts issued)	- 19	23	- 12	0	- 4	- 3	0
Net other income	6	4	1	1	1	2	1
TOTAL INCOME	744	520	192	193	187	172	164
Operating expenses (excluding directly attributable from insurance)	- 270	- 181	- 70	- 68	- 54	- 79	- 59
Total Opex without banking and insurance tax	- 281	- 197	- 78	- 75	- 65	- 62	- 66
Total banking and insurance tax	- 20	- 10	0	0	4	- 24	0
Minus: Opex allocated to insurance service expenses	30	26	9	7	7	7	7
Insurance service expenses before reinsurance	- 139	- 134	- 40	- 37	- 34	- 27	- 37
Of which Insurance commissions paid	- 33	- 29	- 9	- 8	- 8	- 7	- 8
Non-Life	- 131	- 125	- 38	- 35	- 32	- 27	- 38
of which Non-Life - Claim related expenses	- 75	- 77	- 22	- 21	- 18	- 14	- 25
Life	- 8	- 9	- 3	- 2	- 2	- 1	1
Net result from reinsurance contracts held	- 13	- 8	- 4	- 3	- 3	- 3	- 2
Impairment	- 4	- 33	- 3	2	4	- 6	- 17
on FA at amortised cost and at FVOCI	0	- 30	- 1	3	4	- 6	- 14
on goodwill	0	0	0	0	0	0	0
other	- 4	- 4	- 3	- 1	0	0	- 3
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	318	164	74	88	100	57	49
Income tax expense	- 32	- 16	- 7	- 9	- 10	- 6	- 4
RESULT AFTER TAX	286	148	67	79	90	51	45
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**286**	**148**	**67**	**79**	**90**	**51**	**45**
Banking	250	125	62	69	80	39	41
Insurance	36	23	4	10	10	12	4
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	9 623	8 709	9 623	9 223	8 959	8 708	8 709
of which Mortgage loans (end of period)	*2 178*	*1 843*	*2 178*	*2 035*	*1 942*	*1 888*	*1 843*
Customer deposits and debt certificates excl. repos (end of period)	13 241	12 026	13 241	12 588	12 199	12 119	12 026
Insurance related liabilities (including Inv. Contracts)							
Life insurance	353	264	353	319	303	269	264
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*353*	*264*	*353*	*319*	*303*	*269*	*264*
Non-life insurance	171	153	171	162	156	154	153
Performance Indicators							
Risk-weighted assets, banking (Basel III fully loaded, end of period)	8 423	7 397	8 423	7 892	7 765	7 513	7 397
Required capital, insurance (end of period)	78	73	78	77	82	73	73
Allocated capital (end of period)	1 033	912	1 033	972	962	925	912
Return on allocated capital (ROAC, YTD)	30%	23%	30%	31%	30%	22%	23%
Cost/income ratio without banking and insurance tax (YTD)	42%	43%	42%	41%	40%	40%	43%
Combined ratio, non-life insurance (YTD)	87%	90%	87%	83%	82%	79%	90%

We describe the impact of the acquisition of the 100% shares of Raiffeisenbank Bulgaria in note 6.6 in this report.

Business unit Group Centre (in millions of EUR)	**FY 2023**	**FY 2022**	**4Q 2023**	**3Q 2023**	**2Q 2023**	**1Q 2023**	**4Q 2022**
Breakdown P&L							
Net interest income	- 225	134	- 79	- 41	- 66	- 39	11
Insurance revenues before reinsurance	14	16	4	4	4	2	4
Non-life	14	16	4	4	4	2	4
Life	0	0	0	0	0	0	0
Dividend income	4	4	1	2	1	0	0
Net result from financial instruments at fair value through profit or loss	88	- 8	24	13	32	18	8
Net fee and commission income	- 6	- 5	- 1	- 1	- 2	- 2	- 3
Insurance finance income and expense (for contracts issued)	0	0	0	0	0	0	0
Net other income	400	- 5	- 1	1	- 4	404	- 1
TOTAL INCOME	276	136	- 52	- 22	- 34	384	20
Operating expenses (excluding directly attributable from insurance)	- 256	- 337	- 70	- 35	- 57	- 95	- 96
Total Opex without banking and insurance tax	- 254	- 332	- 70	- 36	- 58	- 90	- 96
Total banking and insurance tax	- 4	- 8	0	0	1	- 5	- 1
Minus: Opex allocated to insurance service expenses	2	3	0	1	1	1	1
Insurance service expenses before reinsurance	- 1	- 9	1	- 1	0	- 1	1
Of which Insurance commissions paid	- 1	- 1	0	0	0	0	0
Non-Life	- 1	- 9	1	- 1	0	- 1	1
of which Non-Life - Claim related expenses	2	- 6	2	- 1	1	0	2
Life	0	0	0	0	0	0	0
Net result from reinsurance contracts held	4	- 22	5	- 6	- 1	5	2
Impairment	- 7	- 24	- 4	2	- 10	5	2
on FA at amortised cost and at FVOCI	8	5	0	2	1	5	6
other	- 15	- 28	- 4	0	- 11	0	- 4
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	15	- 254	- 120	- 62	- 102	299	- 71
Income tax expense	82	116	43	21	25	- 7	51
RESULT AFTER TAX	97	- 139	- 77	- 41	- 76	291	- 19
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**97**	**- 139**	**- 77**	**- 41**	**- 76**	**291**	**- 19**
Banking	87	- 93	- 71	- 50	- 85	292	- 11
Insurance	- 32	- 26	- 9	- 11	- 9	- 3	1
Holding activities	43	- 20	3	20	17	2	- 9
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	0	3	0	2	3	3	3
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	20 924	15 743	20 924	19 986	18 988	16 987	15 743
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	1 380	6 155	1 380	1 876	2 051	2 179	6 155
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	-20	8	-20	2	2	1	8
Allocated capital (end of period)	206	706	206	215	234	248	706

Regarding the contribution of KBC Bank Ireland, see notes 2.2 and 6.1 in this report.

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

Gives an idea of the amount of profit over a certain period that is attributable to one share (and, where applicable, including dilutive instruments).

Calculation (in millions of EUR)	Reference	2023	2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	3 402	2 818
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 64	- 50
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	415	417
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		415	417
Basic = (A-B) / (C) (in EUR)		8.04	6.64
Diluted = (A-B) / (D) (in EUR)		8.04	6.64

Combined ratio (non-life insurance – including reinsurance)

Gives insight into 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. The combined ratio is defined net of reinsurance.

Calculation (in millions of EUR or %)	Reference	2023	2022
Non-life PAA – Claims and claim related costs net of reinsurance (A)	Note 3.7, component of ‘Insurance revenues before reinsurance’ & of 'Net result from reinsurance contracts held'	1 204	1 080
+			
Costs other than claims and commissions (B)	Note 3.7, component of ‘Insurance Service Expenses’ & of 'Non-directly attributable income and expenses' & of 'Net result from reinsurance contracts held'	676	602
/			
Non-life PAA - Net earned expected premiums received (C)	Note 3.7, component of ‘Insurance revenues before reinsurance’ & of 'Net result from reinsurance contracts held'	2 160	1 943
= (A+B) / (C)		87.0%	86.6%

Common equity ratio

A risk-weighted measure of the group's solvency based on common equity tier-1 capital (the ratios given here are based on the Danish compromise). Changes to the capital rules are gradually being implemented to allow banks to build up the necessary capital buffers. The capital position of a bank, when account is taken of the transition period, is referred to as the ‘transitional’ view. The capital position based on full application of all the rules – as would be the case after this transition period – is referred to as ‘fully loaded’.

A detailed calculation can be found under ‘Solvency KBC Group’ section.

Cost/income ratio without banking and insurance tax (group)

Gives an impression of the relative cost efficiency (costs relative to income without banking and insurance tax, but including insurance commissions paid) of the group.

Calculation (in millions of EUR or %)	Reference	2023	2022
Cost/income ratio			
Total Opex without banking and insurance tax (A)	Consolidated income statement	4 438	4 159
+			
Insurance commissions paid (B)	Note 3.7, component of 'Insurance Service Expenses'	340	308
/			
Total income (C)	Consolidated income statement	11 224	10 035
=(A+B) / (C)		42.6%	44.5%

Where relevant, we also exclude the exceptional and/or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. The adjustments include: MTM ALM derivatives (fully excluded), bank and insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 49% in 2023 (versus 49% in 2022).

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges. The numerator and denominator in the formula relate to all impaired loans, but may be limited to impaired loans that are more than 90 days past due (the figures for that particular calculation are given in the 'Credit risk' section.

Calculation (in millions of EUR or %)	Reference	2023	2022
Stage 3 impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	1 888	2 048
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 221	4 350
= (A) / (B)		44.7%	47.1%

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period, relative to the total loan portfolio (see 'Loan portfolio' for definition). In the longer term, this ratio can provide an indication of the credit quality of the portfolio.

Calculation (in millions of EUR or %)	Reference	2023	2022
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 9	155
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	200 270	197 052
= (A) (annualised) / (B)		0.0%	0.08%

Note: a negative % is a release

In 2023, the credit cost ratio without the outstanding ECL for geopolitical and emerging risks, amounts to 0.07% (versus 0.00% in 2022).

Impaired loans ratio

Indicates the proportion of impaired loans in the loan portfolio (see 'Loan portfolio' for definition) and, therefore, gives an idea of the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid. These loans have a KBC default status of PD 10, PD 11 or PD 12. Where appropriate, the numerator in the formula may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12). Relevant figures for that calculation are given in the 'Credit Risk' section.

Calculation (in millions of EUR or %)	Reference	2023	2022
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 221	4 350
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	202 953	205 720
= (A) / (B)		2.1%	2.1%

Leverage ratio

Gives an idea of the group's solvency, based on a simple non-risk-weighted ratio.

A detailed calculation can be found under 'Solvency KBC Group' section.

Liquidity coverage ratio (LCR)

Gives an idea of the bank's liquidity position in the short term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-month period. It is the average of 12 end-of-month LCR figures.

Calculation (in millions of EUR or %)	Reference	2023	2022
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	101 555	91 928
/			
Total net cash outflows over the next 30 calendar days (B)		63 805	60 820
= (A) / (B)		159%	152%

KBCs large stock of high-quality liquid assets (approximately 102 billion euros in 2023), which consist of cash and bonds which can be repoed in the private market and at the central banks. Note that the 102bn EUR consist of:

- 48bn EUR (or 47%) 'Cash & Central Bank receivables' (= liquidity that could at all times be used instantaneously to cover outflows)
- 54bn EUR (or 53%) 'LCR eligible bonds' which are reported at fair value at all times, independent of IFRS classification

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	2023	2022
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	183 613	178 053
+			
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	763	785
+			
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 681	6 157
+			
Other exposures to credit institutions (D)		3 301	4 072
+			
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	10 263	10 222
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 483	2 636
+			
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 1 927	- 1 997
+			
Non-loan-related receivables (H)		- 528	- 602
+			
Other (I)	Component of Note 4.1	- 1 694	6 394
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		202 954	205 720

In 2022, the Irish loan portfolio has been included in the line 'Non-current assets held for sale and disposal groups' part of the 'Other' line (for more information see note 5.11 and note 6.6).

Net interest margin

Gives an idea of the net interest income of the banking activities (one of the most important sources of revenue for the group) relative to the average total interest-bearing assets of the banking activities.

Calculation (in millions of EUR or %)	Reference	2023	2022
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	4 812	4 450
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	231 869	224 014
= (A) (annualised x360/number of calendar days) / (B)		2.05%	1.96%

The net interest margin is the net interest income of the banking activities, excluding dealing rooms and the net interest impact of ALM FX swaps and repos.

Net stable funding ratio (NSFR)

Gives an idea of the bank's structural liquidity position in the long term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-year period.

Calculation (in millions of EUR or %)	Reference	2023	2022
Available amount of stable funding (A)	Regulation (EU) 2019/876 dd. 20-05-2019	208 412	209 271
/			
Required amount of stable funding (B)		153 372	153 767
= (A) / (B)		136%	136%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or number)	Reference	2023	2022
Parent shareholders' equity (A)	'Consolidated balance sheet'	22 010	20 319
/			
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	409	417
= (A) / (B) (in EUR)		53.88	48.71

KBC Group launched a share buyback program for the purpose of distributing the surplus capital from 11th August 2023 until 31st July 2024, for a maximum amount of 1.3 billion euros. At the end of December 2023, the total number of shares entitled to dividend reduced with 8 797 069 shares.

Return on allocated capital (ROAC) for a particular business unit

Gives an idea of the relative profitability of a business unit, more specifically the ratio of the net result to the capital allocated to the business unit.

Calculation (in millions of EUR or %)	Reference	2023	2022
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	1 866	1 876
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		8 343	7 890
= (A) annualised / (B)		22.4%	23.8%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	763	653
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 165	2 083
= (A) annualised / (B)		35.0%	31.4%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	676	428
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 704	2 386
= (A) annualised / (B)		25.0%	18.1%

Return on equity

Gives an idea of the relative profitability of the group, more specifically the ratio of the net result to equity.

Calculation (in millions of EUR or %)	Reference	2023	2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	3 402	2 818
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 64	- 50
/			
Average parent shareholders' equity (C)	'Consolidated statement of changes in equity'	21 164	20 611
= (A-B) (annualised) / (C)		15.8%	13.4%

In 2023, the return on equity amounts to 15% when including evenly spreading of the bank taxes throughout the year and excluding one-offs.

Sales Life (insurance)

Total sales of life insurance compromise new business of guaranteed interest contracts, unit-linked investment contracts and hybrid contracts.

Calculation (in millions of EUR or %)	Reference	2023	2022
Guaranteed Interest products		979	983
+			
Unit-Linked products		1 218	974
+			
Hybrid products		131	115
Total sales Life (A)+ (B) + (C)		2 328	2 071

Solvency ratio (insurance)

Measures the solvency of the insurance business, as calculated under Solvency II.

A detailed calculation can be found under 'Solvency banking and insurance activities separately' section.

Total assets under management

Total assets under management (AuM) consist of direct client money (Assets under Distribution towards retail, private banking and institutional clients), KBC Group assets (incl. pension fund), fund-of-funds assets and investment advice. Total AuM comprise assets managed by the group's various asset management companies (KBC Asset Management, ČSOB Asset Management, etc.), as well as assets under advisory management at KBC Bank. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence determine a large part of any change in this income line.

Calculation (in billions of EUR or quantity)	Reference	2023	2022
Belgium Business Unit (A)	Company presentation on www.kbc.com	218	184
+			
Czech Republic Business Unit (B)		17	15
+			
International Markets Business Unit (C)		9	7
A)+(B)+(C)		244	206