Annual Report 2022
KBC Insurance

To the reader

Company name

‘KBC’, ‘the group’, ‘we’ or ‘KBC Insurance as used in this annual report refer (unless otherwise indicated) to the consolidated insurance entity, i.e. KBC Insurance NV including all group companies included in the scope of consolidation. ‘KBC Insurance NV’ refers solely to the non-consolidated entity. The ‘Company annual accounts' section deals only with the non-consolidated entity.

Difference between KBC Insurance and KBC Group

KBC Insurance NV is a subsidiary of KBC Group NV. The KBC group's legal structure has one single entity – KBC Group NV – in control of several underlying companies, of which KBC Bank NV and KBC Insurance NV are the most important. All KBC Insurance NV shares are owned by KBC Group NV. A number of KBC Insurance NV’s debt instruments are exchange-listed. Where mention is made of KBC Group or the KBC group in this annual report, KBC Group NV is meant, including all group companies included in the scope of consolidation.

Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in the annual report are based on assumptions and assessments we made when drawing up this report in early March 2023. By their nature, forward-looking statements involve uncertainty. Various factors, most notably the coronavirus (Covid-19) crisis could cause actual results and developments to differ from the initial statements.

Translation

This annual report is available in Dutch and English. The Dutch version is the original and the English-language version an unofficial translation. KBC warrants that every reasonable effort has been made to avoid any discrepancies between the language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Articles 3:6 and 3:32 of the Belgian Companies and Associations Code (CAC)

These articles specify the minimum content of company and consolidated financial statements required by law. This information has been incorporated into the different sections of the ‘Report of the Board of Directors’, which also contains additional, non-compulsory information. To avoid repetition, reference is sometimes made to information presented in other sections of this report. KBC Insurance has combined the reports for the company and consolidated financial statements. The Risk Report and the www.kbc.com website referred to in certain sections do not form part of the annual report.

Non-financial information statement

As required by Articles 3:6 §4 and 3:32 §2 of the CAC, we provide a statement on non-financial information at the highest consolidated level for a Belgian entity, i.e. (in the annual report of) KBC Group NV. That particular report is available at www.kbc.com. Nevertheless, most of the information in question is also provided in KBC Insurance's annual report.

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Ratios used

A list of the most important ratios and terms used in this document (including the alternative performance measures) can be found at the back of this report.

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Brief presentation of KBC Insurance

Our area of operation

KBC Insurance is an insurance group catering mainly for retail, SME and mid-cap clients. It concentrates on its home markets of Belgium and four countries in Central and Eastern Europe (the Czech Republic, Slovakia, Hungary and Bulgaria).

Main group companies

Belgium	KBC Insurance NV
Czech Republic	ČSOB Pojišťovna a.s.
Slovakia	ČSOB Poisťovňa a.s.
Hungary	K&H Biztosító
Bulgaria	DZI Insurance
Luxembourg	KBC Group Re

Our shareholders

All KBC Insurance NV shares are owned by KBC Group NV. KBC Group NV is a listed company.

Our clients, staff and network

Clients (estimate)	6,4 million
Number of staff (2022 average in FTEs)	4 024
Insurance network	298 agencies in Belgium, various distribution channels in Central and Eastern Europe

Our long-term credit ratings (24-06-2021)

KBC Insurance NV	Standard & Poor’s	A

Management

CEO	Johan Thijs
Chairman of the Board of Directors	Koenraad Debackere

More information

Website	www.kbc.com

Our business model

The strategy, business model and management structure of KBC Insurance is embedded in that of the KBC group. A summary is given below of the business model of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business.

How do we create sustainable value? (KBC Group)

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

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

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

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

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

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

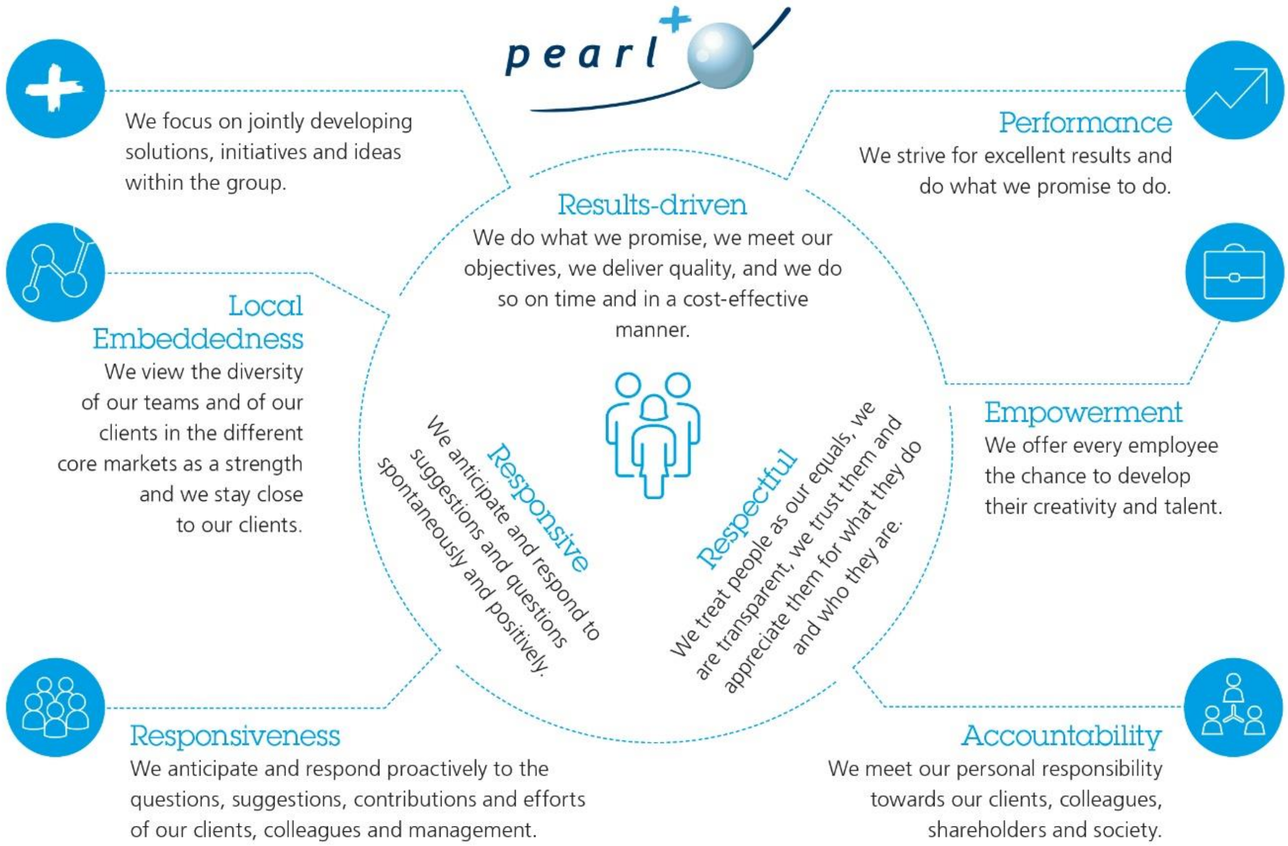
As a major player in each of our core countries, meanwhile, we form part of the local economic and social fabric. We make an important contribution to employment in all our core markets and, as such, recognise that we have a significant impact on the lives of our staff. We encourage responsible behaviour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

What makes us who we are? (KBC Group)

We sum up our business culture in the acronym 'PEARL+', which stands for Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness. We encourage all our employees to behave in a way that is responsive, respectful and results-driven. An explanation of what we mean is given in the diagram.

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

> *The '+' sign in PEARL+ symbolises our focus on the joint development and smart copying of solutions, initiatives and ideas so that they are easy to utilise and deploy throughout the group, enabling us to work more efficiently, respond more quickly to change and make full use of local skills and talents group-wide.*



What differentiates us from our peers?

Our integrated bank-insurance model

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

Our digital approach

Digital interaction with clients forms the basis of our business model in our strategy, not only in terms of sales and advice, but also in process and product development. In addition to a digital product range, therefore, we also offer our clients digital advice and develop all processes and products as if they had to be sold digitally. Artificial intelligence and data analysis will play an important part in digital sales and advice. Kate, our personal digital assistant, will feature prominently in this regard. We pay particular attention to the speed and simplicity with which we can serve our clients and take this into account when adjusting our internal processes.

Our strong geographical focus

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

Our approach to sustainability

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

Our shareholder structure

A special feature of our shareholder structure is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which together held roughly 41% of our shares at the end of 2022. These shareholders act in concert, thereby ensuring shareholder stability in our group.

Our strengths

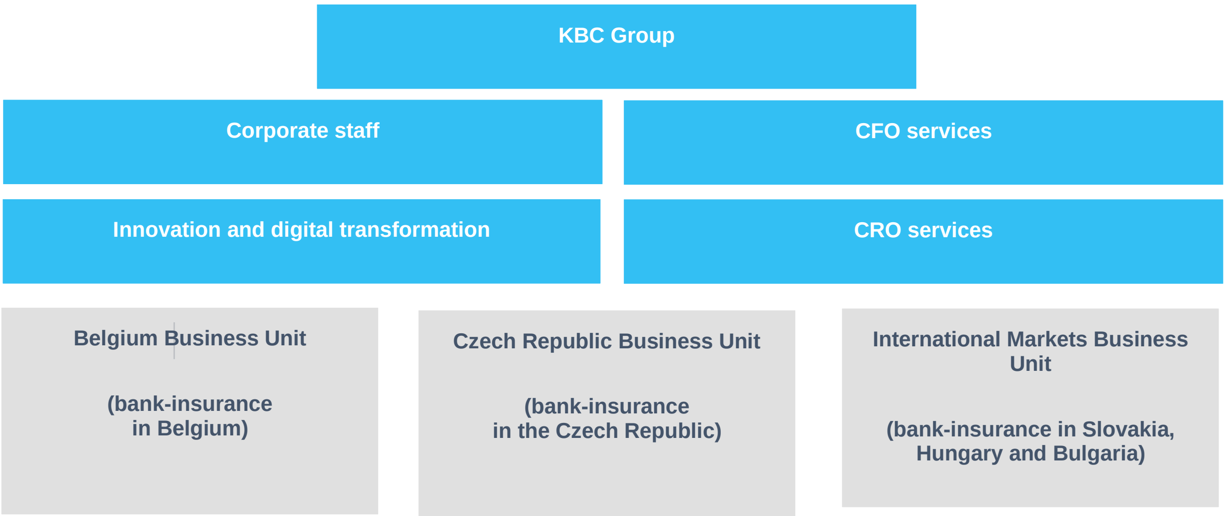
Unique bank-insurance model and innovative, data-driven digital strategy, which enables us to respond immediately to our clients' needs	Strong commercial banking and insurance franchises in all our business units	Successful track record of underlying business results	Solid capital position and strong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

Our challenges

A macroeconomic environment characterised by impacts of geopolitical challenges, higher interest rates, high inflation and population ageing.	Impact of climate change on our and our clients' operations, and vice versa, and the use of opportunities related to the transition to a greener economy	Stricter regulation in areas like client protection, solvency and the environment	Changing client behaviour, competition and new players in the market	New technologies and cyber crime

The Board of Directors is responsible for defining our group's strategy, general policy and risk appetite. It is supported by several specialised committees, namely the Audit Committee, the Risk & Compliance Committee, the Nomination Committee and the Remuneration Committee. These committees are dealt with in the 'Corporate governance statement'. Our Executive Committee provides the operational management of the group within the confines of the general strategy approved by the board. Besides the CEO, the Executive Committee includes the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and the Chief Innovation Officer (CIO) of the group, as well as the CEOs of the three business units.

The most important matters discussed by the Board in 2022 are summarised in the ‘Corporate governance statement’. We also deal there with our remuneration policy for senior management. The principle underpinning this policy – and the remuneration of all our staff – is that good performance deserves to be recognised. It is only fair that every employee who works hard is properly rewarded for their efforts, including by means of limited variable remuneration as part of an attractive and balanced remuneration policy.



In what environment do we operate? (KBC Group)

Having started its upward trend back in the second half of 2021, inflation reached new highs in Europe and the US after the Russian-Ukrainian war broke out in February 2022. The inflation was fuelled by significantly higher energy and commodity prices and subsequently seeped into the underlying core inflation, i.e. inflation excluding energy and food prices. Responding to this event, in March 2022 the Fed terminated its net purchases under the quantitative easing programme and sped up the tapering of its bond portfolio (quantitative tightening) in September. The Fed also used its interest rate channel to tighten its policy, raising the key rate in 2022 at a faster and more substantial rate than anticipated, from 0%-0.25% to 4.25-4.50% at year-end 2022. The Fed is likely to further raise its key rate in 2023.
Faced with the exceptional surge in inflation in 2022, the ECB also changed course. After discontinuing net purchases under its Pandemic Emergency Purchase Programme (PEPP) in March 2022, it did the same for its general Asset Purchase Programme (APP) in July 2022. The ECB then immediately started bringing its deposit rate back to normal levels, raising it from -0.50% to 2% at year-end 2022. We expect to see even higher interest rates in 2023. According to ECB reports, the bonds the ECB purchased under the PEPP will be reinvested on their maturity date until at least the end of 2024. The APP portfolio, for its part, will be phased out from March 2023 onwards as part of the quantitative tightening policy. The ECB's encouragement of the financial sector to make early repayments of the long-term liquidity provisions (TLTROs) is also in line with this policy.

The current rising interest rates and reduced liquidity supply pose a risk to the efficient transmission of the ECB's monetary policy to the euro area as a whole. In concrete terms, this could manifest itself in unfounded, widening spreads between euro area government bonds. The ECB has two instruments it can use as possible remedies. The first one is the option to flexibly reinvest the PEPP portfolio by specifically targeting dysfunctional markets. The second instrument is the new Transmission Protection Instrument (TPI), which allows the ECB to purchase bonds directly in problematic markets under certain conditions but nevertheless with full discretionary power vested in the ECB's Executive Board.

The turnaround in monetary policy in 2022 translated into a substantial and largely synchronous increase in US and German government bond yields. The German ten-year yield turned positive again as a result. Overall, the US and German yields rose from 1.52% and -0.18% to 3.88% and 2.56%, respectively, since the start of 2022. The spread between US and German government bond yields was volatile throughout the year and, overall, narrowed from approximately 180 to 130 basis points. If this interest rate differential narrows slightly in 2023, the euro will be able to gain more ground over the US dollar in 2023.

The global economy will again have to rise to exceptionally large challenges in 2023. Policymakers must get the high inflation under control while also ensuring that the economic landing is as soft as possible – a combination that creates tension between monetary and budgetary policies. Rising interest rates have also put global debt issues back on the radar.

Market conditions in our most important countries in 2022 (KBC Insurance)

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria
Market environment in 2022					
Change in GDP (real)	3.1%	2.5%	1.5%	4.9%	3.5%
Inflation (average annual increase in consumer prices)	10.3%	14.8%	12.1%	15.3%	13.0%
Unemployment rate (% of the labour force at year-end; Eurostat definition (excluding Ireland)	5.5%	2.3%	5.8%	4.0%	4.0%
Government budget balance (% of GDP)	-4.0%	-5.0%	-6.2%	-6.1%	-2.5%
Public debt (% of GDP)	105.0%	43.5%	62.0%	73.5%	23.0%
Forecast growth in real GDP in years ahead					
2023	0.6%	0.3%	0.9%	0.3%	0.7%
2024	1.2%	2.6%	2.8%	3.6%	3.5%
KBC Insurance's position in each core country					
Main brands	KBC & CBC & KBC Brussels	ČSOB	ČSOB	K&H	UBB & DZI KBC Bank Bulgaria (formerly Raiffeisenbank Bulgaria)
Network	298 insurance agencies Online channels	Insurance sold through various channels Online channels	Insurance sold through various channels Online channels	Insurance sold through various channels Online channels	Insurance sold through various channels Online channels
Recent acquisitions or disposals (2020-2022)	Sale of KBC Vastgoed Nederland Acquisition of Renaissance Magister Invest (2022)	-	-	-	Acquisition of NN's Bulgarian pension and life insurance business (2021).
Insurance clients (millions, estimate)	1.6	2.0	0.5	1.1	1.2
Market share (estimate) - life insurance - non-life insurance	12% 9%	7% 9%	2% 5%	3% 7%	26% 12%

What are our main challenges? (KBC Group)

Climate change, global health risks and geopolitical challenges

The coronavirus pandemic and the recent extreme weather conditions demonstrated that climate change and public health risks are hard realities and that their impact is felt everywhere. Geopolitical developments – including the war in Ukraine – could also have significant implications for the economy and hence our results. Our financial performance is obviously also impacted by the global economy in general, as well as by the financial markets and demographic trends.

How are we addressing them?

- ✓ We ensure in our long-term planning/scenario that our capital and liquidity position is capable of withstanding a negative scenario.
- ✓ We calculate the impact of changes in key parameters and estimate the impact of material events as effectively as possible.
- ✓ If it turns out that the models are not capturing the increased credit risk resulting from specific events (the coronavirus crisis, the war in Ukraine, etc.), we will set aside additional reserves based on management's assessment.
- ✓ Where necessary (in response to the coronavirus crisis, for example), we take the measures needed to secure business accessibility and continuity.
- ✓ The environment and climate change remain an important part of our sustainability strategy. We have translated them into specific targets. As a bank-insurer, we assume our responsibility and assist and support our clients who are affected by the extreme weather conditions.
- ✓ We have formally committed to various international initiatives related to climate change and sustainability.
- ✓ We constantly adjust our product and service offering by, for instance, responding to demand for sustainable products like green bonds, sustainability-linked loans and sustainable pension saving.
- ✓ We aim to diversify our income sources to include more fee business, for example, alongside interest income.

Shifting client behaviour and competition

We face strong competition, technological changes and shifting client behaviour. Besides the traditional players, there is intensifying competition from online banks, fintechs, bigtechs and e-commerce in general.

This means potential pressure on cross-sell opportunities and is influencing clients' expectations in terms of speed, digital interaction, proactivity, personalisation and relevance. All this is increasing the significance of digitalisation and innovation within our group and creating the need for a resilient, responsive organisation capable of continuously adapting its processes and systems.

How are we addressing them?

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

Regulation

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

- ✓ Sustainability: EU measures to mobilise financial resources for sustainable growth.
- ✓ Digitality: EU initiatives related to the impact of new technologies on the financial services sector and the responsibilities of digital service providers; regulations on crypto assets including the MiCA (Markets in Crypto-Assets) Regulation and the AML directive (digital assets).
- ✓ Data governance: a regulation (in force with effect from September 2023) that imposes conditions on the provision of data intermediation services, including intermediation services between data holders and potential data users.
- ✓ Prudential supervision: further implementation of amendments to the Bank Recovery and Resolution Directive (BRRD2); further follow-up of the transposition of the Basel IV standards into the Capital Requirements Regulation (CRR2) and Capital Requirements Directive (CRD5); implementation of the Digital Operational Resilience Act (DORA); revision of the Solvency II Directive; follow-up of the developments related to the draft Directive on recovery and resolution planning for insurance undertakings; further implementation of the consequences of the reform of the regulatory framework for investment firms, including stockbrokers.
- ✓ Financial markets and products: reform of the European Market Infrastructure Regulation (EMIR), which will have an operational impact on derivative activities; new obligations ensuing from the Crowdfunding Regulation.

How are we addressing them?

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

Cyber risks and data protection

Robust ICT systems are extremely important in an increasingly digital world where hacking and cyber attacks are a constant threat, with the potential to cause significant financial and reputational harm.

Our focus is on the optimum protection of both our clients and our group itself.

How are we addressing them?

- ✓ We raise our employees' awareness of cyber risks by providing training in areas like phishing, smishing ('SMS phishing') and vishing ('voice phishing'), and cyber fraud in general.
- ✓ Teleworking has long been well established at KBC, but it became the norm as a result of the coronavirus crisis. To enable our employees to access our critical systems and data remotely, we redoubled our commitment to cyber security and IT and developed additional guidelines.
- ✓ We work to achieve highly secure and reliable ICT systems and robust data protection procedures, and we constantly monitor our systems and the environment.
- ✓ We analyse cyber risks from an IT and business perspective, so that we can offer maximum resistance and are able to remedy attacks swiftly and efficiently. We regularly evaluate our action plans and adapt them.
- ✓ Our group-wide Competence Centre for Information Risk Management & Business Continuity tracks all risks relating to data protection, cyber crime and operational IT. The team informs and assists local entities, tests KBC's defence mechanisms and provides training, cyber-awareness and reporting in the group.
- ✓ We are members of the Belgian Cyber Security Coalition – a knowledge and consultative platform consisting of around 50 public and private-sector enterprises and academics.
- ✓ We also have our entities' cyber risks and defence mechanisms evaluated on an annual basis by internal and external security experts.
- ✓ See also 'Non-financial risks' in 'How do we manage our risks?' and 'The client is at the centre of our business culture' in 'Privacy, data protection, communication and inclusion' as well as in our Sustainability Report at www.kbc.com.

Our employees, capital, network and relationships (KBC Group)

Our employees

Main challenges

- Paying due attention to the health and well-being of our employees
- Enhancing the resilience and employability of our staff in a rapidly changing environment
- Investing in the right skills within a culture of continuous learning
- Focusing on coaching and inspiring leadership
- Targeting and pursuing specialist profiles

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

It remains our fixed ambition to 'future-proof' our organisation and employees, and to keep the latter on board as much as possible and enable them to grow with KBC. We are committed to a learning culture, in which learning forms an integral part of our everyday activities. Our company is engaged in a transformation process right now (take the introduction of 'Kate', for instance) and needs different skills. We therefore ask our staff to be flexible and to focus on skills that are relevant. To achieve all this in a smart way, we use an AI-driven learning and talent platform that goes by the name of StiPPLE. This platform enables us to provide employees with the HR information they need to take their career to a higher level. The learning content they receive is tailored not only to the relevant skills but also the appropriate skill level. A digital butler helps them focus on the right output and development targets. StiPPLE also serves as an integrated marketplace for internal job openings, using the technology to match available jobs with qualified internal candidates. The digital learning and talent platform is now available in Belgium and a number of other countries. As Kate increasingly takes centre stage in the services we provide to our clients and in our business processes, we recently launched the Kate Academy.

We take the health and well-being of our employees very seriously, and no less so in the present post-pandemic environment. As a proper balance between business performance and employee well-being is more important than ever, we are looking for creative solutions to ensure that we can all continue to work in good health and with enthusiasm. In February 2022, Corporate HR set up a new department, Work Life Support, comprising the relevant departments that support workplace well-being with the objective of extending workers' professional lives. The new department develops integrated solutions for a preventive approach to burnouts and mental health issues, in order to support employees returning to work after a period of illness and for sustainable end-of-career proposals. Another point of focus is offering employees attractive working conditions in which they feel that coming to work has added value.

In 2022, KBC and CBC were certified as Top Employers in Belgium.

Prompting a wave of solidarity, the war in Ukraine led numerous colleagues in all core markets to roll up their sleeves and start initiatives to get relief supplies where they were needed, take in refugees, make housing available or initiate fundraising campaigns. KBC employees in Slovakia, for instance, are allowed to spend one day a year doing voluntary work, and many of them helped out in the border region. KBC in Belgium also joined in, raising the donations that Belgian KBC employees made to the national fundraising campaign for Ukraine ('Ukraine 12-12').

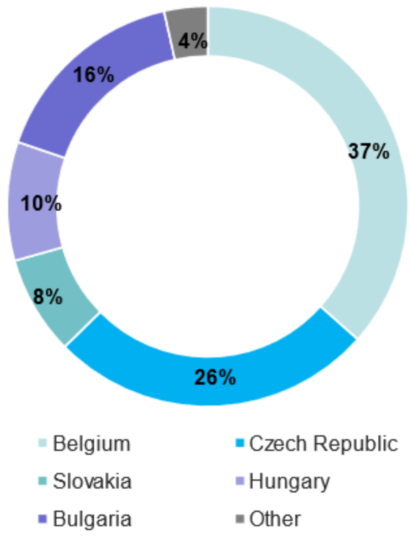
Having recruited some 760 new employees in Belgium in 2022, we are doing well in the quest for talent, but the search is still on for people with specialist skill sets that will help KBC to grow and expand. We introduced a new method of talent recruitment, in which the employee experience takes centre stage, turnaround times are much shorter and initial job interviews are conducted over video chat.

Our employees can rely on a competitive and fair salary plus supplementary benefits. In 2022, we also decided to provide a group-wide profit bonus to our employees, to thank them for their commitment and resilience, which led to strong results in the past year despite the challenging circumstances.

Good managers are key when it comes to bringing out the best in our employees and implementing the KBC strategy successfully. We therefore invest in the training and education of all our managers through various leadership programmes. Since the nature of leadership has changed since the pandemic, we introduced the 'Leading the Next Level' programme. Managers are provided with behavioural anchors, a self-scan and a team scan to give them new insights and allow them to work more effectively with their teams. In Belgium, for example, inspirational sessions are held to promote teamwork, which also extends to employees. In the Czech Republic, we introduced the innovative 'Future Leaders' and 'Future Leader of Leaders' programmes. To enable them to pursue a common vision, senior managers from across the group take part in the 'KBC University', an ambitious development programme. For instance, blockchain, web 3.0 and digital currency training courses were provided in 2022. Newly appointed senior managers complete a leadership programme in line with our PEARL+ business culture, as well as a strategy module. We are also actively working on a separate policy for top talent management, in which we identify future senior managers and fast-track them to face tomorrow's challenges. There is a special focus in this policy on gender diversity.

We keep close track of our employees' opinions. We launched two employee engagement surveys in 2022. In Belgium, the survey response rate was 75% in March, which rose to 77% in October. 72% of our employees report feeling engaged with KBC, which is a 3% increase. Employee engagement is defined as pride in working for the company, motivation to be in the current role, and a sense of connection with KBC. It was precisely this sense of connection that was up 6% in 2022, as employees are proud of the stability of KBC as a company and of its innovative approach. For ČSOB Czech Republic, which has an employee engagement rate of 76%, we learned from the survey conducted in the second half of the year that 78% of staff are proud of ČSOB, 72% are motivated in their jobs, and 76% plan to remain at ČSOB in the next three years. Employee engagement rates for the other countries range from 58% to 70%.
The survey was incorporated in a wider survey in all countries. For Belgium, the survey was integrated into the Shape Your Future survey, which gauges the impact of the strategy in addition to employee engagement. The outcome of the survey reveals, for example, that 67% of our employees recognise how their job helps to put the KBC strategy into practice – a percentage that has remained roughly the same. Just over half of our employees state that they can express an opposing view without having to fear adverse consequences.
The surveys have also resulted in a number of measures, including initiatives to support managers in their coaching roles. Managers can access their results and choose to implement specific measures as necessary.

Breakdown of workforce by country/region (year-end 2022)



On 1 January 2023, KBC Belgium implemented a new distribution model for Retail. In the new model, which will be subject to leaner commercial control, we expect Kate to take over some of the duties of a number of Retail employees. As Retail positions cover relatively more complex duties, we will adapt our HR job model accordingly. As the new distribution model provides growth opportunities, we will increase the budget for promotions and similar events.

We do not make any distinction on the grounds of gender, age, religion, ethnic background or sexual orientation in our HR, recruitment and promotion policies or remuneration systems. Our policy, including a number of general principles, was published on www.kbc.com and we take part in the Bloomberg Gender Equality Index and the Workforce Disclosure Initiative.
Within the organisation, there are more specific guidelines in place. Our two specific focal areas are gender and people with physical disabilities. Each of our entities will develop a plan containing specific improvement measures related to diversity and inclusion, and in setting up teams they do not just consider skills but also factors such as gender, age, cultural background, and so on. Since we feel this is an important issue, we maintain a zero-tolerance policy towards flagrantly disrespectful behaviour. We also raise diversity awareness among our employees in the form of inspiration sessions. KBC boasts a diversity and inclusion network organisation called 'Diversity Rocks', which has established one local group in every country. In terms of remuneration, a pay gap analysis is conducted every year. A study is being conducted in Belgium into the role of gender, compared to other factors, in decisions concerning remuneration, the outcome of which can be found in our Sustainability Report.

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

Our group's acquisitions and disposals obviously also have an impact on HR. We are focussing on the technical HR details in preparation for the official acquisitions of NN and Raiffeisenbank in Bulgaria. In Ireland – for which a number of sale transactions were concluded – (see Note 6.6. in the 'Consolidated financial statements' section), we keep the lines of communication open with employees to provide them with maximum certainty regarding the pending sale transactions. The severance scheme KBC Ireland recently negotiated with its Employee Council offers employees what qualify as very favourable terms within the industry, which reflects the bank's great appreciation for the work of its employees.

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

Our capital

Our activities are only possible if we have a solid capital base. At year-end 2022, KBC Group's total equity came to 20.8 billion euros and its capital was represented by 417 169 414 shares. At year-end 2022, KBC Insurance's total equity was 2.2 billion euros. The KBC Insurance share is not traded on the stock market.

KBC Group is the sole shareholder of KBC Insurance. KBC Group shares are held by a large number of shareholders in a number of countries. A group of shareholders consisting of MRBB, Cera, KBC Ancora and the Other core shareholders constitute KBC Group's core shareholders. A shareholder agreement was concluded between these core shareholders in order to ensure shareholder stability and guarantee continuity within the group, as well as to support and co-ordinate its general policy. To this end, the core shareholders act in concert at the General Meeting of KBC Group NV and are represented on its Board of Directors. The current agreement applies for a ten-year period with effect from 1 December 2014. According to the most recent notifications, the core shareholders own 40% of our shares between them. More information on the KBC Group's shareholder structure can be found in the KBC Group annual report.

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

Our network and our relationships

Alongside staff and capital, our network and relationships are especially important to our activities. An overview of our network can be found under 'Market conditions in our core markets in 2022'.
Our social and relationship capital comprises all relationships with our clients, shareholders, government, regulators and other stakeholders, enabling us to remain socially relevant and to operate as a socially responsible business. This theme is dealt with in depth under 'Our role in society' in the 'Our strategy' section.

Investor relations

Our Investor Relations Office has the mission of providing analysts, investors, rating agencies and other parties with timely, transparent, consistent and relevant information on our business strategy, trends and financial data. This information is widely disseminated and is accessible to all interested parties. The Investor Relations Office has a direct line to the group's senior management and is in contact with them on a daily basis. It recommends which information to provide to the market, collects data on the market itself (including analysts' opinions on KBC and KBC's shareholder structure) and is involved with briefing senior management on contacts with analysts and investors.

Our strategy

The strategy, business model and management structure of KBC Insurance is embedded in that of the KBC group. A summary is given below of the strategy of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business.

For more detailed information, please see the KBC Group annual report for 2022.

Our strategy rests on the following principles:

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

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

The client is at the centre of our business culture (KBC Group)

Focus on the physical and financial well-being of our clients

We continued to focus our efforts on client and employee safety in the wake of the coronavirus crisis, making a point of maintaining regular communications and offering a sensible mix of in-person and online events and meetings. We have also collaborated intensively with government bodies since the beginning of the coronavirus crisis to support all clients affected by the pandemic, through such measures as loan payment deferrals under the various coronavirus-related moratoria. With the exception of an amount of 0.2 billion euros, most of the moratoria have now expired. In addition to this, we granted some 0.9 billion euros in loans that fall under the various coronavirus-related government guarantee schemes in our core markets.

Main challenges

- Making client experience central and focusing on operational efficiency
- Offering proactive client-friendly solutions, powered by Artificial Intelligence and qualitative data
- Paying special attention to data protection and privacy and to transparent client communication
- Ensuring client safety in the face of health risks like the coronavirus

Russia invaded Ukraine in February 2022. Regrettably, the war was still ongoing at the time this Annual Report went to press. The tragedy unfolding in Ukraine is causing immense human suffering and is shaking the global economy. We express our heartfelt solidarity with all victims of the conflict and are hoping for a respectful, peaceful and lasting solution in the near future. Several countries have imposed economic sanctions. As a financial group, we naturally shoulder our responsibility to do business in a legal and ethical way and to comply with the various sanctions.

In all KBC core markets, our employees initiated relief campaigns for Ukraine and several of our people took in refugees, provided assistance and performed voluntary work. Several banks in our core markets helped meet the needs of Ukrainian refugees by providing an exemption from costs payable for specific financial services, and numerous charitable activities were carried out. The 'Ukraine 12-12' campaign was launched in Belgium. A special button in KBC Mobile allowed clients to make a donation to the campaign. In the Czech Republic, ČSOB pooled resources with relief agency People in Need and launched a fundraising campaign immediately after the war broke out. It also donated ICT equipment and provides clients with Ukrainian-language information on the website and by telephone. In Hungary, the K&H Foundation for a Healthy Society donated to five humanitarian organisations and doubled the amounts donated by employees. In Bulgaria, UBB donated the proceeds of the Easter for Everyone campaign and employees' donations to NGO Mother Ukraine for humanitarian aid to refugees arriving in Bulgaria. And in Slovakia, the ČSOB Foundation doubled the amounts that staff had donated to Človek v ohrození (People in Need) for aid to Ukraine and donated 3 euros for every runner participating in the 2022 ČSOB Bratislava Marathon.

Although our direct net exposure to Ukraine, Belarus and Russia is very limited (a mere 29 million euros at year-end 2022), it goes without saying that our activities are indirectly hit by the macroeconomic fallout from the conflict, such as the impact of the high oil and gas prices on inflation and economic growth, and the spillover effects for us, our counterparties and our clients.

Access to financial services and solid financial advice for all sections of society contributes to economic development and forms the basis for financial and social integration. We fulfil our responsibility as a bank-insurer in this regard too, we promote financial literacy and seek by means of solid and transparent advice to help our clients make the right decisions. We realised more than ever during the coronavirus crisis just how important digital literacy is and we launched a variety of initiatives and guides, for instance, to help new users familiarise themselves with our mobile apps. With the introduction of the option to receive financial and economic news through KBC Mobile in 2022, we found yet another way to contribute to awareness-raising and financial education.

Digital First

Client expectations have shifted enormously in recent years, with efficient and user-friendly products and services becoming the norm, powered by technology. For that reason, we have been engaged for several years now in the digitalisation of processes that allow simple, high-quality products to be brought to clients in a smooth and rapid manner. For a few years now, we have been designing products, services and processes from a 'digital-first' perspective. This implies that they were modified before being digitalised to make them simpler, more user-friendly and scalable and that they allow a fast and appropriate response to our clients' questions and expectations. For clients who so desire, we will use the available data in an intelligent and appropriate manner, as we have seen that clients increasingly demand more proactive and personal products and services in addition to speed and simplicity.

Sia Partners has named KBC Mobile one of the best mobile banking apps worldwide

Independent international consulting firm Sia Partners has once again named KBC Mobile the best mobile banking and insurance app in Belgium. KBC Mobile strengthened its leading position over last year, and has even secured a top-three position worldwide.

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

For clients who so wish, Kate – our personal digital assistant – plays an important role in digital sales and advisory, so that personalised and relevant solutions can be offered proactively. Clients can personally ask Kate questions regarding their basic financial transactions. They also receive regular discrete and proactive proposals at appropriate times in their mobile app to ensure maximum convenience. Clients are entirely free to choose whether or not to accept a proposal. If they do, the solution will be offered and processed completely digitally. Initially, Kate focused on the mobile application for retail clients in Belgium and the Czech Republic, but in 2022 Kate was introduced in the other core countries of the group, in Bulgaria in February, and in Slovakia and Hungary in August. Kate for businesses (with a focus on SMEs) was launched in 2021 and is already available in the Czech Republic and Belgium.

Employees in the branch network and contact centres continue to function as a beacon of trust for our clients. The human touch is particularly important in more complex services and solutions and in matters requiring emotional intelligence. Our employees will also support, encourage and monitor use of digital processes, assisted by artificial intelligence, data and data analysis.

To guarantee our clients maximum ease of use and to be able to offer a growing number of possibilities via Kate, we will also change our internal processes, the way we supply our products and services, and how we organise ourselves internally. At the same time, this will require a further change in mentality and in-service training for our staff. For instance, Kate automates certain administrative acts, helping our clients as well as our employees save time. Our employees use this extra time to connect with clients and speak with them about anything that might be on their minds. Kate also helps prepare for appointments, which again saves our employees time.

In 2022 we launched our own banktech, Discai, through which we will be marketing our portfolio of innovative artificial intelligence applications. The first available application focuses on the fight against money laundering. Discai opts for a gradual go-to-market strategy and will collaborate with partners in distributing and integrating those applications. In the next phase, Discai will guide companies and organisations in several sectors in their search for high-performance and innovative solutions to technological and regulatory challenges they encounter in their respective fields.

In 2022 we were the first in Europe to introduce our own blockchain-based digital currency, the Kate Coin, which was fully developed within KBC. KBC retail clients who are interested can acquire Kate Coins and also use them through their Kate Coin wallet in KBC Mobile. This is a closed environment; the Kate Coin has no value outside this environment. Although the Kate Coin will initially be introduced in Belgium, it will eventually be rolled out throughout the KBC group. On Sunday 19 June, the first large-scale trial of the Kate Coin was completed at the Werchter Boutique music festival. During this event, no fewer than 8 000 attending KBC employees could try out the Kate Coins and use them to pay for their food and drinks.

Digitality in practice (2022)

- 46% of banking products and 24% of insurance products were sold through digital channels
- Nearly 85% of active KBC clients* were mobile users
- Some 2.9 million clients have already used Kate; roughly 1.9 million clients were active users
- The number of Kate use cases (retail) increased to 547.
- The proportion of cases resolved by Kate E2E stood at 56% in Belgium and at 51% in the Czech Republic
- Launch of the Kate Coin, KBC's own virtual currency

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

Privacy, data protection, communication and inclusion

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

Follow-up

Since putting the interests of our clients at the heart of everything we do is the cornerstone of our strategy, we keep a close eye on their situation. We continuously survey our clients and organise regular debates with client panels. A specific dialogue is likewise maintained with NGOs, and a stakeholder debate also organised on a regular basis. We closely monitor our reputation and communicate this analysis to all the departments and individuals concerned, so they can take appropriate action. Examples of the actions we take with the aim of addressing shifting client expectations, competition and technological challenges can be found under 'What are our main challenges?'.

The most important Key Performance Indicators (KPIs) relating to client satisfaction and digital sales are set out in the KBC Group annual report.

We offer our clients a unique bank-insurance experience (KBC Group)

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

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

Main challenges

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

We have developed a unique bank-insurance cooperation concept within our group, a model that goes much further than a bank that sells insurance products. It is all about complete back-office integration, which delivers operational and commercial optimisation for both the client and for KBC itself. The way we work means, for instance, that we only need one communications department, one marketing department, and so on. It is only the underlying product factories that operate independently, as these are specific professions.
In addition to operating as a single business, we pursue a digital-first, lead-driven and AI-led organisation. This means fully integrated front and back-end applications designed according to the 'digital first' principle. We are firmly committed to becoming data and AI-led in all our core countries, at their own pace. Kate (see previous section) is the key element within a data-led organisation of this kind.

Previously, we only offered our own bank and insurance products and services through our mobile apps. As 'bank-insurance+' has been rolled out, we are now also offering non-financial solutions alongside traditional banking and insurance solutions in our core countries. After all, to remain the reference, it is no longer enough simply to offer clients and prospects banking and insurance products. It is also about solutions that help our clients save money (e.g., suggesting that they switch to a cheaper energy supplier), earn money (e.g., 'KBC Deals' discounts in Belgium), making everyday payments easier (e.g., paying automatically for parking) or supporting business activities. We work with third parties to provide these solutions.

Our bank-insurance model is already enabling us to achieve various commercial synergies. In Belgium, for instance, eight to nine out of ten clients who agreed home loans with KBC Bank in 2022 also took out mortgage protection cover with KBC Insurance, while more than nine out of ten purchased home insurance. At ČSOB in the Czech Republic, five to six out of ten clients who took out home loans in 2022 also purchased home insurance from the group. To give another example, across the group at year-end 2022, about 81% of active clients held at least one of the group's banking products and one of its insurance products, while roughly 25% actually held at least two banking and three insurance products (3-3 in Belgium). The number of bank-insurance clients of this type grew by 5% (1-1) and 7% (2-2 and 3-3 in Belgium) in 2022 respectively.

The main key indicators (KPIs) related to bank insurance can be found in the KBC Group Annual Report.

We focus on sustainable and profitable growth (KBC Group)

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

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

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

Main challenges

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

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

- In July 2021, we acquired NN's Bulgarian pension and life insurance business. This deal will enable us to further expand our cross-selling opportunities through their already established bank-insurance presence in the Bulgarian market, allowing us to serve more clients and to benefit from economies of scale and increased visibility.
- In February 2022, we sold virtually the entire portfolio of non-performing mortgage loans of KBC Bank Ireland, and in October 2021 a legally binding agreement was concluded with Bank of Ireland relating to the sale of primarily KBC Bank Ireland's performing loan assets and its deposit book. The Irish Competition and Consumer Protection Commission (CCPC) approved the transaction in May 2022, and the Irish Minister for Finance gave his approval towards the end of the year. The sale was finalised in February 2023.
- In July 2022, we finalised the agreement with Raiffeisen Bank International on the acquisition of Raiffeisenbank Bulgaria, a universal bank in Bulgaria offering private individuals, SMEs and business clients a full range of banking, asset management, leasing and insurance services. Raiffeisenbank Bulgaria – now renamed KBC Bank Bulgaria – and UBB will merge their activities, which will allow KBC to bolster its position in the Bulgarian banking market even more. This acquisition will also create ample opportunity for insurance cross-selling with DZI.

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

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

Stringent risk management in everything we do is an absolute precondition in terms of guaranteeing sustainability. For more information on this, see 'We aim to achieve our ambitions within a stringent risk management framework'.

The main key indicators (KPIs) related to sustainable and profitable growth can be found in the annual report of KBC Group.

Our role in society (KBC Group)

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

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

Main challenges

- ✓ Integrating sustainability in key processes and business activities
- ✓ Setting targets to reduce the impact of our activities and implementing actions to reach those targets
- ✓ Consistently generating value for all our stakeholders in an uncertain environment
- ✓ Managing the risks that climate change poses to us and the companies we finance
- ✓ Complying with new and amended sustainability legislation
- ✓ Focus on responsible behaviour at all levels of our business

Sustainable Development Goals

In 2015, the United Nations drew up a development plan with 17 ambitious targets for 2030. These Sustainable Development Goals (SDGs) set the global agenda for governments, businesses and society when it comes to tackling the major challenges in the field of sustainable development, such as ending poverty, protecting the planet and guaranteeing prosperity for all. As a financial institution, we have a crucial role to play in achieving these objectives. While the 17 SDGs are all interrelated and relevant, and we ensure through our sustainability policy that we work on achieving each of these goals, we have decided to focus more on the five goals where, we believe, KBC can have the greatest impact and make the greatest contribution.

3 GOOD HEALTH AND WELL-BEING

Good health and well-being
We aim to develop banking and insurance products that focus on health, health care and improving quality of life. In our social projects and prevention campaigns, we focus on themes such as health and road safety and attempt to create even more impact. We promote a good work-life balance among our employees.

7 AFFORDABLE AND CLEAN ENERGY

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

8 DECENT WORK AND ECONOMIC GROWTH

Decent work and economic growth
Our banking and insurance business supports entrepreneurship and job creation and contributes to sustainable economic growth. We support new businesses and invest in innovation and technology through alliances with start-ups and fintechs. We play an important role in protecting basic labour rights, fair pay, equal opportunities and training and development opportunities for all our employees. Through our microfinancing and microinsurance activities – in association with BRS – we provide local rural businesses and farmers in the Global South access to financial services, as well as facilitating sustainable local development and contributing to financial inclusion.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible consumption and production
We support the transition to a low-carbon and circular economy. We develop sustainable banking and insurance products and services that meet a range of social and environmental challenges. We advise all our clients to choose socially responsible funds. We endeavour to mitigate our own negative impact on the environment by dealing sustainably with energy, paper, water, mobility and waste and by reducing our greenhouse gas emissions.

13 CLIMATE ACTION

Climate action
We apply a strict environmental policy to our loan, investment and insurance portfolios. Our focus on sustainable investments is a key part of our sustainability strategy. We consider the climate performance of our investments and actively work with our investee companies. We develop business solutions that help clients reduce their greenhouse gas emissions and make the transition to a low-carbon economy. We limit our own environmental impact and communicate on that. We attempt to address climate-related risks and also focus on climate-related opportunities.

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

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

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

Given the difficulty of defining responsible behaviour, rather than drawing up guidelines for such behaviour we set out the underlying principles. These are presented in the 'Compass for Responsible Behaviour' section. Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. We pay particular attention, therefore, to training (including testing) and awareness.

We developed an e-learning course to clarify the importance of responsible behaviour and to provide a framework to help our employees take difficult decisions when faced with dilemmas. The vast majority of all KBC employees had completed this course by the end of 2022. The online training course has also been incorporated into the onboarding programme for new staff.

In January 2023, KBC received the Terra Carta seal in recognition of its commitment to creating a sustainable future. We are one of the 19 companies worldwide to have been awarded the 2022 Terra Carta seal. The Sustainable Market Initiative's Terra Carta Seal recognises global companies which are driving innovation and demonstrating their commitment to, and momentum towards, creating genuinely sustainable markets. Designed by Sir Jony Ive, the Terra Carta Seal embodies the vision and ambition of His Majesty King Charles III and the Terra Carta, as a recovery plan for Nature, People and Planet. The Terra Carta Seal is underpinned by Corporate Knights' Annual Global 100 Top Sustainable Corporations List and the wider principles of the Terra

New initiatives intended to raise awareness of responsible behaviour are being scheduled for 2023, including a mandatory webinar and a specific internal website that will be accessible to all staff members and to which all countries will be encouraged to make a contribution.

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

Aiming to enhance our positive impact on society

We want to enhance our positive impact on society to which end we are focusing on areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and longevity and/or health.

Financial literacy

- Helping clients make the right choices through good and transparent advice, and clear communication.
- Improving general public knowledge of financial concepts and products.

Examples

- Resumption of educational programmes by KBC employees in schools to enhance financial literacy among young people in Belgium, the Czech Republic and Hungary after the coronavirus measures were lifted.
- Launch in Bulgaria of an educational programme focusing on ESG topics in collaboration with the Faculty of Economics of Sofia University.
- Lending to education sector: 1.2 billion euros.

Environmental awareness

- Reducing our ecological footprint through a diverse range of initiatives and objectives.
- Developing products and services that can make a positive contribution to the environment.

Examples

- Reduction in our direct environmental footprint and net climate neutrality relative to our direct footprint since 2021.
- Publication of our first Climate Report in October 2022, including new environmental objectives.
- Supporting clients seeking to make energy upgrades to their homes thanks to KBC's investment in start-up Setle.
- Issue of green bonds.
- Coordination of sustainability-related loans provided to our corporate clients in line with the Sustainability-Linked Loan Principles.
- For further details, see 'Focus on climate'

Longevity and health

- We have opted for 'longevity' as our fourth pillar in Belgium and the Czech Republic. This requires us to adapt our policy and our range of products and services to the fact that people are living longer and to make a positive contribution to the issues surrounding an ageing population by offering specific solutions through our core activities.
- We chose 'health' as the fourth pillar in Bulgaria, Slovakia, Hungary and Ireland. These core countries will develop products, services and projects geared towards improving general health, healthcare and quality of life.

Examples

- Issuance of our first social bond in 2022.
- ATMs equipped with voice recognition technology for visually impaired clients and eScribe for hearing-impaired clients in the Czech Republic.
- Financial and material aid to sick children through the K&H MediMagic programme in Hungary.
- Helpline for elderly people in the Czech Republic operated by specially trained call centre agents who help them manage their banking business.
- Loans provided for senior care and healthcare sectors: 6.2 billion euros.

Entrepreneurship

- Contributing to economic growth by supporting innovative ideas and projects.

Examples

- Further expansion of Start it @KBC in Belgium as the first Walloon branch was opened at the start of 2022.
- Providing rural businesses and farmers in the Global South access to financial services in association with BRS (microfinancing and microinsurance activities).
- Active use of Start it @KBC to support women entrepreneurs in the start-up world.
- Introduction of Start it @UNI, a programme targeting university students in the Czech Republic that helps them increase their prospects of success in the market when launching their projects.

Limiting any negative impact we might have on society

We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review and update our sustainability policies at least every two years. A complete list of our sustainability policies can be found in our Sustainability Report.

Important KBC sustainability policies		Applies to
Blacklist of companies and activities	We place stringent ethical restrictions on businesses involved with controversial weapons systems (including nuclear and white phosphorous weapons) and on businesses viewed as 'serious' infringers of UN Global Compact Principles (UNGC).	Lending, insurance, advice, own investments, socially responsible and conventional funds, suppliers
Human rights	Our human rights policy is based on the UN Guiding Principles on Business and Human Rights and UN Global Compact Principles. See also the separate section below.	Lending, insurance, advice, own investments, SRI and traditional funds, suppliers, personnel
Controversial regimes	We do not wish to be involved in financial activities with controversial regimes that fundamentally violate human rights and lack any form of good governance, rule of law or economic freedom. We do, however, make an exception for strictly humanitarian goods. Based on reputable external sources, we decide each year what countries are to be included on our list of controversial regimes.	Lending, insurance, advice, own investments, socially responsible and conventional funds, suppliers
Sustainable and responsible banking, advisory and insurance policy	We have imposed restrictions on providing loans, advice and insurance to controversial and socially sensitive sectors and activities such as: the energy sector, project finance, arms-related activities, tobacco, gambling, sectors with a substantial impact on biodiversity (palm oil production, mining, deforestation, etc.), land acquisition and involuntary resettlement of indigenous populations, animal welfare (including fur) and prostitution.	Lending, insurance, advice
KBC Asset Management – traditional fund exclusions	In the case of conventional funds, we apply the minimum exclusions based on the blacklist of businesses that are involved with controversial weapons systems or which commit serious breaches of UN Global Compact Principles, and the policies on controversial regimes. What's more, investment products involving food-price speculation are entirely excluded. We have additionally decided to exclude the tobacco industry from KBC Asset Management's investment funds and from KBC's own investment portfolio, while coal mining companies and utility companies that generate their energy production from coal are excluded from all investment funds.	Conventional funds
KBC Asset Management – SRI exclusions	For socially responsible funds, we go even further in the exclusion and restriction of controversial activities like all fossil fuels, gambling, defence and fur.	Responsible investment funds
New policies (effective 1 January 2023)	Coal: although we fully maintain our stringent policy on companies that still have coal-based electricity and heat generation capacity, we did decide to permit specific, targeted funding of renewable energy projects initiated by new clients who still have such capacity (as was already the case for existing clients). This decision was inspired by the desire to facilitate and assist the energy transition for all companies and is subject to very stringent conditions, including a strict separation between this type of loan and the company's other activities. The funding of coal-to-gas, coal-to-liquid and coalbed methane projects is now also expressly excluded. Biodiversity: the first restrictions for cattle farming have been introduced, as KBC now refuses to fund or insure companies having more than 200 000 ruminants in order to limit both methane emissions and improper land use. We also expanded our definition of 'protected areas' from the IUCN Green List (59 areas) to all category I and II areas on the IUCN's list of protected areas (9 889 areas in Europe, 454 of which are located in our core countries).	Lending, insurance, advice

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

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

Examples of measures in the event that infringements are detected:

- zero tolerance across all our business activities for companies on the blacklist;

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

Our sustainability governance

We have anchored sustainability at the different levels within our group, guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated into our operations. A simplified overview is provided below (for more details, see our Sustainability Report at www.kbc.com). More details regarding specific governance in respect of climate change are provided elsewhere in this report.

Sustainability governance

Board of Directors: is regularly briefed by the Executive Committee on the sustainability strategy, including policy on climate change. The Risk & Compliance Committee oversees sustainability-related risks. The Board evaluates the implementation of the sustainability strategy using a Sustainability Dashboard and expresses its opinion on major changes to sustainability policies.

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

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

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

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

Sustainable Finance Programme Core Team: is headed by a programme manager from the Corporate Sustainability department and is made up of specialists from Finance, Credit Risk, Risk and Data Management as well as sustainability experts. It integrates the climate approach within the group and supports the business side in developing climate resilience in line with the TCFD and the EU action plan.

General Managers of Sustainability in every core country: bear ultimate responsibility for all matters pertaining to sustainability in their country. They are part of senior management and were appointed at the end of 2022 to replace the local Corporate Sustainability Coordinators. They are responsible for integrating the Internal Sustainability Board's decisions and the goals of the Sustainable Finance Programme. They are part of the local country organisation and, therefore, are subject to hierarchical reporting. As they work closely with both the local ISB representative and Group Corporate Sustainability, they also come under the functional direction of the Senior General Manager of Group Corporate Sustainability.

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

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

Responsible Investing Advisory Board: supervises the screening of the responsible nature of KBC Asset Management's responsible investment funds.

Focus on the climate (KBC Group)

In September 2022, we published our first interim Climate Report, in which we detailed our efforts, objectives and performance in our role as CCCA signatory. The report outlines our baseline and the first targets we have set for the most relevant carbon-intensive industrial sectors and product lines in our lending activities. It also describes how we use our asset management activities to take concrete steps towards a climate-resilient future. The report is available at www.kbc.com.

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

The climate aspect in our business model

As a bank-insurer, we have an influence on climate change in two ways. Firstly, by limiting our own energy consumption. Our dependence on natural resources is relatively limited, but we nevertheless manage our direct greenhouse gas emissions with the goal of steadily reducing them in line with fixed targets.
More important is our indirect influence, through lending, holding an investment portfolio, providing investments to clients and insuring other parties who could have a significant impact (whether positive or negative) on the climate. We limit this indirect negative impact through clear policies, which also entail restrictions on the most polluting activities, and we enhance our positive impact through actions relating to the most climate-sensitive sector portfolios, by engaging in a sustainability dialogue with our clients, by supporting companies that take account in their investment decisions of environmental, social and governance aspects, and by developing new, innovative business solutions in all our core countries to stimulate a low-carbon and circular economy.

We ourselves also feel the impact of climate change as a bank-insurer. Examples include potential risks due to acutely or chronically changing weather patterns, which can lead to higher levels of claims under the insurance we provide, or the impact on our loans or investments when relevant counterparties suffer the negative consequences of climate change (resulting from long-term drought and prolonged periods of heat in the summer of 2022, for example) or the transition to a lower-carbon society (which can lead to repayment problems). It also relates to the influence we experience from possible changes to the relevant legislation and capital requirements, litigation, changes in client behaviour (including the risk of missed opportunities), the impact of rising market prices on greenhouse gas emissions, and technological innovations.

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

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

Climate governance

Climate governance forms part of our general sustainability governance (see ‘Our sustainability governance’).

- A Sustainable Finance programme has been set up within the group as part of the sustainability policy to focus on integrating the climate approach across the entire group.
- The Sustainable Finance programme is directed by a programme manager from Group Corporate Sustainability, together with a core team comprising representatives of the most relevant departments. The Core Team is in contact with all other group departments and also works closely with the sustainability teams in all core countries.
- A steering committee, chaired by the group CFO, oversees the progress and the practical implementation of the various measures implemented under the Sustainable Finance programme. However, the main strategic decisions are taken by the Internal Sustainability Board (ISB), which is chaired by the Group CEO and comprises representatives of all core countries, as the ISB has become the most important platform for steering sustainability policy at group level, including our climate approach.
- The programme’s progress is also regularly discussed in the Executive Committee and the Board of Directors, with reference, among other things, to the KBC Sustainability Dashboard.
- An external Sustainability Board advises Group Corporate Sustainability on all sustainability themes, including all aspects of our climate policy.

The environmental and climate aspects of our sustainability policy

An overview of our KBC sustainability policies is set out in the 'Our role in society' section.

Important elements of our climate and environmental policy include:

- the application and regular revision of a strict policy to limit the negative ecological impact of our activities through measures such as specific policies on energy and other socially sensitive sectors, abiding by the Equator Principles on project funding and the KBC Blacklist;
- developing specific banking, insurance and investment products and services to support a sustainable, low-carbon and climate-resilient society (see table);
- creating awareness of environmental responsibility amongst our internal (employees) and external (clients, suppliers, etc.) stakeholders;
- supporting our clients in their transition towards more sustainable business models, including through partnerships that provide them with advice and effective support in improving their energy performance;
- adjusting our activities to limit the global temperature increase in line with the Paris Agreement and joining the UN's Collective Commitment to Climate Action;
- tracking TCFD recommendations: we catalogue our climate risks while also responding to the opportunities offered by the green transition. We contribute to the development of methods to measure the impact of the climate on our business model with a view to setting evidence-based targets. We report on this in a transparent manner (also see our Sustainability Report).

In 2022, we published specific targets for the first time for the greenhouse gas intensity of our loans in various economic sectors.

Integrating climate-related risks, opportunities and targets into our sector approach remains a key challenge.

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

We report on our approach, progress and challenges in the area of the environment through channels such as our Climate Report, Sustainability Report, this Annual Report and via sustainability questionnaires (including CDP, S&P, Sustainalytics and Vigeo). We regularly tighten up our approach, taking account of scientific and technological developments, social trends and the changing views of our stakeholders and also invite regular challenges by our External Sustainability Board.

Through our upstream and downstream value chain, we also engage different stakeholders in dialogue. We pursue an active discussion with our clients, for instance, to raise their awareness of climate change and their commitment to combat it. At the same time, we focus on developing business solutions that have a positive impact on the environment and interact with our clients to this end.

Some examples of recent sustainability-related products and services (KBC group)*

Issuance of a first-ever social bond	In August 2022, KBC became the first financial institution in Belgium to issue a social bond, which is used to refinance projects in the hospital sector. The issue involved an amount of 750 million euros with an 8-year maturity and a coupon of 3%.
Responsible investment funds	Wide range of responsible investment funds, varying from best-in-class funds and funds with sustainable themes to more recent impact investing funds. Thorough screening is applied to determine which companies and countries belong to the investment universe for responsible investment solutions. Moreover, all companies that can be linked to fossil fuels have been excluded from all our responsible investment funds.
Project finance	We are actively involved in financing renewable energy projects in all core countries and in our neighbouring countries. Last year, KBC Securities' Project Finance Team funded renewable energy with an installed capacity of 86.3 MWp, for example by concluding successful transactions in onshore and offshore wind energy in the Netherlands and Germany and by acquiring its first stake in an offshore wind energy project in the United Kingdom. In the Czech Republic, ČSOB granted Enery, an Austrian operator of renewable energy generated by solar panels – the number 2 in the Czech market – a refinancing facility for solar energy projects totalling 21.1 MW.
Making homes more sustainable	We offer several products to support the most energy-efficient homes and to encourage renovation and investments in energy-efficiency measures. For example, KBC Bank has provided the Flemish 0% loan since January 2021 (which is to be replaced by an interest rate discount for home and apartment renovations in 2023) and – through its investment in start-up Setle – provides support to clients seeking to make home energy upgrades. Setle makes estimates of buildings' renovation needs and refers clients to the allowances and grants available to them. We support the transition to energy-efficient homes in our other core countries, too, by providing mortgage loans and renovation loans under favourable conditions.
More sustainable transport	Around two thirds of the new vehicles in the KBC Autolease fleet are currently electric or hybrid vehicles. Having 25 000 bicycles in its portfolio, KBC Autolease is also a market leader in bicycle leasing. We have partnered with the Flemish government to offer its employees bicycle leasing as a sustainable mobility alternative. In Slovakia, ČSOB Leasing works with its partners to actively promote the use of no-emission and low-emission vehicles.
Non-life insurance: climate-related product features	In Belgium and Slovakia, our car insurance offers comprehensive cover and adequate support for electric and hybrid vehicles. For clients installing their own charging stations, this is automatically included in the home insurance policy in Belgium, which also covers other green investments such as solar panels and home batteries. We also offer our own multi-risk climate insurance for farmers and growers cultivating open-air crops, including fruit growers and arable farmers, to protect them from crop damage caused by extreme and rough weather conditions such as storm, hail, frost, ice, precipitation and drought.
Proxy voting by KBC Asset Management	KBC Asset Management lives up to its responsibility to represent clients who invest in companies via our equity funds at shareholders' meetings.
Green loans and green bonds for corporate clients	KBC is promoting sustainable financial solutions amongst its corporate clients in all core countries, including by means of green and sustainability bonds and green and sustainability-linked loans. We also operate in the syndicated market of sustainability-linked loans and frequently arranged such loans on a bilateral basis last year. KBC also acts as a sustainability coordinator, assisting companies in integrating sustainability features into their long-term bank credit facilities.
Carbon footprint calculation tool	In Belgium, we support corporate and SME clients in calculating their carbon footprint. The tool used for this purpose has now also been rolled out in other core countries. In Bulgaria, we also developed a specific carbon footprint calculator for our agricultural clients in collaboration with the Institute of Agricultural Economics.

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

We want to be a partner for our clients in their transformation to a more sustainable future. KBC and its partner Encon have held no fewer than 400 meetings with large corporate clients in Belgium to help them make their business processes more sustainable, which has resulted in more than 250 consultancy contracts. Similar to the Encon partnership for larger companies, in the near future SMEs will also be able to request climate advice from specialist KBC subsidiary ecoWise.

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

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

We meet our responsibility through various international organisations and initiatives and report on this in our Sustainability Report and elsewhere.

- We endorsed the TCFD recommendations in December 2017.
- We follow and implement the different actions ensuing from the EU Action Plan for Sustainable Finance.
- We are a member of the UN Environment Programme Finance Initiative (UNEP FI) and a Founding Signatory of the UNEP FI Principles on Responsible Banking (PRBs). We likewise endorse the Collective Commitment to Climate Action (CCCA).
- We also endorse the UNEP FI Principles for Sustainable Insurance and the Principles for Responsible Investment.
- As a board member of the International Capital Markets Association, we are playing our part in developing green bonds in the EU.
- We have been a signatory to the Equator Principles since 2004 and have integrated them in our lending policy.

Our benchmarks and targets

Indirect impact of our lending and asset management activities

We use state-of-the-art methods such as PCAF and PACTA to measure the climate impact of certain sectors and the transition process in the loan portfolio. More information in this regard can be found in our Climate Report at www.kbc.com. For three years now, KBC Asset Management has been using this method to map the climate impact of all investment funds on its portfolio. This analysis, based on the TRUCOST data and approach, was applied for the second time in 2022 to KBC Insurance's proprietary investment portfolio and to the investments of the KBC Pension Fund.

Since 2021, we report on the estimated greenhouse gas emissions associated with our lending activities. For this purpose, we use the measurement methodology of the Partnership for Carbon Accounting Financials (PCAF), a worldwide standard for the harmonised measurement of financed emissions. The table below provides an overview of the results. We also refer to our Sustainability Report, which contains detailed information on the PCAF measurement method and the limitations that must be considered when interpreting the results. This report also contains information on how we want to gradually improve our reporting on these emissions by gathering more adequate and more refined data.

The table reflecting the financed (scope 3) emissions (estimated greenhouse gas emissions associated with our lending activities) can be found in the KBC Group annual report.

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

Although the figures in the table above include KBC Ireland (for which sale transactions have been concluded) and the recently acquired Raiffeisenbank Bulgaria (renamed KBC Bank Bulgaria), these two entities are not part of our climate targets (see below).

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

We also tightened the targets for our asset management activities, including for the importance of responsible investment funds and the carbon intensity of corporate investments in these funds.

The Internal Sustainability Board, the Executive Committee and the Board of Directors have discussed and approved the climate targets. No climate targets have been set specifically for the insurance business to date, as insufficient research and reporting methods are available at this time.

Own direct impact

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

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

For further information on our environmental footprint, including more detailed descriptions, the methodology and scope of the calculations and compensation projects, see our Sustainability Report. The table reflecting these targets can be found in the KBC Group annual report.

Sustainability integrated into our remuneration policy

Sustainability, including climate and the associated targets, is integrated into the remuneration systems of our employees and especially our senior management.

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

Our climate risk management

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

EU Taxonomy

The Taxonomy Regulation establishes an EU-wide framework according to which investors and businesses can assess whether certain economic activities are environmentally sustainable. The required information is set out in the KBC Group annual report.

Focus on human rights (KBC Group)

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

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

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

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

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

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

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

We aim to achieve our ambitions within a stringent risk management framework (KBC Group)

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

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

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

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

In addition to the comprehensive monitoring of risk indicators (see the 'How do we manage our risks?' section), we monitor our solvency and liquidity performance using a number of ratios, which are set out in the KBC Group annual report.

Our financial report

- We review the consolidated results and the balance sheet in this section of the annual report. The non-consolidated financial statements and balance sheet can be found in the 'Company annual accounts' section.
- The overall impact on the net result of fluctuations in the exchange rates of the main non-euro currencies was limited.
- KBC Insurance and KBC Bank use the same consolidated financial statement and balance sheet layouts as KBC Group, their parent company, reflecting the integrated bank-insurer character of the KBC group.
- For information on significant post-balance-sheet events, see Note 6.8 of the 'Consolidated financial statements'.
- An overview of the impact of the 'overlay' approach on the consolidated income statement is provided under 'Consolidated income statement' in the 'Consolidated financial statements' section.
- All KBC Insurance shares are owned directly by KBC Group. In the fourth quarter of 2022, KBC Insurance paid KBC Group an interim dividend of 351 million euros.

Consolidated income statement

The consolidated income statement of the KBC Insurance group is as follows:

(in millions of EUR)	Note	2022	2021
Net interest income	3.1	428	398
Interest income	*3.1*	*468*	*434*
Interest expense	*3.1*	*- 40*	*- 36*
Non-life insurance (before reinsurance)	3.7	900	799
Earned premiums	*3.7*	*2 054*	*1 905*
Technical charges	*3.7*	*- 1 154*	*- 1 106*
Life insurance (before reinsurance)	3.7	92	46
Earned premiums	*3.7*	*1 163*	*1 196*
Technical charges	*3.7*	*- 1 071*	*- 1 150*
Ceded reinsurance result	3.7	- 2	25
Dividend income	3.2	39	31
Net result from financial instruments at fair value through profit or loss	3.3	91	117
of which result on equity instruments (overlay approach)	*3.3*	*86*	*104*
Net realised result from debt instruments at fair value through OCI	3.4	- 16	- 2
Net fee and commission income	3.5	- 407	- 373
Fee and commission income	*3.5*	*163*	*161*
Fee and commission expense	*3.5*	*- 570*	*- 533*
Net other income	3.6	73	74
TOTAL INCOME		1 198	1 116
Operating expenses	3.8	- 522	- 480
Staff expenses	*3.8*	*- 245*	*- 233*
General administrative expenses	*3.8*	*- 257*	*- 225*
Depreciation and amortisation of fixed assets	*3.8*	*- 20*	*- 21*
Impairment	3.10	1	- 3
on financial assets at AC and at FVOCI	*3.10*	*1*	*5*
on goodwill	*3.10*	*0*	*0*
other	*3.10*	*0*	*- 7*
Share in results of associated companies and joint ventures	3.11	0	0
RESULT BEFORE TAX		677	633
Income tax expense	3.12	- 117	- 125
Net post-tax result from discontinued operations	-	0	0
RESULT AFTER TAX		560	508
attributable to minority interests	-	0	0
of which relating to discontinued operations	-	*0*	*0*
attributable to equity holders of the parent	**-**	**560**	**508**
of which relating to discontinued operations	-	*0*	*0*

Net result

The consolidated result of the KBC Insurance group came to 560 million euros in 2022, as opposed to a year-earlier figure of 508 million euros.

This 52-million-euro increase is mainly attributable to:

- Earned premiums in non-life insurance were up in all KBC home markets, with a total increase of 8% on the year-earlier figure.

Non-life technical charges rose by 4% and were negatively impacted by the recovery of economic activity after the coronavirus lockdown periods in 2021. There were a significant number of claims relating to storms in both 2021 and 2022.
The ceded reinsurance result in 2022 was slightly negative.
The aggregate impact of these factors resulted in a favourable combined ratio of 88.9%.

- Earned premiums in life insurance amounted to 1 163 million euros in 2022. However, in compliance with IFRS, certain types of life insurance (i.e. unit-linked products) have been excluded from this figure. If the premium income from such products is included, premium income from the life insurance business totalled just over 2 billion euros, 6% more than in 2021. Unit-linked products were up 16% year-on-year due to an increase in single-premium products (mainly in Belgium, but partly offset in the Czech Republic) and recurring-premium policies (mainly in Belgium, the Czech Republic and Bulgaria). Guaranteed-rate products fell by 3% compared to 2021 as the sale of single-premium products in Belgium was severely impacted by changes in the tax deductibility of the Individual Pension Scheme. Recurring-premium policies remained roughly the same as in 2021.
  Factors underlying the lower technical charges include weaker sales of unit-linked single-premium products in the Czech Republic and guaranteed-rate products in Belgium (see above). On top of that, technical provisions were released in the Czech Republic (following a reassessment of the confidence level of the technical provisions) and 'uprenting' was lower in Belgium (a combined effect: new production with lower guaranteed rates than the rates of contracts that had reached maturity and a declining Life Future 8 (LF8) portfolio).
- Investment income increased slightly compared to 2021, mainly driven by impairment on shares (overlay approach) and a loss on the sale of low-yielding bonds in the Czech Republic, largely offset by realised gains on shares (overlay approach) and higher interest income.
- Operating expenses were up 9%, primarily due to an additional insurance tax in Hungary, higher ICT costs and the impact of inflation/wage indexation.

Review of the technical and non-technical results

(in millions of EUR)	Life	Non-life	Non-technical account	Total
2022				
Earned premiums, insurance (before reinsurance)	1 163	2 054	0	3 217
of which changes in the provision for unearned premiums	- 1	- 71	0	- 72
Technical charges, insurance (before reinsurance)	- 1 071	- 1 154	0	- 2 225
Claims paid	- 1 399	- 1 029	0	- 2 428
Changes in technical provisions	419	- 115	0	304
Other technical result	- 91	- 9	0	- 100
Net fee and commission income	- 5	- 403	0	- 407
Ceded reinsurance result	- 3	1	0	- 2
General administrative expenses	- 152	- 285	- 3	- 440
Internal claims settlement expenses	- 9	- 65	0	- 74
Indirect acquisition costs	- 32	- 68	0	- 100
Administrative expenses	- 111	- 153	0	- 263
Investment management fees	0	0	- 3	- 3
Technical result	- 68	213	- 3	143
Investment Income	384	112	38	534
Technical-financial result	316	325	36	677
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	316	325	36	677
Income tax expense	-	-	-	- 117
RESULT AFTER TAX	-	-	-	560
attributable to minority interest	-	-	-	-
attributable to equity holders of the parent	-	-	-	**560**
2021				
Earned premiums, insurance (before reinsurance)	1 196	1 905	0	3 101
of which changes in the provision for unearned premiums	- 1	- 48	0	- 49
Technical charges, insurance (before reinsurance)	- 1 150	- 1 106	0	- 2 256
Claims paid	- 1 163	- 872	0	- 2 036
Changes in technical provisions	- 1	- 223	0	- 224
Other technical result	14	- 10	0	4
Net fee and commission income	- 5	- 367	0	- 373
Ceded reinsurance result	- 2	27	0	25
General administrative expenses	- 149	- 255	- 2	- 407
Internal claims settlement expenses	- 9	- 59	0	- 68
Indirect acquisition costs	- 31	- 68	0	- 98
Administrative expenses	- 109	- 128	0	- 238
Investment management fees	0	0	- 2	- 2
Technical result	- 111	204	- 2	90
Investment Income	383	93	67	543
Technical-financial result	272	297	65	633
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	272	297	65	633
Income tax expense	-	-	-	- 125
RESULT AFTER TAX	-	-	-	508
attributable to minority interest	-	-	-	-
attributable to equity holders of the parent	-	-	-	**508**

Investment income (in millions of EUR, for 2022 and 2021, respectively) comprises: ‘Net interest income’ (428, 398), ‘Net dividend income’ (39, 31), ‘Net result from financial instruments at fair value through profit or loss’ (91, 117), ‘Net realised result from debt instruments at fair value through OCI’ (-16, -2), ‘Other net income’ (-9, 1) and ‘Impairment’ (1, -3). The ‘Non-technical account’ also includes the results from non-insurance subsidiaries, such as VAB group, ADD and Pension Insurance Company UBB, and a number of real estate companies. They have been included in the note for the ‘insurance business’ given that they are KBC Insurance subsidiaries (but as they cannot be recognised under ‘Life’ or ‘Non-life’, they are included under ‘Non-technical account'). The 'Non-technical account' also includes the investment income from equity (i.e. mainly interest income from bonds) and the realised gains on shares related to KBC Group Re.

Results from the non-life insurance business

The result (before tax) generated by the non-life insurance business for 2022 (325 million euros) was higher than in 2021 (297 million euros).

In 2022, earned premiums in non-life insurance totalled 2 054 million euros, an increase of 8% on the year-earlier figure. They grew by +5% in Belgium, by +20% in the Czech Republic, and by +5% in the three other Central and Eastern European markets combined.

Technical charges for non-life insurance came to -1 154 million euros in 2022, a 4% increase on the year-earlier figure. The higher expenses related to claims incurred were most significant in Belgium (+5%).

In 2022, the non-life technical result was negatively impacted by factors including extreme weather conditions, such as flooding and storms (especially in Belgium in the first quarter, having a gross impact of 107 million euros, which comes down to 53 million euros after reinsurance). In 2021, the non-life technical result was negatively impacted by factors including the tornado in the Czech Republic and even more so by heavy flooding in Belgium (the latter having a gross impact of 110 million euros, which comes down to 87 million euros after reinsurance).

In addition, all KBC home markets saw a recovery of economic activity in 2022 compared to 2021 (owing to the coronavirus crisis and lockdown periods), which also had a negative impact on technical charges in general.

The ceded reinsurance result in 2022 was 1 million euros, compared to 27 million euros in 2021. This decline is due to an increase in reinsurance premiums payable, as well as lower reinsurance amounts recovered.

General administrative expenses rose by 12%, mainly attributable to an additional insurance tax in Hungary, higher ICT costs and the impact of inflation/wage indexation.

Taking into account the higher earned premiums, the increase in technical charges and the higher administrative expenses, the combined ratio came to a favourable 88.9% (stable versus 2021).

Non-life in%	2022	2021
Net claim ratio	58.0%	58.7%
Net cost ratio (vs written premium)	30.9%	30.1%
Net combined ratio	88.9%	88.9%

Results from the life insurance business

At 316 million euros, the result before tax generated by the life insurance business in 2022 was 16% higher than the figure for 2021 (272 million euros).

In 2022, earned premiums in life insurance totalled 1 163 million euros, a decline of 3% on the year-earlier figure.

Sales of life insurance (including unit-linked products) were up 6% on the previous year. Guaranteed-rate products were down 3% from the 2021 level due to a further decrease in single-premium products (-33%, as their sale in Belgium was severely impacted by changes in the tax deductibility of the Individual Pension Scheme). The sale of recurring-premium policies remained roughly the same as in 2021 as a result of a decline in Belgium (a shift to unit-linked products), which was partly offset by strong sales in Bulgaria. Unit-linked products were up 16%, driven by both single-premium products (mainly in Belgium and partly offset in the Czech Republic) and recurring-premium policies (mainly in Belgium, the Czech Republic and Bulgaria). Overall, products offering guaranteed rates accounted for nearly 48% of sales in 2022 and unit-linked life insurance for almost 52%.

Factors underlying the lower technical charges include weaker sales of unit-linked single-premium products in the Czech Republic and guaranteed-rate products in Belgium (see above). On top of that, technical provisions were released in the Czech Republic (following a reassessment of the confidence level of the technical provisions) and 'uprenting' was lower in Belgium (a combined effect: new production with lower guaranteed rates than the rates of contracts that had reached maturity and a declining LF8 portfolio).

Investment income was flat on 2021 as the increase in interest income was fully offset by a lower net result on shares (overlay approach).

Non-technical result

The non-technical result (36 million euros) in 2022 was lower than in 2021, mainly attributable to lower realised gains on shares (overlay approach), and did not include any exceptional items.

Income tax expense

The income tax expense for 2022 totalled -117 million euros, or 17%, slightly lower than its year-earlier level (20%) thanks to an untaxed gain on the sale of a real estate subsidiary.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2022	31-12-2021
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions	-	377	509
Financial assets	4.0	32 568	36 706
Amortised cost	*4.0*	*9 900*	*9 560*
Fair value through OCI	*4.0*	*8 564*	*11 108*
Fair value through profit or loss	*4.0*	*14 035*	*16 017*
of which held for trading	*4.0*	*26*	*29*
Hedging derivatives	*4.0*	*69*	*21*
Reinsurers' share in technical provisions, insurance	5.6	192	191
Profit/loss on positions in portfolios hedged against interest rate risk	-	0	0
Tax assets	5.2	235	83
Current tax assets	*5.2*	*50*	*45*
Deferred tax assets	*5.2*	*185*	*38*
Non-current assets held for sale and disposal groups	5.11	0	0
Investments in associated companies and joint ventures	5.3	0	0
Property, equipment and investment property	5.4	302	282
Goodwill and other intangible assets	5.5	210	212
Other assets	5.1	874	758
TOTAL ASSETS		**34 758**	**38 741**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	13 179	14 591
Amortised cost	*4.0*	*1 166*	*968*
Fair value through profit or loss	*4.0*	*12 005*	*13 608*
of which held for trading	*4.0*	*3*	*5*
Hedging derivatives	*4.0*	*7*	*14*
Technical provisions, before reinsurance	5.6	18 491	18 974
Profit/loss on positions in portfolios hedged against interest rate risk	-	0	0
Tax liabilities	5.2	90	346
Current tax liabilities	*5.2*	*16*	*44*
Deferred tax liabilies	*5.2*	*74*	*302*
Liabilities associated with disposal groups	5.11	0	0
Provisions for risks and charges	5.7	2	3
Other liabilities	5.8	838	836
TOTAL LIABILITIES		32 601	34 750
Total equity	5.10	2 157	3 991
Parent shareholders' equity	5.10	2 157	3 991
Minority interests	-	0	0
TOTAL LIABILITIES AND EQUITY		**34 758**	**38 741**

At the end of 2022, the consolidated total assets of KBC Insurance came to 34 758 million euros, down 10% year-on-year, due mainly to a reduction in the securities portfolio on the Assets side (including those related to unit-linked products) and a decrease in financial liabilities for unit-linked products and in equity.

Investments related to unit-linked products and the securities portfolio (bonds and shares) made up almost 87% of the assets.

Securities portfolio (excluding investments related to unit-linked products)

(In millions of EUR)	31-12-2022	31-12-2021
Amortised cost	7 539	7 036
OCI	8 564	11 108
Fair value through profit or loss (excluding trading)	1 237	1 368
Total	17 342	19 511
Shares	7.9%	7.7%
Bonds	92.1%	92.3%

The securities portfolio (excluding investments related to unit-linked products) declined by 2 169 million euros on the year-earlier figure, primarily due to a decrease in the market value of bonds and shares, as well as bonds that had reached maturity. Most of the securities portfolio remains invested in bonds.

Technical provisions and financial liabilities for unit-linked products

Financial liabilities related to unit-linked products fell by 12% (or 1 601 million euros) because of a decline in the market value of the portfolio, which was offset by higher net production in Belgium to a limited extent only.

Non-life technical provisions rose by almost 5% (or 187 million euros), reflecting the increase in non-life insurance premiums and a higher provision for new claims, partially offset by payments regarding claims of previous financial years.

Life technical provisions went down by 4% (or 670 million euros) as a result of the outflow of single-premium products in Belgium (Life Capital and LF8) and the Czech Republic, only partly compensated by an increase in universal life in Belgium (both group and individual).

(In millions of EUR)	31-12-2022	31-12-2021
Liabilities Unit Linked	12 002	13 603
Technical provisions, before reinsurance (other than Unit Linked)	18 491	18 974
Provisions Non Life	4 161	3 974
Provisions Life	14 330	15 000
Total	30 493	32 577

The reinsurers' share in technical provisions amounted to 192 million euros, in line with last year.

Tax assets and tax liabilities

Deferred tax liabilities dropped by 228 million euros, whereas deferred tax assets rose by 147 million euros, mainly on account of the decreased market value of financial assets measured at fair value through OCI (the revaluation reserves turned negative in 2022 after being positive in 2021).

Equity

(In millions of EUR)	31-12-2022	31-12-2021
Total parent shareholders' equity	2 157	3 991

Consolidated equity decreased by 1 834 million euros, with a number of items offsetting each other, as shown in the table below.

(In millions of EUR)	31-12-2022
Total	-1 834
Share of the group in profit for the period	560
Dividends paid	- 875
Unrealized gains and losses	-1 520

These items were:

- The group's share (+560 million euros) in the result for the financial year.
- A distribution of the final dividend of 524 million euros for the previous financial year and an interim dividend of 351 million euros for 2022.
- A 1 520-million-euro decrease in the revaluation reserves, with the movements relating primarily to a decrease in bonds (-1 197 million euros) and share reserves (-350 million euros).

A detailed overview of changes in equity is provided under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section.

Solvency (according to Solvency II)

(In millions of EUR)	31-12-2022	31-12-2021
Available capital	3 721	4 075
Solvency Capital Requirement (SCR)	1 833	2 029
Solvency II ratio	203%	201%
Solvency surplus	1 888	2 046

The main factors behind the increase in the solvency ratio from 201% at year-end 2021 to 203% at year-end 2022 were:

- The declining stock markets (the MSCI World Index was down 18%), leading to a decrease in the amount of capital available and the amount required. Given that, relatively speaking, the capital required weighs more heavily, the declining stock markets brought the ratio up.
- An annual parameter update for determining the best estimate of insurance liabilities increased the amount of capital available, which in turn led to an increase in the ratio.
- The above positive effects on the Solvency II ratio were partly offset by the convergence of short-term and long-term interest rates in the second half of 2022: as a result, the fair value of assets declines more than liabilities, reducing available capital.

Appropriation of the results of KBC Insurance NV for 2022

The result available for appropriation came to +662 million euros for financial year 2022 (based on the company annual accounts). The Board of Directors will propose to the General Meeting that 659 million euros be paid out as dividend and 2 million euros be paid out as an employee profit-sharing bonus. An interim dividend of 351 million euros was already paid out in the fourth quarter of 2022.

Circumstances that could significantly affect the company's development

Conducting insurance business involves typical risks such as credit risk, market risk, liquidity risk, insurance technical risks and operating risk. Managing those risks is one of management's key tasks. For more information on managing risk, see the 'Risk management' section.

Research & development

We must continue to respond as a group to the shifting needs of our clients and to constantly changing market conditions. The commercial relationship with our clients is increasingly shaped by a strict legal framework that aims to protect them and defend their interests. Compliance with these rules is naturally the minimum requirement. However, trust in KBC will be determined chiefly by client experience and how they perceive KBC's service.

Research and development have been performed at a variety of group companies as part of a programme to develop new and innovative financial products and services. Over the past few years, we have launched numerous successful mobile and other innovative apps.

Information on branch offices

KBC Insurance opened a branch office in Ireland in 2019. In view of the (planned) sale of the banking activities in Ireland by sister company KBC Bank, the future activities of this branch office will be discontinued.

Additional information

Information on financial instruments, hedge accounting and the use thereof is provided in the 'Consolidated financial statements' section (Notes 1.2, 3.3, and 4.0 among others) and in the 'Risk management' section.

How do we manage our risks?

KBC Insurance is exposed to a number of typical industry-specific risks such as movements in interest rates and exchange rates, liquidity risk, insurance underwriting risk, credit risk, operational and other non-financial risks. In this section, we focus on our risk governance model and the most material risks we face.

More detailed information can be found in the Solvency and Financial Condition Report (SFCR), that will be available end of April 2023 and in KBC's Risk Report, which is available at www.kbc.com (the risk report has not been audited by the statutory auditor).

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

- the 'Risk governance' section;
- the 'Technical insurance risk' section;
- parts of the 'Credit risk' section: 'Managing credit risk', the 'Investment portfolio of KBC group insurance entities' table and the 'Credit exposure to (re)insurance companies by risk class' table;
- parts of the 'Market risk in non-trading activities' section: 'Managing market risk in non-trading activities', 'The building blocks for managing market risk in non-trading activities' and the 'Exposure to sovereign bonds' table;
- the 'Solvency KBC Insurance table (the audited parts are indicated in a footnote to the table).

Introduction

KBC operates in a fast-changing environment characterised by volatility, uncertainty, complexity and ambiguity. The financial industry is in the midst of its biggest transition yet. On the one hand, there is the digital transformation, leading to new digital opportunities, whereas the downside for those who fall behind is growing disproportionately. Furthermore, the financial sector has an important role to play in the transition towards a green and sustainable economy. At the same time, KBC needs to deal with global and geopolitical challenges and mounting regulatory pressure and uncertainty.

In the aftermath of the worldwide coronavirus pandemic, the Russian invasion of Ukraine and the sanctions imposed by the West sent a shockwave through the world economy, resulting in elevated inflation, driven in part by surging energy prices. This caused a slowdown in economic growth and put additional pressure on the financial industry.

The invasion of Ukraine occurred at a time when other emerging risks had already started to weigh on the EU economy. International supply chains were constrained on the rebound from the coronavirus pandemic. The war aggravated these inflationary tendencies through peaking commodity (most notably food and metals) and energy (gas) prices. These emerging risks impact not only retail clients through increasing cost of living and higher repayment schemes due to increasing interest rates; Corporate and SME clients are also affected by supply chain issues, wage inflation and increasing commodity and energy prices. We are therefore keeping a very close eye on these risks and the impact on the group and its clients, both financially and operationally.

In addition, we face the same strategic challenges as the entire financial sector:

- Potential consequences of climate change and other environmental, social and governance (ESG) challenges are becoming increasingly tangible. Financial institutions not only need to reflect upon their own activities, taking into account all new regulations, but also need to help clients make the transition towards a more sustainable world and optimise their own energy consumption or carbon footprint.
- Changing client behaviour and expectations. Based on experience with innovative companies such as big techs, clients are in search of convenience, instant delivery of products and services and personal advice anywhere and at any time. Given today's client needs, processes have to be instant, data-driven and friction-free. This means that interactions with clients (digital as well as human) need to be exceptional in terms of client experience and operational efficiency.
- The future is data-driven. Artificial intelligence, big data analysis and automation technologies are making digital interactions smarter, for simple tasks as well as in support of more complex operations. This affects how banks interact with their clients. Distribution models need to be reassessed to find the right mix between human (physical or remote) and digital channels, the concrete role of humans, and how to support them using digital technologies. While digital leads are used to drive business, a positive customer journey is to be ensured at all times. At the same time, these new technologies also provide opportunities to make our risk management more effective and efficient.
- New business models are emerging, including industrialisation of banking and insurance (B2B2C alongside B2C), platformification and decentralised finance. This drives us to increase our ambition from 'merely' digitalising our traditional banking and insurance business towards 'broadening our distribution' (i.e. all-in-one, creating ecosystems that combine financial and non-financial services).

With its data-driven digital strategy and ambition to contribute to a more sustainable world, KBC is responding to these key challenges which, in turn, also involve certain risks for KBC. Therefore, the risk function has the clear ambition to support KBC in achieving its strategic objectives, to contribute to its resilience and agility, to provide management and the Supervisory Board with insights supporting risk-conscious decision making and inform them about the risks KBC is facing. The risk function therefore regularly assesses and updates its strategy. We have therefore defined three key pillars: the first is to support, advise and challenge business in its transformation journey, aiming to keep KBC's control environment up to standards and our risk profile within the appetite, the second is to transform in sync with the business environment and the corporate strategy, and our third pillar is to invest in our people.

Firstly, the risk function continuously adapts and further strengthens KBC's Risk Management Framework and its underlying risk management processes, while challenging the control environment. This allows us to properly and proactively assess and mitigate the risks linked to new technologies, products and services (including through a strong product approval process).

In addition, we continue to enhance our risk management toolkit through innovation, i.e. becoming more data-driven and looking into opportunities offered by new technologies, and becoming more straight-through via optimisation of our processes and tools. As the goal is to obtain a complete view of the risks for the entire group and individual entities quickly, efficiently and without compromising on quality, we have been focusing in recent years on group-wide tool implementation, process simplification and automation in all risk domains. Moreover, the risk function is also accelerating its efforts to leverage the data available in the risk tools and the business processes to further improve risk management and increase efficiency.

Lastly, effective risk management is not possible without strong human capital management: we continue to invest in our people and take initiatives to attract, engage, motivate and train them to build the workforce of the future. We focus on building a diverse, inclusive and positive working environment. We also structurally raise awareness about innovation and develop expertise in new trends and technologies. We continue to invest in knowledge sharing of innovation, technology and trends to further reinforce our risk management practices. These efforts are all to ensure that our risk professionals acquire the relevant digital skills to continue providing expert risk advice.

Risk governance

Main elements in our risk governance model:

- The Board of Directors, assisted by the Risk & Compliance Committee (RCC), which decides on the risk appetite – also defining the risk strategy – each year and supervises the risk exposure in relation to the risk appetite. It is also responsible for the promotion of a sound and consistent group-wide risk culture, based on a full understanding of the risks the group faces and how they are managed, as well as the group risk appetite.
- The Executive Committee – supported by activity-based risk committees – which is the senior management level committee responsible for integrating risk management with risk appetite, strategy, and performance goal setting.
- The CRO Services Management Committee (CRO Services MC) and activity-based risk committees mandated by the Executive Committee.
- Risk-aware business people who act as the first line of defence for conducting sound risk management. This involves allocating sufficient priority and capacity to risk topics, making sure that the quality of self-assessments is adequate, and performing the right controls in the right manner.
- An independent risk function that comprises the Group Chief Risk Officer (Group CRO), local CROs, local risk functions and the group risk functions. The risk function acts as (part of) the second line of defence. The risk function develops, imposes and monitors consistent implementation of the Risk Management Framework, describing the processes, methods and tools to identify, measure and report on risks. The third line of defence (internal audit) gives reasonable assurance to the Board of Directors that the overall internal control environment is effective, and that effective policies and processes are in place and applied consistently throughout the group.

Relevant risk management bodies:

- Executive Committee:
  - makes proposals to the Board of Directors about risk appetite – including the risk strategy – and the Enterprise Risk Management Framework;
  - decides on the risk-type-specific risk management frameworks and monitors their implementation throughout the group;
  - acts as the leading risk committee, covering material issues that are channelled via its supporting committees;
  - monitors the group's major risk exposure to ensure conformity with the risk appetite.
- Risk committees:
  - The CRO Services Management Committee supports the Executive Committee in assessing the adequacy of, and compliance with, the KBC Risk Management Framework and defines and implements the vision, mission and strategy for the CRO Services of the KBC group.
  - The activity-based Group Risk Committees (for lending (GLC), markets (GMC) and insurance (GIC), respectively) support the Executive Committee in integrated risk monitoring for these activities at group level.
  - The Group Internal Control Committee (GICC) supports the Executive Committee in monitoring and strengthening the quality and effectiveness of KBC's internal control system.
- Business Committees:
  - The Group ALCO handles matters related to ALM and liquidity risk.
  - The Global IT Committee handles matters related to information technology and information security risk.
  - The Internal Sustainability Board handles matters related to environmental, social and governance (ESG) risks.

To strengthen the voice of the risk function and to ensure that the decision-making bodies of the business entities are appropriately challenged on matters of risk management and receive expert advice, KBC has deployed independent Chief Risk Officers (CROs) throughout the group. Close collaboration with the business is assured since they take part in the local decision-making process and, if necessary, can exercise a right of veto. Independence of the CROs is achieved through a direct reporting line to the Group CRO. For each main risk type, a Risk Competence Centre is assigned at group level. Most of these competence centres are extended virtual teams made up of group and local experts working together.

Components of a sound risk management

Risk management refers to the coordinated set of activities to proactively identify and manage the many risks that can affect the group in its ability to achieve its objectives and in order to support the realisation of the group strategy.

The KBC Enterprise Risk Management Framework (ERMF) sets strict governance and clear rules and procedures on how risk management should be performed throughout the group. It also refers to a set of minimum standards and risk methods, processes and tools that all entities and risk-type-specific RMF must adhere to for which Group Risk is primarily responsible.

Risk identification

Risk identification is the process of systematically and proactively discovering, recognising, assessing and describing risks, both within and outside KBC, that could negatively impact the group's strategic objectives today and in the future. In addition to possible sources of risk, it also identifies their potential consequences and materiality for KBC. Risk identification ensures that KBC's risk management covers all material risks the company is exposed to. For this purpose, robust processes have been set up that cover risk identification from different perspectives, including the Risk Scan, the Climate Risk Impact Map, the New and Active Products Process (NAPP) and risk signals.

The Risk Scan is a strategic group-wide exercise aimed at identifying and assessing financial and non-financial top risks, i.e. risks that can significantly impact KBC's business model. The identified top risks are used as input for the yearly financial planning process and for several risk management exercises, including risk appetite setting and stress testing.

The Climate Risk Impact Map is a yearly risk identification process aiming to identify, for different time horizons and different climate scenarios, the most material climate risk drivers, both physical and transition risks, impacting KBC's businesses and portfolios.

The NAPP is a group-wide, highly formalised process to identify and mitigate all risks related to new and existing products and services which may negatively impact the client and/or KBC. Within the group, no products, processes and/or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the group's risk profile.

The internal and external environment are scanned on a continuous basis and using all possible sources of information to detect events or changes that might or will impact the KBC group, either directly or indirectly. Risk signals are collected at all levels of the organisation (group and local) and provide a summary of the identified risks and their potential impact for KBC. Where possible, remedial actions are proposed.

Risk measurement

Risk measurement aims to quantify the various risks we are exposed to. Once risks have been identified, various attributes can be assessed, such as impact, probability of occurrence, size of exposure, etc., with the help of risk measures. The KBC risk framework provides an overview of the risk measures in use within KBC, both regulatory and internally defined, for its specific scope.

Setting & cascading risk appetite

KBC's tolerance for risk is captured via the notion of 'risk appetite'. The risk appetite expresses – both qualitatively and quantitatively – how much and what kind of risk we want to take and within which boundaries it should be managed.

The ability to accept risk (risk-taking capacity) is limited by financial constraints (available capital, liquidity, borrowing capacity, earnings-generating capacity, etc.), non-financial constraints (strategic ability, skills, legal constraints, etc.) and regulatory restrictions (e.g., regulatory floors on capital and liquidity ratios). The willingness to accept risk depends on the interests of the various stakeholders. A key component in defining risk appetite is therefore an understanding of the expectations of the organisation's key stakeholders.

Risk appetite is made explicit via the 'risk appetite statement' (RAS), which is decided at both group and local level. The RAS reflects the view of the Board of Directors and top management on risk-taking in general and on the acceptable level and composition of risks, ensuring coherence with the desired return. The statement is built on risk appetite objectives that are directly linked to the corporate strategy and provides a qualitative description of KBC's playing field. The high-level risk appetite objectives are further detailed in a set of qualitative and quantitative statements for each of the different risk types. The long-term risk appetite is expressed as being High, Medium or Low and is monitored based on a set of risk measures for which risk thresholds are defined. Lastly, risk appetite is translated into risk-type-specific group limits/targets, which are further cascaded down to the entities.

Although risk appetite is expressed on a three-year horizon, specific risks such as climate risk will impact KBC mostly in the medium to longer term. As of this year, the risk appetite statement therefore also signals potential climate change challenges beyond three years, to trigger and steer the strategic debate on whether, for example, more mitigating actions are needed.

Risk analysis, reporting & follow-up

Risk analysis and reporting aim to give transparency on risk-taking by providing management with a comprehensive, forward-looking and ex-post view on how the risk profile evolved and in which context the group operates.

Internal and external reports are prepared for the various stakeholders. As management is expected to take relevant action based on the risk analysis and risk reporting, it is essential that the proposed actions are tailored to the relevant stakeholders.

Stress testing

Stress testing is an important process that supports the decision-making process by simulating the potential negative impact of specific events and/or movements in risk factors on KBC's (financial) condition. Stress tests range from plausible to exceptional and even extreme events or scenarios. In addition to all regulatory imposed stress tests, KBC actively uses internal stress testing as a key risk management tool.

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

Technical insurance risk

Managing technical insurance risk

The Insurance Risk Competence Centre develops and rolls out a group-wide framework for managing insurance risks. It is responsible for providing support for local implementation and for the functional direction of the insurance risk management process of the insurance subsidiaries.

Technical insurance risks stem from uncertainty about the frequency and severity of losses. All these risks are kept under control through appropriate underwriting, pricing, claims reserving, reinsurance and claims handling policies of line management and through independent insurance risk management.

Part of the risk identification process consists of reliably classifying all insurance risks that may be triggered by (re)insurance contracts. Under the Solvency II directive, insurance activities are split up into three main categories, namely Life, Non-Life and Health, each sub-divided into catastrophe and non-catastrophe risks.

The building blocks for managing technical insurance risk

- Risk identification: adequate identification and analysis of material insurance risks by, inter alia, analysing new emerging risks, concentration or accumulation risks, NAPP analysis, assessing the Climate Risk Impact Map and developing early warning signals. In addition, deep dives are performed to gain further insight into technical insurance risk and the impact of climate change. Special attention is paid to the adequacy of the technical provisions (see below).
- Risk measurement: technical insurance risk is measured by means of both regulatory measures, such as Solvency Capital Requirement (SCR) and Best Estimate valuation of insurance liabilities, and internal measures on, for example, economic profitability of insurance portfolios and non-life capital requirements based on internal stochastic models. These measures of insurance risk are used consistently throughout the group.
- Setting and cascading risk appetite: the risk appetite for technical insurance risk is set in line with the overall requirements as defined in our Enterprise Risk Management Framework, is overseen by the Group Insurance Committee (GIC) and is approved by the Executive Committee and the Board of Directors. At the GIC, the defined limits are reviewed and reported. The insurance risk limits are determined and set at group level and further cascaded to the local entities. The necessary compliance checks are conducted.
- Risk analysis, monitoring, reporting and follow-up: if the risk profile is not in line with the risk appetite, the reason has to be identified and analysed (e.g., which lines of business are contributing to the deviating risk profile) and the outcome and corrective action must be discussed at the GIC. Breaches at group level are subject to the approval of the Board of Directors. Regular reporting and follow-up of the risk measurements is presented in the Insurance Integrated Risk Report, which is submitted to the Group Insurance Committee on a quarterly basis. In addition, relevant risk signals are reported on a regular basis to the Risk & Compliance Committee and Board of Directors as part of the regular Group Integrated Risk Report.
- Stress testing: internal and externally driven (regulatory) stress tests and sensitivity analyses are performed and the outcome of these tests is reported in the annual Own Risk and Solvency Assessment report.

Reinsurance

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

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

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

The independent insurance risk function is responsible for:

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

Impact of geopolitical and emerging risks on technical insurance risk

KBC had no direct insurance exposure in property insurance to either Russia or Ukraine when the conflict started, hence there was no material impact on KBC's profitability. Indirectly, there was the jump in energy prices and the attendant high inflation rate, which increased the average claim cost in Non-Life insurance. Actions were taken and planned to mitigate the impact on profitability through premium adjustments, monitoring of claims and keeping the technical insurance risk profile within the risk appetite.

Impact of natural catastrophes on technical insurance risk

For some types of natural disasters (such as storms and floods), an increasing trend in their likelihood has been observed in recent years. This has manifested itself over the past year in devastating natural catastrophe events occurring in our home countries.

We refer to Note 3.7 'Insurance results' for the net impact of these events on the technical result for the non-life business and to the 'Climate-related and other ESG risks' section.

Adequacy of technical provisions

As part of its mission to independently monitor insurance risks, the Group Risk function, and more specifically the insurance risk competence centre, regularly carries out in-depth analyses and deep dives. These confirm that there is a high degree of probability that the life and non-life technical provisions at subsidiary level are adequate.

Firstly, Liability Adequacy Tests are conducted that meet local and IFRS requirements for technical provisions. Starting from the best estimate model, calculations are made using a discount rate that is set for each insurance entity based on local macroeconomic conditions and regulations.

Secondly, loss triangles are developed that show claims settlement figures in the non-life business over the past few years:

- the claims-settlement figures incorporate all amounts that can be allocated to individual claims, including the Incurred But Not Reported (IBNR) and Incurred But Not Enough Reserved (IBNER) provisions, and the external claims handling expenses, but do not include internal claims settlement expenses and provisions for amounts expected to be recovered;
- all provisions for claims to be paid at the end of 2022 have been included and are before reinsurance, adjusted to eliminate intercompany amounts related to KBC Group Re, the KBC group's own reinsurance company. This makes it possible to first pool the reinsurance risks internally and then, in a subsequent stage, go to the reinsurance market.

The loss triangles are provided in the table below. The first row in the table shows the total claims burden (claims paid plus provisions) for the claims that occurred during a particular year, as estimated at the end of the year of occurrence. The following rows indicate the situation at the end of the subsequent calendar years. We restated the amounts to reflect exchange rates at year-end 2022.

Loss triangles, KBC Insurance (in millions of EUR)	Year of occurrence 2013	Year of occurrence 2014	Year of occurrence 2015	Year of occurrence 2016	Year of occurrence 2017	Year of occurrence 2018	Year of occurrence 2019	Year of occurrence 2020	Year of occurrence 2021	Year of occurrence 2022
Estimate at the end of the year of occurrence	915	990	940	1 024	1 000	1 072	1 149	1 018	1 262	1 328
1 year later	771	880	796	888	882	939	1 019	897	1 167	-
2 years later	700	826	751	825	849	894	989	859	-	-
3 years later	678	805	720	811	833	876	967	-	-	-
4 years later	674	789	708	806	816	846	-	-	-	-
5 years later	665	781	697	787	789	-	-	-	-	-
6 years later	663	779	690	782	-	-	-	-	-	-
7 years later	661	770	676	-	-	-	-	-	-	-
8 years later	659	765	-	-	-	-	-	-	-	-
9 years later	653	-	-	-	-	-	-	-	-	-
Current estimate	653	765	676	782	789	846	967	859	1 167	1 328
Cumulative payments	592	689	587	643	653	691	746	635	785	587
Current provisions	61	76	89	139	136	155	221	223	381	741

Actuarial function

In addition to the risk function, Solvency II requires an actuarial function to be installed in each insurance entity and at insurance group level. An actuarial function holder is appointed to take charge of the actuarial function's activities. Basically, the task of such a function is to ensure that the company's Board of Directors or Supervisory Board is fully informed in an independent manner.

The main tasks of the actuarial function are to:

- coordinate the calculation of technical provisions;

- ensure the appropriateness of the methodologies and underlying models used, as well as the assumptions made, in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions when there is insufficient data of appropriate quality to apply a reliable actuarial method;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

Regulatory capital

Solvency II sets out the regulatory capital requirements for the insurance companies. The Solvency capital ratio stood at 203% at year-end 2022 versus 201% at year-end 2021. Solvency II results and more detailed information on ratios are provided in our Solvency & Financial Condition Report, which is available at www.kbc.com.

Specific information on the insurance activities can be found in Notes 3.7 and 5.6 of the 'Consolidated financial statements' section.

Credit risk

Managing credit risk

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

Credit risk is managed across the group based on strict governance rules and procedures set out in the KBC Credit Risk Management Framework. The Credit Risk Competence Centre situated within the Group Credit Risk Department (GCRD) designs the Credit Risk Management Framework (CRMF) and its underlying building blocks. GCRD ensures the adequacy of the CRMF, as well as compliance with legal and regulatory requirements via group-wide credit risk standards. This is done in close cooperation with the local CROs and local risk departments, which are responsible for the local implementation of the CRMF. Business entities are consulted for those areas of the CRMF that impact business processes and/or governance.

The CRMF is reviewed annually to ensure its relevance and effectiveness going forward. It contains a clear delineation of responsibilities and accountabilities, both at local and group level, between the business in the first line (including credit departments), credit risk departments and internal audit. Credit decisions are made following independent advice and based on acceptance and review processes that consider client knowledge and model-generated output. Material credit decisions are advised and taken at group level within the GCRD.

Credit risk exposure in the insurance activities

For the insurance activities, credit exposure exists primarily in the investment portfolio and towards reinsurance companies. We have guidelines in place for the purpose of controlling credit risk within the investment portfolio with regard to, for instance, portfolio composition and ratings. The upper part of the table below shows the market value of the investment portfolio of the insurance entities broken down by asset type under Solvency II, while the lower part provides more details of the bond and other fixed-income security components of the portfolio.

Investment portfolio (in millions of EUR, market value)[1]	31-12-2022	31-12-2021
Per asset type (Solvency II)		
Securities	16 444	20 102
Bonds and alike	15 278	18 791
Shares	1 097	1 290
Derivatives	69	21
Loans and mortgages	2 153	2 806
Loans and mortgages to clients	1 780	2 299
Loans to banks	374	507
Property and equipment and investment property	309	305
Unit-linked investments[2]	12 771	14 620
Investments in associated companies	295	292
Other investments	8	12
Total	31 981	38 137
Details for bonds and other fixed-income securities		
By external rating[3]		
Investment grade	99%	99%
Non-investment grade	1%	1%
Unrated	0%	0%
By sector[3]		
Governments	65%	66%
Financial[4]	24%	23%
Other	11%	11%
By remaining term to maturity[3]		
Not more than 1 year	9%	8%
Between 1 and 3 years	18%	18%
Between 3 and 5 years	17%	15%
Between 5 and 10 years	29%	29%
More than 10 years	27%	29%

[1] The total carrying value amounted to 32 897 million euros at year-end 2022 and to 37 018 million euros at year-end 2021. Figures differ from those appearing in Note 4.1 of the 'Consolidated financial statements' section, due to asset class reporting under Solvency II.

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

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

[4] Including covered bonds and non-bank financial companies

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

Credit exposure to (re)insurance companies by risk class[1]: Exposure at Default (EAD) and Expected Loss (EL)[2] (in millions of EUR)	EAD 2022	EL 2022	EAD 2021	EL 2021
AAA up to and including A-	171	0.1	196	0.1
BBB+ up to and including BB-	17	0.0	9	0.0
Below BB-	0	0.0	0	0.0
Unrated	0	0.0	0	0.0
Total	188	0.1	205	0.1

[1] Based on internal ratings.

[2] EAD figures are audited, whereas EL figures are unaudited.

Exposure to sovereign bonds

We hold a significant portfolio of government bonds, primarily as a result of our considerable excess liquidity position and for the reinvestment of insurance reserves into fixed instruments. A breakdown per country, together with the economic impact of a 100-basis-point upward shift in the spread, is provided under 'Credit spread risk' in the 'Market risk in non-trading activities' section.

Market risk in non-trading activities

Managing market non trading risk

The management of ALM risk at KBC is the responsibility of the Executive Committee, supported by the CRO Services Management Committee and the Asset and Liability Committee (ALCO). The Executive Committee decides on the non-trading market risk framework, which sets out specific risk guidance.

With the risk function, the ALM Council – chaired by the Treasury CRO – aims to establish, facilitate, promote and support the solid and efficient integration of all tasks assigned to the local and group risk departments that are accountable for monitoring non-trading market risk. The Council acts as a management meeting of the group-wide Extended Competence Centre for ALM & Liquidity Risk..

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

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

- Risk identification: market risk related to non-trading exposures arises from:
  - mismatches in the banking activities linked to the branch network's acquisition of working funds and the use of those funds (via lending, among other things);
  - mismatches in the insurance activities between liabilities in the non-life and life businesses and the cover for these liabilities present in the investment portfolios held for this purpose;
  - the risks associated with holding an investment portfolio for the purpose of reinvesting shareholders' equity (the so-called strategic position);
  - the structural currency exposure stemming from the activities abroad (investments in foreign currency, results posted at branches or subsidiaries abroad, foreign exchange risk linked to the currency mismatch between the insurer's liabilities and its investments).

  The following tools are used in the risk identification process for the market risk non-trading: the New and Active Products Process (NAPP), the Climate Risk Impact Map, the risk scan, the risk signal and early warning process, the parameter reviews and materiality assessments based on in-depth analysis and deep dives.
- Risk measurements: Group Risk and the local risk departments measure ALM risks and flag current and future risk positions. A common rulebook, which supplements the framework for technical aspects, and a shared group measurement infrastructure ensure that these risks are measured consistently throughout the group. This includes a broad range of risk measurement methods such as:
  - Basis-Point-Value (BPV) for interest rate risk;
  - gap analysis for interest rate risk, gap risk and inflation risk;
  - economic sensitivities for currency risk, equity price risk and real estate price risk;

  - net interest income simulations over a multi-year period which are used in budgeting and risk processes.
- Setting risk appetite: limits cover all material risks faced by the ALM function: interest rate risk, equity risk, real estate risk and foreign exchange risk for the consolidated entities are approved by the Board of Directors and limits for each local entity are approved by the Executive Committee.

  The treasury departments, acting as the first line of defence, measure and manage interest rate risk on a playing field defined by the risk appetite and the limits. They take into account measurement of prepayment and other option risks in the banking book and manage a balanced investment portfolio. Management of the positions implies that the treasury function uses derivatives to hedge against imbalances, due to interest rate and foreign exchange risks. To avoid profit and loss volatility that would result from the different accounting treatment of balance sheet investment items and derivatives, hedge accounting techniques are widely applied.
- Risk analysis, response and follow-up: besides regulatory required reporting, structural reporting to the ALCO is performed. The reporting process includes a sign-off process to ensure data accuracy.
- Stress testing: a balanced stress testing programme is prepared on a yearly basis and reported on a quarterly basis. This includes:
  - the back-testing of prepayments;
  - net interest income simulations performed under a variety of market scenarios for interest rate risk. Net interest income impact and sensitivities are also used to measure basis risk;
  - capital sensitivities arising from banking book positions that impact available regulatory capital (e.g., fair value through other comprehensive income) are used for spread risk, interest rate risk and equity risk..

Impact of geopolitical and emerging risks on non-trading market risk

After the markets had learned to live with the aftermath of the coronavirus crisis, they were shocked by the Russian aggression against Ukraine. Although our Central Europe subsidiaries share some borders with Ukraine, KBC had limited investments in the belligerent countries and it did not materially impact the banking books.

However, the increase in inflation and interest rates, which were already observed prior to the invasion, accelerated beyond expectations, fundamentally changing the challenges faced by the treasury department. The quest for decent returns on investments has been replaced by renewed risks for outflows. Moreover, credits sold in times of high interest rates bear a larger prepayment risk. Tested scenarios showed the risk is material, but manageable. At the end, the solid and well-balanced structure of our banking books, as well as a prudent approach in the management of non-maturity deposits, allowed KBC to contain the risks and keep the balance sheet healthy.

The different sub-risk types, including more details and figures, are set out below.

Interest rate risk and gap risk

The main technique used to measure interest rate risks is the 10 BPV method, which measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire swap curve (negative figures indicate a decrease in the value of the portfolio). We also use other techniques such as gap analysis, the duration approach, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective)

Impact of a parallel 10-basis-point increase in the swap[1] curve

Impact on value[2] (in millions of EUR)	2022	2021
Total	4	24

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

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

The fixed-income investments for the non-life reserves are invested with the aim of matching the projected payout patterns for claims, based on extensive actuarial analysis.

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

In the table below, we have summarised the exposure to interest rate risk in our life insurance activities. The life insurance assets and liabilities relating to business offering guaranteed rates are grouped according to the expected timing of cashflows.

Expected cashflows (not discounted), life insurance activities (in millions of EUR)	0–1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	Total
31-12-2022							
Fixed-income assets backing liabilities, guaranteed component	1 233	1 489	855	1 048	844	8 738	14 208
Equity							929
Property							112
Others (no maturity)							95
Liabilities, guaranteed component	1 367	1 201	807	882	834	9 474	14 566
Difference in time-sensitive expected cashflows	-134	288	48	166	11	-737	-358
Mean duration of assets							6,66 years
Mean duration of liabilities							8,76 years
31-12-2021							
Fixed-income assets backing liabilities, guaranteed component	1 371	1 281	1 385	847	1 044	8 856	14 784
Equity							987
Property							171
Others (no maturity)							152
Liabilities, guaranteed component	1 758	748	1 223	840	895	9 859	15 323
Difference in time-sensitive expected cashflows	-387	534	162	7	148	-1 003	-539
Mean duration of assets							6,97 years
Mean duration of liabilities							9,93 years

As mentioned above, the main interest rate risk for the insurer is a downside one. We adopt a liability-driven ALM approach focused on mitigating the interest rate risk in accordance with KBC's risk appetite. For the remaining interest rate risk, we adhere to a policy that takes into account the possible negative consequences of a sustained decline in interest rates, and have built up adequate supplementary reserves. .

Breakdown of the reserves for non-unit-linked life insurance by guaranteed interest rate	31-12-2022	31-12-2021
5.00% and higher	3%	3%
More than 4.25% up to and including 4.99%	7%	7%
More than 3.50% up to and including 4.25%	4%	4%
More than 3.00% up to and including 3.50%	9%	9%
More than 2.50% up to and including 3.00%	3%	3%
2.50% and lower	72%	71%
0.00%	2%	2%
Total	100%	100%

Credit spread risk

We manage the credit spread risk for, inter alia, the sovereign portfolio by monitoring the extent to which the value of the sovereign bonds would change if credit spreads were to go up by 100 basis points across the entire curve.

Exposure to sovereign bonds at year-end 2022, carrying value[1] (in millions of EUR)	At amortised cost	At fair value through other comprehensive income (FVOCI)	Held for trading	Total	For comparison purposes: total at year-end 2021	Economic impact of +100 basis points[3]
KBC core countries						
Belgium	2 004	1 582	0	3 586	*4 142*	-270
Czech Republic	541	501	0	1 042	*1 100*	-60
Hungary	103	74	0	178	*195*	-6
Slovakia	295	182	0	477	*469*	-27
Bulgaria	89	166	15	270	*297*	-12
Other countries						
France	1 056	920	0	1 977	*2 108*	-121
Spain	287	223	0	510	*557*	-18
Ireland	0	118	0	118	*154*	-9
Poland	38	163	0	201	*244*	-5
Italy	36	424	0	460	*559*	-18
US	0	0	0	0	*0*	-0
Rest[2]	992	811	1	1 804	*2 053*	-94
Total carrying value	5 440	5 165	17	10 622	*11 880*	-
Total nominal value	5 355	5 659	18	11 032	*11 085*	-

[1] The table excludes exposure to some supranational entities not considered as sovereigns, such as European Investment Bank or European Investment Fund. No material impairment on the government bonds in portfolio.

[2] Sum of countries whose individual exposure is less than 1 billion euros at year-end 2022. (Measured at Group Level)

[3] Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure. Only a portion of this impact is reflected in profit or loss and/or equity.

Revaluation reserve at fair value through other comprehensive income (FVOCI) at year-end 2022: the carrying value of the total government bond portfolio measured at FVOCI incorporated a revaluation reserve of -0.6 billion euros, before tax (-214 million euros for Belgium, -147 million euros for France, -29 million euros for Bulgaria, -28 million euros for Czech Republic and -155 million euros for the other countries combined).

In addition to the sovereign portfolio, the KBC group holds a non-sovereign bond portfolio (banks, corporations, supranational bodies). The sensitivity of the value of this banking book portfolio to a 100-basis-point change in the credit spread is shown in the following table.

Exposure to non-sovereign bonds at year-end, by rating: economic impact of +100 basis points (in millions of EUR)	31-12-2022	31-12-2021
Bonds rated AAA	-24	-37
Bonds rated AA+, AA, AA-	-54	-82
Bonds rated A+, A, A-	-93	-107
Bonds rated BBB+, BBB, BBB-	-28	-37
Non-investment grade and non-rated bonds	-4	-6
Total carrying value (excluding trading portfolio)	5 374	6 152

Equity risk

The main exposure to equity is within our insurance business, where the ALM strategies are based on a risk-return evaluation, taking into account the market risk attached to open equity positions. A large part of the equity portfolio is held as an economic hedge for long-term liabilities.

Equity portfolio of the KBC Insurance (breakdown by sector, in %)	31-12-2022	31-12-2021
Financials	20%	17%
Consumer non-cyclical	11%	11%
Communication	3%	2%
Energy	0%	0%
Industrials	42%	41%
Utilities	0%	0%
Consumer cyclical	21%	25%
Materials	2%	2%
Other and not specified	1%	1%
Total	100%	100%
In billions of EUR	1.33	1.46
of which unlisted	0.14	0.15

Impact of a 25% drop in equity prices, impact on value (in millions of EUR)	2022	2021
Total	-333	-366

Non-trading equity exposure (in millions of EUR)	Net realised gains (in income statement)		Net unrealised gains on year-end exposure (in equity)	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Total	176	123	199	555

Real estate risk

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

Impact of a 25% drop in real estate prices, impact on value (in millions of EUR)	2022	2021
Total	-78	-94

Inflation risk

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

For the insurance activities, the undiscounted value of the inflation-sensitive cashflows was estimated at -515 million euros, against which a 452-million-euro portfolio of indexed bonds at market value and 28.7 million euros in direct and indirect real estate were held.

Foreign exchange risk

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

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

Impact of a 10% decrease in currency value*

(in millions of EUR)	31-12-2022	31-12-2021
CZK	-31	-30
HUF	-7	-5
BGN	-17	-19
USD	-47	-56

[1] Exposure for currencies where the impact exceeds 10 million euros

Hedge accounting

Assets and liabilities management uses derivatives to mitigate interest rate and foreign exchange risks. The aim of hedge accounting is to reduce the volatility in P&L resulting from the use of these derivatives.

KBC decided not to apply hedge accounting to credit and equity risks. When the necessary criteria are met, it is applied to remove the accounting mismatch between the hedging instrument and the hedged item. For more information about hedge accounting, please see 'Notes on the accounting policies' in the 'Consolidated financial statements' section.

<u>Risk categories applying to hedge accounting</u>

Interest rates

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

Interest rate derivatives can be designated as:

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

KBC uses macro hedge accounting strategies for homogeneous portfolios of smaller items, where the frequency of occurrence or the relatively small size of the average operation renders the one-to-one relationship sub-optimal. This is the case for inter alia mortgages, loans to SMEs or customer deposits. Macro hedge strategies may be dynamic and undergo frequent changes based on balancing the portfolio ('open portfolio hedge'), among other things.

The micro hedge designation is used when large individual assets or liabilities are hedged. Typical assets are large corporate loans and bond acquisitions for which the credit spread profile is relevant. Liabilities can include KBC's own issues or specific long-term facilities offered by a central bank. Micro hedges are either fair-value or cashflow based.

Foreign exchange

KBC has strategic investments denominated in non-euro currencies. The net asset value of significant participations is partly funded in the local currency by deposits and foreign exchange derivatives, to ensure stability of the CET1 ratio. By using hedges of net investments in foreign operations, the foreign exchange component is reported in equity until realisation (unwinding of funding due to liquidation, dividend payments or other decreases in net asset value).

KBC also has a limited portfolio of foreign-currency-denominated bonds that are funded through euro proceeds. These bonds are hedged by cross-currency interest rate swaps to create a synthetic EUR fixed-rate interest income. Cashflow hedge accounting (microhedge) is performed to mitigate foreign exchange volatility.

<u>Hedge effectiveness</u>

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

Effectiveness testing

For interest rates, several prospective and retrospective tests are performed to ensure the relationship between the hedged item and the hedging instrument qualifies for the hedge accounting strategy.

Prospective tests are mostly based either on a sensitivity analysis (verifying if the basis point value of the hedged portfolio relative to the hedging instrument stays within the 80-125% interval) or volume tests (if the principal amount of hedge-eligible items exceeds the notional volume of hedging instruments expected to be repriced or repaid in each specified time bucket).

For macro cashflow hedges, extensive forward-looking analyses assess the sufficient likelihood that the future volume of hedged items will largely cover the volume of hedging instruments. A hedge ratio – measuring the proportion of a portfolio that is hedged by derivatives – is calculated for each hedging strategy.

The retrospective effectiveness test of the hedge relationship is periodically carried out by comparing the change in fair value of the portfolio of hedging instruments relative to the change in fair value of the hedged eligible items imputable to the hedged risk over a given period (the ratio of fair value changes remains within the 80-125% interval).

For foreign exchange hedging, effectiveness is ensured by adjusting the sum of the nominal amount of the funding deals and foreign exchange derivatives to the targeted hedge amount of the strategic participations. For foreign-currency-denominated bonds swapped into euro, the start date, maturity date and coupon dates are also matched.

Sources of hedge ineffectiveness

Ineffectiveness for interest rate swaps may occur due to:

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

Regarding the hedge of the net investment in foreign currency, the interest rate component from the hedging instruments can be a source of inefficiency. The counterparty risk on the hedging instrument, even if collateralised, can also be a source of inefficiency.

Discontinuation of hedge accounting

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

Non-financial risks

Operational risk

Managing operational risk

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

The Extended Competence Centre for Operational Risk, which consists of risk experts at both group and local level, cooperates with other expert functions covering the nine operational sub-types: Information Technology risk, Information Security risk, Business Continuity risk, Process risk, Outsourcing and Third-Party risk, Model risk, Legal risk, Fraud risk, and Personal and Physical Security risk. KBC's approach is perfectly aligned with the Basel requirements for Operational Resilience and the EU Digital Operational Resilience Act (DORA).

The building blocks for managing operational risks

- Risk identification: includes following up on legislation, using the New and Active Products Process (NAPP), the Climate Risk Impact Map indicating the climate risks that might materialise and potentially impact operational risk, performing risk scans to identify and analyse risks, analysing key risk indicators, performing independent control monitoring activities, root cause analysis of near misses and losses and other risk events. A structured, process-based repository of Group Key Risks and related mitigating Group Key Control Objectives (GKCs) is in place to set top-down minimum standards for the risk and control environment. Self-assessments are performed by the first line of defence. GKCs are defined for all groupwide end-to-end processes and are designed to manage key operational risk types. A review process is in place to keep the repository in line with new or emerging operational risk types. Entities translate these GKCs into their operational process environment and supplement them with additional, local operational controls, if necessary. Dynamic trigger-based risk assessments are in place, based on the continuous screening of both internal and external risk events.
- Risk measurement: unified group metrics and scales are in place to define and support not only the underpinning of the risk profile of an entity, but also individual operational risk levels in the processes. Group-wide tools are used by the three lines of defence to support the core activities of operational risk management. In addition, a group-wide uniform scale is used to express the overall internal control state of each process in each material entity and the overall internal control state of the entity. The group-wide automated data-driven risk measurement of processes, resulting in Internal Control Statement (ICS) process scores, being determined on the following indicators:
  - The control maturity reflecting the effectiveness of Group Key Controls and the Zero Tolerance 'Blacklisted Companies';
  - The number of outstanding action plans and audit recommendations (incl. risk acceptances);
  - Losses (and legal claims);
  - Process-specific indicators for Outsourcing and the New and Active Products Process (NAPP).

  An annual stress test is performed to assess the adequacy of pillar 1 operational risk capital.
- Setting and cascading risk appetite: the risk appetites for operational risk overall and for the nine operational risk sub-types individually are set in line with the overall requirements as defined in the Enterprise Risk Management Framework.
- Risk analysis, reporting and follow-up: a uniform approach – strongly based on first line of defence accountability (business side) and challenges by the second line of defence (risk, fraud, legal and other experts) and assurance by the third line of defence (internal audit) – is in place with risk-based follow-up at both local and group level. Minimum standards for the operational risk management reporting process are defined. Structural reporting to the Group Internal Control Committee (GICC) is performed on a quarterly basis. Regular reporting and follow-up is presented in the Integrated Risk Report (IRR) which is brought to the Executive Committee, the Risk & Compliance Committee and the Board of Directors. The quality of the internal control environment and related risk profile is reported to KBC's senior management and to the NBB, the FSMA and the ECB via the annual Internal Control Statement.
- Stress testing: operational risk scenarios or potential events are considered in the context of risk-type-specific or integrated stress tests.

The broad spectrum of operational risks is categorised into a number of sub-risk types, in accordance with Basel requirements and industry practice. Specific attention was paid to the top sub-risk types set out below.

Information risk management

Information risk management encompasses the risks of information security, information technology and business continuity management, the latter including crisis management. Information security risk is one of the most material risks that financial institutions face these days.

The mission of KBC's Competence Centre for Information Risk Management (IRM) is to help protect KBC against threats to data and information, such as loss of integrity, loss of confidentiality and unplanned availability. It supports local risk and teams acting as the first line of defence for information risk management. The competence centre includes an internationally recognised and certified Group Cyber Emergency & Response Team (CERT).

Information Security and IT risks are structurally reported to the Group Internal Control Committee (GICC) and the Global IT Committee (GITCO). The GICC supports the Group Executive Committee in the domain of strengthening the quality and effectiveness of KBC's internal control system The GITCO serves as the governance structure to ensure alignment on Information Security and IT strategy across the KBC group:

- Risk identification: involves regular follow-up on legislation, for example the EU Digital Operational Resilience Act (DORA), as well as managing our KBC group standards, guidelines and control framework. On top of that, regular proactive scanning of the environment is performed in order to identify external or internal cyber trends which could negatively impact our company in a direct or indirect way. These are also known as risk signals and are reported to the Risk & Compliance Committee (RCC), which informs the Board of Directors (BoD) via the Integrated Risk Report, and to the Group Internal Control Committee (GICC). Within the New and Active Products Process (NAPP), all information security and IT-related risks are to be identified and analysed by the first line of defence, which is advised by the second line of defence, and discussed as part of the NAPP approval.
- Risk measurement: the entities' risk profiles, as well as their Internal Control Statement (ICS) scores, for the Information Security, Information Technology and Business Continuity Management processes are determined based on the following indicators:
    - The 'maturity indicator' measures the effectiveness of our Group Key Controls;
    - The 'risk indicator' measures the timely mitigation of known risks caused by deficiencies in our control environment;
    - For the Information Security process, a 'new requirements' indicator has also been added, which measures the progress on the implementation of additional controls required to anticipate future risks.

  Metrics have been defined at the Group Key Control level to underpin control effectiveness with facts and figures. Examples include, but are not limited to asset management statistics, employee phishing campaign click rates, website vulnerability patching speeds and other metrics related to threats to KBC clients and companies.
- Setting and cascading risk appetite: the risk appetite for information technology, information security and BCM risk is set in line with the overall requirements as defined in our Enterprise Risk Management Framework and is overseen by the Group Internal Control Committee (GICC) and is approved by the Executive Committee and the Board of Directors
- Risk analysis, reporting and follow-up: Information Security and Information Technology risks are assessed by the three lines of defence and continuously monitored via a group-wide detailed risk assessment tool. The status of Information Risk Management is frequently reported to internal as well as external stakeholders.
- Stress testing enables KBC entities to deal with local cyber crises and handle major incidents. To assure that Information Security and Information Technology risks are effectively controlled, a number of challenges are performed throughout the group on a regular basis, such as ethical hacking exercises, technical Cyber Resilience & Readiness Testing, detailed investigations, employee phishing tests, crisis simulations and other incident drills.

Outsourcing risk management

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

To ensure robust management of its outsourcing processes and risks, KBC has put in place a group-wide outsourcing framework, which comprises a group-wide Outsourcing Policy and group-wide Outsourcing Risk Standards. Both policy and standards are supported by first and second lines of defence guidance to ensure a standardised approach, in compliance with the EBA Guidelines on Outsourcing, throughout the whole of the KBC group.

Key control objectives are in place to adequately mitigate risks arising from either external or internal outsourcing during the full life cycle of a service provider, from selection and pre-contractual stages to renewal, termination and exit strategies. Qualitative risk governance of KBC outsourced activities is ensured by regular risk assessments, their frequency being defined by the criticality of the outsourced activity.

Model risk management

KBC's data-driven strategy is powered by an expanding set of advanced models. AI-based models are becoming an increasingly common sight across business domains (banking, insurance, asset management).

In line with the internal model risk management standards, all such models are centrally inventoried on a dedicated platform, periodically assessed for their risks and labelled accordingly. This labelling takes into account model uncertainty, model impact and materiality as well as the strength and maturity of controls applied to the model. The resulting labels allow KBC to manage its model risk profile, define priorities and establish action plans.

Business continuity management including Crisis management

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

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

Impact of geopolitical and emerging risks on operational risk management

In 2022, the coronavirus pandemic caused minimal operational impact. In all entities of the group a new way of working, including teleworking, marked an end to the special coronavirus policies and a return to normal operations. The initial close monitoring of operational risks related to the coronavirus reverted back to business as usual. During monthly Business Continuity Management (BCM) status checks, the potential impact of the coronavirus continues to be monitored. In 2022, no major issues, losses or incidents related to the pandemic occurred.

Since the beginning of 2022, American and European institutions have warned us about an increased risk of disruptive cyber-attacks on critical infrastructure and institutions such as telecoms, energy, financial markets infrastructure, etc., following the outbreak of the war between Russia and Ukraine.

During the second half of 2022, we observed an increased number and variety of cyber-attacks (e.g., DDoS and password spraying) targeting KBC entities and other financial institutions. A minority of these attacks can be attributed to increased cyber activity in the context of the Ukraine-Russia conflict. However, these attacks had limited impact on the targeted KBC entities and our clients and no significant losses were incurred.

KBC Group’s Information Security and IT department as well as the local entities remain vigilant, with constant monitoring procedures in place. Several actions were initiated to further mitigate the risk, such as:

- an assessment of possible risks related to IT vendors with exposure towards the countries involved in the war;
- limiting access to the KBC network from countries involved in the war.

Measures are continuously evaluated, prompting additional actions as needed (e.g., a revision of the preventative standards and the investments in new tools to enhance KBC’s protection against this increasing threat).

Compliance risk

The Compliance function's role is twofold: on the one hand, it provides advice from an independent viewpoint on the interpretation of laws and regulations pertaining to the domains it covers. This preventive role has come about through Group Compliance Rules that define minimum requirements for the entire group, the provision of procedures and instructions, tailored training courses, daily advice and independent opinions in the New and Active Products Process, information on new regulatory developments to the governance bodies and support of group strategy, and the implementation of legal and regulatory requirements by the various businesses concerned.

Compliance risk is the risk of non-conformity or sanctions due to failure to comply with laws and regulations presenting an integrity dimension, and with internal policies and codes of conduct reflecting the institution's own values, as defined in the Group Compliance Framework. It includes conduct risk, i.e. the current or prospective risk of losses arising from inappropriate supply of products and services, including cases of wilful or negligent misconduct.

On the other hand – as the second line of defence – it carries out risk-based monitoring to ensure the adequacy of the internal control system. More specifically, monitoring allows it to verify whether legal and regulatory requirements are being correctly implemented in the compliance domains. It also aims to ensure the effectiveness and efficiency of the controls performed by the first line of defence. Moreover, quality controls are performed in the main group entities to assure the Board of Directors that the compliance risk is being properly assessed.

Since 2020, significant efforts have been concentrated on the scalable and future-proof features of the Compliance function. This was achieved by simplifying more processes, fostering group-wide cooperation among the teams and through automation and Artificial Intelligence. Hence, as a first step, a common integrated platform to enhance the management of money laundering – on both the 'Know Your Customer' and the transactions sides – has been developed and will be rolled out in Belgium and at the Central European entities. Based on modelling and machine learning it allows, among other things, improved detection of unusual behaviours. Resources were doubled in Belgium, enabling a strong reinforcement of the Compliance Monitoring Programme. Group Fraud Management Framework coordination has been developed and is expected to achieve full maturity by 2023, while benefiting at the same time from developments in Artificial Intelligence.

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

The prevention of money laundering and terrorism financing, including embargoes, has been a top priority for the Compliance function during the last three years and will continue to be prioritised in 2023. It is an area where knowledge of the client (Know Your Customer (KYC)), updating their profiles and monitoring transactions (Know Your Transaction (KYT)) are essential. Efforts are continuously made to adapt the organisation to a constantly changing regulatory environment, particularly with regard to clients who present an increased risk and for whom additional information is required. A Financial Crime Unit was set-up to enhance synergies between AML (Anti Money Laundering), embargoes and Fraud. The Compliance function is also closely following the EU developments at the level of the new AML Authority (AMLA) and regulatory provisions expected in 2024.

It goes without saying that the interests of the client come first. Given this position, the control functions ensure that, under the New and Active Products Process, the launch of any new products conforms with the many legal and regulatory provisions in place, such as MiFID II, the Insurance Distribution Directive (IDD) and other local and EU Regulations, as well as being in line with KBC's values. In 2022, particular attention was devoted to sustainable investments/ESG (Environmental, Social and Governance) characteristics in MiFID and IDD as well as to the sustainable finance strategy. These efforts will be pursued in 2023.

Data protection aspects remain central to maximising conformity with GDPR. Since 2020, Kate, the voice personal assistant, has gained maturity and can increasingly facilitate the everyday lives of our clients. Efforts in 2021 and 2022 were largely concentrated on Cloud developments, taking into account the consequences of Schrems II (transfer of data to third countries) while maintaining the right balance between the regulatory requirements in place and the technological developments inherent in a data-driven strategy now and going forward.

Reputational risk

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

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

The Reputational Risk Management Framework describes how we manage reputational risk. Proactive and re-active management of reputational risk is the responsibility of business, supported by specialist units (including Group Communication, Investor Relations and Group Compliance).

Business environment and strategic risks

To prepare for and adequately address changes in the external environment and manage strategic risk, we have robust and effective strategic processes in place to identify both risks (e.g., the Risk Scan) and opportunities (e.g., by drafting a trend book) and to translate these into the KBC strategy and innovation roadmaps which are regularly reviewed.

Business environment risk is the risk arising from changes in external factors (the macroeconomic environment, regulations, client behaviour, competitive landscape, socio-demographic environment, climate, etc.) that impact the demand for and/or profitability of our products and services. Strategic risk is the risk caused by not taking a strategic decision, by taking a strategic decision that does not have the intended effect or by not adequately implementing strategic decisions.

The Corporate strategy 'Differently: the next level' is KBC's strategic answer to deal with changes in the business environment such as changing client behaviour, financial distintermediation, increasing digitalisation, and climate change. The strategy further enhances KBC's competitive position by creating a digital-first, data-driven bank-insurer+ (see the 'Our strategy' section).

Business environment risks are assessed as part of the strategic planning process, which starts with a risk scan that identifies the top financial and non-financial risks. These risks are quantified both in likely scenarios and in several stress scenarios. Exposure to the identified business environment risks is also monitored on an ongoing basis by means of risk signals which are reported to top management (e.g., risks emerging from the Russian-Ukrainian conflict and the ensuing energy and other supply-side disruptions were quickly picked up via risk signals and translated into action plans).

The general business environment risks (relating to the macroeconomic situation, competition, regulations, etc.) are also described in the 'Our business model' section.

Liquidity risk

Managing liquidity risk

The principal objective of our liquidity management is to be able to fund the group and to enable the core business activities of the group to continue to generate revenue, even under adverse circumstances. For insurance entities, liquidity risk is one of the risk types considered in the Solvency II regulation.

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

The Group and Local Treasury functions act as the first line of defence and are responsible for KBC's overall liquidity and funding management. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing). These policies ensure that local management has an incentive to work towards a sound funding profile. The Group Treasury function also actively monitors its collateral on a group-wide basis. The Risk function is the second line of defence. Given the specifics of the Treasury domain and in support of the Group CRO, a dedicated Treasury CRO was appointed who is accountable for the Treasury activities. The group-wide Extended Competence Centre for ALM & Liquidity Risk is in turn responsible for installing the principles for liquidity risk management, which are laid down in a group-wide Liquidity Risk Management Framework that defines the risk playing field.

Insurance entities typically have more stable liabilities than banking entities. An insurance entity's liquidity is managed by matching cashflows and ensuring that sufficient investments are made in liquid assets, thereby guaranteeing that unexpectedly high lapses can be covered by selling or 'repoing' liquid assets. As a result, insurance entities are less sensitive for 'real' liquidity risk than banking entities.

The building blocks for managing liquidity risk

- Risk identification: the NAPP process, the climate risk impact map, the risk scan, stress testing and materiality assessments are important tools used for risk identification. An annual assessment of key risk drivers impacting liquidity is performed as well. When relevant, risk signals are presented in Treasury Risk Reports and Integrated Risk Reports.
- Risk measurement: identified liquidity risks are measured by means of internal metrics on e.g. the reliance on repo funding.
- Setting and cascading risk appetite: the Board of Directors sets the overall risk appetite objective for liquidity in close cooperation with the Executive Committee.
- Risk analysis, reporting and follow-up: to mitigate day-to-day liquidity risk, group-wide trends in funding liquidity and funding needs are monitored continuously by the Group Treasury function.
- Stress testing: liquidity stress tests assess KBC's liquidity contingency risk by measuring how the liquidity buffer of the group's insurance entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows and liquidity inflows resulting from actions to increase liquidity. The liquidity buffer has to be sufficient to cover liquidity needs over an extended period of stress.

Impact of geopolitical and emerging risks on liquidity risk

Stressed or extreme market conditions can be triggered by crises such as the coronavirus pandemic or the Russian-Ukrainian conflict. KBC's liquidity position has been able to withstand these stresses and remains very strong in both its bank and insurance entities.

In 2020 and 2021, KBC participated in the targeted longer-term refinancing operation (TLTRO) for 24.5 billion euros, which additionally supported its LCR and NSFR. In 2022, KBC made a first partial repayment.

Climate-related and other ESG risks

Environmental, Social and Governance (ESG) risks are being gradually embedded in the KBC Risk Management Framework and in our risk management processes.

ESG risks are identified in our risk taxonomy as key risks related to KBC's business environment. ESG risks are considered as key drivers of the external environment which manifest themselves through (all) other traditional risk areas, such as credit risk, technical insurance risk, market risk, operational and reputational risk. As such, we do not consider ESG as standalone risk types.

Within the industry, risk assessment methodologies are more advanced for climate risk compared to some other ESG risk areas.

With regard to environmental risks, KBC also initially focused on the integration of climate risk within all risk management frameworks and processes, but is increasingly taking steps towards the integration of these risks (such as biodiversity loss, water stress, pollution and waste risk) into its processes, for example by strictly adhering to KBC's Biodiversity Policy (see 'Setting and cascading risk appetite'), by considering environmental risks in our loan/review origination process and by reporting on environmental risks to the Board of Directors as part of our regular risk reporting.

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

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

Considering social and governance risks, several Compliance domains as described in KBC's Compliance Charter closely link with social and governance risks (e.g., Corporate Governance, Conduct, Embargo, Investor protection, Data protection, Ethics & Fraud, Consumer protection and anti-money laundering). Within our operational risk management processes, controls are in place for managing cyber risk, model risk (e.g., avoiding bias in models, ensuring ethical AI), business continuity (e.g., ensuring continuity of services to customers), legal risk, personal and physical security risk (with respect to personnel and clients). More details are provided in 'Non-financial risks' in this section.

Climate risk has been reconfirmed as a top risk for KBC since 2018. Following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for climate and other environmental risks, we differentiate between:

- transition risks: risks arising from disruptions and shifts associated with the transition to a low-carbon, climate-resilient or environmentally sustainable economy which include policy changes, legal changes, technological changes/progress or behavioural changes;
- physical risks: risks related to potential financial implications from physical phenomena associated with both climate or environmental trends (chronic) such as changing weather patterns, rising sea levels, increasing temperatures, biodiversity loss, resource scarcity, reduced water availability, etc. and extreme weather events (acute) including storms, floods, fires, heatwaves or droughts that may disrupt operations, value chains or damage property.

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

- financial materiality (outside-in view), looking at the impact of climate change on our business. Transition risks, for example, can lead to sudden repricing of assets, market volatility and credit losses resulting from financing obsolete (brown) technology or infrastructure, impacting lending and investment portfolios, whereas physical risks can increase the level of claims under the insurance policies we provide as well as the value of our assets;
- environmental and social materiality (inside-out view), looking at our business' impact on the climate. In that regard, by signing the Collective Commitment to Climate Action (CCCA) in 2019, we stated publicly that we want to play a leading role and be a significant lever in the process of transitioning to a more sustainable society and a low-carbon economy, including by committing to aligning our portfolios and business strategy with the Paris Agreement to keep global warming below 2°C while striving for a target of 1.5°C. As a CCCA signatory, we published our Climate Report in September 2022 including stringent decarbonisation targets for the relevant priority sectors covering the majority of our lending portfolio.

For a full elaboration on how we manage climate and other ESG risks, we refer to our Risk Report, which is available at www.kbc.com.

Governance

KBC's risk management approach is supported by solid risk governance:

- The management of climate-related risks is fully embedded in our existing Risk Management Governance.
- Within our Audit Framework, ESG risks are covered in multiple audit tracks.
- Risk is part of the core team of the Sustainable Finance Programme, which focuses on integrating climate-related matters throughout the group.

- The senior general managers of Group Risk and Group Credit Risk are members of the Sustainable Finance Programme Steering Committee as well as the Sustainable Finance Data & Metrics Steering Committee and the Risk Function is also represented on the Internal Sustainability Board.
- The Board of Directors, the Risk & Compliance Committee and the Executive Committee are the prime recipients of the various outputs of the main risk management processes.
- As strong embeddedness in the local organisation is a key requirement, a similar governance is in place in each of KBC's core countries, with local general sustainability managers having been appointed and local risk functions taking active part in locally established sustainability committees.
- Sustainability has been integrated into the remuneration systems for our employees and especially our senior management.

For more details on sustainability governance, see 'Our Role in society' and 'Focus on climate' in the 'Report of the Board of Directors' section.

Risk identification

We use a variety of approaches to identify ESG risks. We continuously scan the internal and external environment for new and emerging risks we are exposed to in the short term (1 to 3 year horizon), in the medium term (4 to 10 year horizon) and in the long term (beyond 10 year horizon). By doing so, we also incorporate a forward-looking perspective.

To ensure proactive risk identification, we have taken the following initiatives:

- Climate risk, Cyber risk, Compliance risks (including Anti-Money Laundering, GDPR and Embargo) and Conduct risk have, for some years, been identified as top risks by the Group Executive Committee and Board of Directors.
- ESG risk signals are regularly reported to the Group Executive Committee, the Risk & Compliance Committee and the Board of Directors, via the Integrated Risk Report.
- Since 2020, strategic sectoral projects (so-called 'White Papers') are set up, with a focus on our credit business, advisory services and insurance activities, for eight carbon-intensive industrial sectors and three product lines (see 'Focus on climate' in the 'Report of the Board of Directors' section). The White Papers clearly analyse the challenges and technological developments of each sector and business line including the relevant European and local regulations and action plans, their impact on KBC's portfolios in terms of climate-related risks and opportunities, which reporting metrics can be used to steer these portfolios and so on. They also provide an initial outline of possible risk-mitigating measures, commercial policy adjustments and how we can steer the portfolio in line with the Paris Agreement.
- Sustainability and climate-related policies are taken into account when deciding on new products or services. Particular attention is devoted to the adequate 'green' labelling of newly developed products, aligned with regulatory frameworks such as the EU Taxonomy and the International Capital Markets Association (ICMA) Green Bond framework.
- Substantial progress was made in 2022 regarding physical risk assessments for our insurance portfolios. As flood risk is deemed to be one of the most prominent physical risks within KBC's portfolios, we performed a flood risk assessment in line with the UNEP FI methodology on various property insurance portfolios.
- Client dialogues are an essential part of KBC's approach to better understanding how business clients deal with sustainability challenges and to supporting them in this transition.
- For our non-life property insurance portfolio, we assess more extreme weather conditions (such as changes in storm and precipitation patterns and changes in the frequency of floods) through a number of internal and external measures and stress tests in order to analyse their potential impact. External broker and vendor models are used in KBC Insurance to model extreme events of this kind. KBC insists on an active dialogue regarding the inclusion of climate change in the scenario analysis performed by these providers. Physical risks in other regions around the world are also closely monitored, as they can affect the global reinsurance market on which KBC relies. Moreover, reinsurance counterparties' insights on KBC's portfolios are shared with KBC.
- In 2021, KBC developed a Climate Risk Impact Map. This annual risk identification process aims to identify, for different time horizons and different climate scenarios, the most material climate risk drivers impacting KBC's businesses and portfolios. For more details on methodology and results, we refer to our Risk Report. Since 2022, the conclusions of the Climate Risk Impact Map have been fed into our risk management processes. An extended elaboration on the Climate Risk Impact Map and its results are included in the 2022 Risk Report, which is available at www.kbc.com.
- We took several initiatives to further increase ESG risk awareness, for example by following up on new and changing regulations through a Sustainable Finance Legal Working Group, by regularly reporting on ESG risk signals to senior management and by organising internal communication and training for (risk) staff and management.

Risk measurement

We make use of a series of methodologies to strengthen our ability to identify, measure and analyse climate-related risks for our lending and investment activities. These provide further insights into the impact of climate change on our business model, as well as the impact of our activities on the environment. Integrating these methodologies enables us to gradually improve credit underwriting and investment policies, and supports us in engaging with our clients.

- The Paris Agreement Capital Transition Assessment (PACTA) methodology helps us to determine whether the companies in our loan portfolio are following a transition path in line with targets set by various climate transition scenarios. The scope of the 2022 PACTA exercise covers carbon-intensive activities within the steel, automotive, shipping, aviation, power, oil & gas, coal and cement sectors. Its results confirm that, within the industrial loan portfolio, KBC only has limited exposure to companies that contribute the most to global CO2 emissions in line with the existing activity scope of PACTA: KBC's granted exposure in the scope of PACTA amounts to only 3.2% of the total industrial loan book (excluding loans to SMEs, private persons, financial institutions, insurance companies and authorities).
- KBC Asset Management assesses the carbon footprint of investment products it offers using TRUCOST data and methodology. This methodology is also used to analyse KBC Insurance's investment book and KBC's Pension Funds.
- In 2021 and 2022 we rolled out the UNEP FI transition risk assessment methodology to highly climate-relevant sectors and their relevant sub-segments, covering a similar scope as the White Paper exercises. After selecting six different climate scenarios, we assessed the impact of a transition to a low-carbon economy by estimating how the portfolios' Expected Loss (EL) could potentially change if these scenarios were to materialise. The analyses' results highlighted the need for client interaction in the (sub-)sectors deemed most vulnerable to the low-carbon transition, so as to gain a better understanding of how these (sub-)sectors are mitigating the transition risks they are exposed to. The exercise's results still serve as important input for several climate-related processes, such as the Climate Risk Impact Map and the White Paper exercises. More information on the original assessment is available in the 2021 Risk Report at www.kbc.com.
- In 2022, for the fourth consecutive year, we calculated the financed emissions of our loan portfolios using the Partnership for Carbon Accounting Financials (PCAF) methodology. As in 2021, we used PCAF to calculate the associated financed emissions of our entire loan portfolio.
- For more details on the above-mentioned measurement methodologies, please refer to our Risk Report and Sustainability Report, which are available at www.kbc.com.

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

Setting & cascading risk appetite

KBC's Risk Appetite Statement evolves in sync with changes in the internal and external context and the strategic ambitions. KBC's risk appetite covers all material risks that KBC is exposed to, with particular attention for risks which dominate the external environment now and in the future. Given the increased importance KBC assigns to climate risk, a specific risk appetite objective is included in KBC's Risk Appetite Statement, covering both perspectives of 'double materiality'.

Other objectives also address other ESG themes, including:

- promoting a strong corporate culture which encourages responsible behaviour and is supported by a promotion and remuneration policy with a sustainable and long-term view;
- aiming to attract, develop and retain high-quality and committed staff;
- promoting strong Corporate Governance and Risk & Compliance Management and taking into account the internal and external context as key drivers to enhance the organisation's resilience and to create value.

KBC is committed to embedding climate and environmental impacts into its decision-making, products and processes with the aim of contributing positively to society and safeguarding KBC's long-term sustainability.

To be less vulnerable to changes in the external environment – including climate change – we pursue diversity and flexibility in our business mix, client segments, distribution channels and geographies, where we refrain from focusing on short-term gains at the expense of long-term stability. We manage volatility of net results by defining a solid risk management framework and risk appetite to ensure financial and operational resilience in the short, medium and long term.

The high-level risk appetite objectives are further specified for a number of risk types:

- From a credit risk perspective, KBC aims to limit the adverse impact of its activities on the environment and society and to stimulate positive impact, based on a responsible lending culture, the principles of which are laid out in the Credit Risk Standard on Sustainable and Responsible Lending. In line with its updated climate-related ambitions, KBC Group has defined targets to reduce future exposures to non-sustainable activities, while facilitating the transition towards a sustainable economy by providing financing to its clients for this purpose. The credit risk playing field is made tangible through Credit Risk Standards and group-wide policies that impose restrictions and recommendations with regard to credit risk.
- All treasury investment decisions are taken in line with the single binding framework, which defines the screening criteria for responsible investments.
- KBC has the ambition to keep its operational risk under control and to be well prepared for a variety of crises, including those with a climate risk driver, in order to avoid disruption of services and to be maximally protected against cybercrime. Integrity, availability and confidentiality of our company data and the data of our clients is of utmost importance.
- To manage reputational risks, KBC promotes a strong corporate culture that encourages responsible behaviour throughout the entire organisation, including in terms of social and environmental responsibility.
- To manage our compliance risks, we aim to comply with laws and regulations in the Compliance domains as determined by KBC's Compliance Charter, taking particular account of conduct risk and the integrity dimension.
- From an insurance perspective, KBC Group aims to limit the adverse impact of its activities on the environment and society, and to stimulate a positive impact, based on a responsible insurance culture and according to the principles described in the KBC Group Sustainability Framework. In line with its updated climate-related ambitions, KBC Insurance will further elaborate its policies and client engagement in sustainability. To support stability in earnings and capital for our insurance business, appropriate risk mitigation is implemented by reinsurance programmes protecting against the impact of large claims or accumulation of losses and by a diversified exposure across all core markets.

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

When integrating climate risk reflections into our risk appetite process, we not only focus on short-term impacts, but also take extended time horizons into consideration. Potential short-, medium- and long-term impacts as identified in the Climate Risk Impact Map (see 'Risk identification') provide input for our risk appetite discussions so that (early) warning signals can be given in case of expected material impacts (for all time horizons) with the aim of steering the strategic debate and initiating risk-mitigation actions in a timely manner (e.g., making policy adjustments or setting additional targets and limits).

Our first interim Climate Report further details KBC's commitment, decarbonisation targets in our role as a CCCA signatory. These ensure that our banking portfolios and business strategy are aligned with the Paris Agreement to keep global warming well below 2°C.

Risk analysis, reporting & follow-up

Indicators for climate-related risks and opportunities are integrated into the KBC Sustainability Dashboard and allow us to monitor progress in the implementation of our sustainability strategy and to make adjustments when necessary.

The Board of Directors, the Risk & Compliance Committee and the Executive Committee are the prime recipients of the main risk management reports (e.g., ICAAP/ILAAP/ORSA, Integrated Risk Reporting, Risk Appetite, etc.). Given that ESG risks are already well integrated into ICAAP/ILAAP/ORSA and related analyses, these risks are extensively addressed in these reports.

The growing attention for the management of environmental, social and governance (ESG) risk is also reflected in several legislative initiatives. For banks under ECB remit (such as KBC), for instance, supervisory requirements are formulated in the ECB guide on climate-related and environmental risks. In 2022, the ECB assessed our approach towards the expectations outlined in the guide, and the progress made on our implementation plans to reach full compliance, by means of the 2022 ECB thematic review of climate-related and environmental risk management practices. This review built further on the 2021 Questionnaires and made use of deep dives on our climate-related and environmental risk strategies, as well as governance and risk management frameworks and processes.

Since data are important to further monitor and steer our portfolios, to set targets and to be able to meet the various regulatory requirements (e.g., from EU Taxonomy disclosure regulation, EBA Pillar 3 requirements, Corporate Sustainability Reporting Directive (CSRD)), a dedicated Data and Metrics Project within the Sustainable Finance Programme is coordinating the data collection in all of our core countries. As of this year, the EBA templates on Pillar 3 disclosures on ESG-risk are included in the Risk Report, where a full overview of these templates can be found.

Stress testing

Climate transition and physical risk as well as social risk drivers have already been integrated into several internal stress test exercises (e.g., in reverse stress testing and the ICAAP/ORSA stress test). Additionally, KBC participated in the ECB Climate Stress Test. It can be concluded from the stress tests performed that, although climate risk is an increasingly prominent risk driver for KBC and the economy as a whole, there is no immediate threat to our capital and liquidity buffers. Although profitability can be impacted under the more severe climate-related stress scenarios, these would not bring KBC's profitability below adequate levels either. More information on the performed stress tests can be found in our Risk Report.

Climate stress test exercises and usage of climate scenarios will continue to be gradually enhanced following new insights from, for instance, our internal climate risk map (see 'Risk identification') or other methodological tracks which will help us to better translate the impact of climate pathways to financial parameters.

Environmental data is provided in various parts of the 'Our strategy' section. EU Taxonomy information is provided under the heading 'Focus on climate risks'.

How do we manage our capital?

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

Corporate governance statement

Composition of the Board and its committees at year-end 2022*

Name	Position	Period served on the Board in 2022	Expiry date of current term of office	Board meetings attended	Non-executive directors	Shareholders' representatives	Independent directors	Members DC	AC	RCC
	Number of meetings in 2022			10					7	9
DEBACKERE Koenraad	Chairman	Full year	2023	10	■					
DEPICKERE Franky	Deputy Chairman of the Board	Full year	2023	10	■	■				9(c)
THIJS Johan	President of the Executive Committee / Executive Director	Full year	2025	10				■(c)		
ANDRONOV Peter	Executive Director	8 months	2025	8				■		
BLAŽEK Aleš	Executive Director	Full year	2026	6				■		
LUTS Erik	Executive Director	Full year	2025	9				■		
MOUCHERON David	Executive Director	Full year	2025	9				■		
POPELIER Luc	Executive Director	Full year	2025	10				■		
VAN RIJSSEGHEM Christine	Executive Director	Full year	2026	10				■		
BOSTOEN Alain	Non-Executive Director	Full year	2024	10	■	■				
CALLEWAERT Katelijn	Non-Executive Director	Full year	2025	10	■	■				
CLINCK Erik	Non-Executive Director	Full year	2024	10	■	■				
DE BECKER Sonja	Non-Executive Director	Full year	2024	10	■	■				
DONCK Frank	Non-Executive Director	Full year	2024	10	■	■				
HERMANN Peter	Independent Director	Full year	2025	9	■		■		6	8
LANGFORD Andrew	Independent Director	Full year	2026	9	■		■		6	8
OKKERSE Liesbet	Non-Executive Director	Full year	2024	10	■	■				
ROUSSIS Theodoros	Non-Executive Director	Full year	2024	9	■	■				
VLERICK Philippe	Non-Executive Director	Full year	2024	10	■	■				
WITTEMANS Marc	Non-Executive Director	Full year	2024	10	■	■			7(c)	

* John Hollows, who was director until 27 April 2022, attended four Board meetings.
Statutory auditor: PwC Bedrijfsrevisoren BV, represented by Damien Walgrave and Kurt Cappoen.
Secretary to the Board of Directors: Wilfried Kupers.
Abbreviations: Board of Directors: Board; Executive Committee: EC; Audit Committee: AC; Risk & Compliance Committee: RCC
(c) Chairman of this committee

Changes in the composition of the Board in 2022

- Aleš Blažek was appointed as director for a term of four years and became executive director following his appointment as member of the EC. He is replacing John Hollows, whose term of office ended after he reached the age limit.
- Andrew Langford and Christine Van Rijsseghem were re-appointed as directors for a new four-year term of office.

Changes in the composition of the committees of the Board in 2022

The composition of the committees remained unchanged in 2022.

Proposed changes in the composition of the Board in 2023

- Katelijn Callewaert and Marc Wittemans will resign as directors with effect from the general meeting. The Board would like to express its gratitude for the contribution they have made to the KBC group over many years.
- On the advice of the Nomination Committee, the Board proposes that Marc De Ceuster and Raf Sels be appointed as directors for a four-year term of office.
- On the advice of the Nomination Committee, Koenraad Debackere and Franky Depickere are nominated for reappointment as directors for a new term of office, expiring after the general meeting in 2027.

Brief CV for the proposed new directors:

- Born in Brecht on 1 December 1962, Marc De Ceuster holds a Doctor's degree in Applied Economics and a Master's Degree in Law. He is Professor of Financial Economics at the University of Antwerp, where he teaches in the domains of Financial Economics, Derivative Financial Instruments and Risk Management. He has also published in several international journals. In the past, he held the position of part-time Director of Risk Management at Deloitte (2001-2005) and chaired the Policy Committee of the University of Antwerp Business School (2005-2008). Between 2009 and 2015, he served on the Board of Directors as observer for the Flemish Regional Government and subsequently as Director of KBC Group (and member of the Audit Committee and the Risk & Compliance Committee), and from 2018 to 2019 he was an independent director of Arkea Direct Bank. In late 2019, he joined the Board of Directors of Almancora Management Company as an independent director, where he first served as Chairman of the Audit Committee and then as Chairman of the Board of Directors, the Remuneration Committee and the Nomination Committee.
- Born in Lommel on 12 January 1973, Raf Sels holds a Bachelor's Degree in Business Management Accountancy & Tax from Provinciaal Hoger Handelsinstituut in Hasselt and is also a Certified Tax Accountant (ITAA). He furthered his education taking a variety of management and financial courses. Having started out as a consultant in an accounting firm, in 1996 Raf joined SBB Accountants & Adviseurs, where he first held a number of commercial positions before becoming COO of the company in 2011 and rising to the position of CEO in 2016. Since 2022, he has been CEO and Executive Director of Maatschappij voor Roerend Bezit van de Boerenbond (MRBB) BV. Furthermore, Raf sits on the Board of Directors of several MRBB group companies.

Composition of the EC (as at 31-12-2022)

The Executive Committee has seven members, viz. Johan Thijs (Group CEO/President of the EC), David Moucheron (CEO of the Belgium Business Unit), Aleš Blažek (CEO of the Czech Republic Business Unit), Erik Luts (Chief Innovation Officer), Peter Andronov (CEO of the International Market Business Unit), Luc Popelier (Chief Financial Officer) and Christine Van Rijsseghem (Chief Risk Officer).

Statutory auditor

The statutory auditor, PwC Bedrijfsrevisoren BV (PwC), was represented by Messrs Damien Walgrave and Kurt Cappoen.

Additional information

- Following the share acquisition transaction on 23 December 2015, KBC Insurance holds 48 889 treasury shares.
- Conflicts of interest that fell within the scope of Articles 7:115, 7:116 and 7:117 of the Belgian Companies and Associations Code: during financial year 2022, the Board's decision to grant discharge to the members of the EC – in implementation of

Article 7:109, § 3 of the CAC – required the application of Article 7:115 of the CAC. The proposal was discussed at the Board meeting of 17 March 2022, the relevant minutes of which are provided below:

It is explained that KBC Insurance has a dual governance model, though hybrid since all members of the Executive Committee must also sit on the Board of Directors. Article 7:109, §3 of the CCA provides that, after adoption of the annual accounts, the Board has to decide on granting discharge to the members of the Executive Committee. The Board has to describe the pecuniary consequences of the proposed decision and the justification for its decision.

The Board recognises that there is a conflict of interest of a patrimonial nature, but that there is no patrimonial impact since the Board does not intend to bring a claim for damages against the Executive Committee and its members.

The Board decides to grant discharge to the members of the Executive Committee.

There were no conflicts of interest that required the application of Article 7:116 or 7:117 of the CAC.

- Discharge to directors and to the statutory auditor: it will be requested at the General Meeting to grant discharge to the directors and auditor for the performance of their mandate in financial year 2022.
- At year-end 2022, the AC comprised the following members:
  - Marc Wittemans (non-executive director), who holds a Master's Degree in Applied Economics, and degrees in Fiscal Sciences and Actuarial Sciences, was Managing Director of MRBB CVBA, the holding company of the Boerenbond (farmers' union), until the end of August, and is the Chairman of the AC. Marc De Ceuster (see CV above) will succeed him as Chairman of the AC with effect from the general meeting in 2023.-
  - Andrew Langford (independent director), who is a graduate in Commerce and a Fellow of the Institute of Chartered Accountants, was Finance Director of FBD Insurance (2003-2008), Group Chief Executive of FBD Holdings plc and FBD Insurance plc (until 2015). Since May 2017, he has been CFO and Executive Director of Version 1 Software UK Limited, a digital transformation partner for large domestic and international corporate customers from across the industrial spectrum in the UK and Ireland.
  - Peter Hermann (independent director), who holds a Master of Science in Actuarial Mathematics and an MBA, held various positions in PFA Pension (1997-2011), was director and COO of Nordea Liv & Pension (2011-2013), was responsible for the Prevention, Health & Actuarial Department of PFA Pension (2014-2016), became CEO of Topdanmark Livsforsikring in 2016 and has been CEO of Topdanmark A/S since 2018.

  They possess the necessary individual and collective expertise in the activities of KBC Insurance and in the fields of accounting and audit, based on their education and extensive business experience.
- At year-end 2022, the RCC comprised the following members:
  - Franky Depickere (Deputy Chairman of the Board), who holds Master's Degrees in Trade & Finance (UFSIA Antwerp) and in Financial Management (VLEKHO Business School). He was internal auditor at CERA Bank and has held positions and offices in various financial institutions. He is currently Managing Director at Cera CV and KBC Ancora NV. Mr Depickere is the Chairman of the RCC.
  - Andrew Langford (independent director).
  - Peter Hermann (independent director).

  It can be concluded on the basis of the profiles and competences of the members that each individual member and the RCC as a whole possess the requisite skills and experience.
- In compliance with the laws on the incompatibility of offices held by executives and managers of insurance institutions and in accordance with National Bank of Belgium Circular PPB-2006-13-CPB-CPA on external offices held by executives and managers of regulated enterprises, the accompanying annex contains a list of the external offices held by the executives and directors of KBC Insurance in other companies.

An overview of the external mandates of the non-executive directors of KBC Insurance NV as of 31.12.2022 can be found on the website www.kbc.com at https://www.kbc.com/en/corporate-governance/management/externe-mandaten.html .

Consolidated financial statements

Abbreviations used

- AC = amortised cost
- AFS = available for sale (IAS 39)
- ALM = asset/liability management
- ECL = expected credit loss
- FA = financial assets
- FV = fair value
- FVO = fair value option
- FVOCI = fair value through other comprehensive income
- FVPL = fair value through profit or loss
- FVPL – overlay = measured at fair value through profit or loss – overlay approach
- GCV = gross carrying value
- HFT = held for trading
- OCI = other comprehensive income
- POCI = purchased or originated credit impaired assets
- SPPI = assessment whether contractual cashflows are solely payments of principal and interest
- SRB = Single Resolution Board
- R/E = retained earnings
- P&L = profit or loss

Consolidated income statement

(in millions of EUR)	Note	2022	2021
Net interest income	3.1	428	398
Interest income	*3.1*	*468*	*434*
Interest expense	*3.1*	*- 40*	*- 36*
Non-life insurance (before reinsurance)	3.7	900	799
Earned premiums	*3.7*	*2 054*	*1 905*
Technical charges	*3.7*	*- 1 154*	*- 1 106*
Life insurance (before reinsurance)	3.7	92	46
Earned premiums	*3.7*	*1 163*	*1 196*
Technical charges	*3.7*	*- 1 071*	*- 1 150*
Ceded reinsurance result	3.7	- 2	25
Dividend income	3.2	39	31
Net result from financial instruments at fair value through profit or loss	3.3	91	117
of which result on equity instruments (overlay approach)	*3.3*	*86*	*104*
Net realised result from debt instruments at fair value through OCI	3.4	- 16	- 2
Net fee and commission income	3.5	- 407	- 373
Fee and commission income	*3.5*	*163*	*161*
Fee and commission expense	*3.5*	*- 570*	*- 533*
Net other income	3.6	73	74
TOTAL INCOME		1 198	1 116
Operating expenses	3.8	- 522	- 480
Staff expenses	*3.8*	*- 245*	*- 233*
General administrative expenses	*3.8*	*- 257*	*- 225*
Depreciation and amortisation of fixed assets	*3.8*	*- 20*	*- 21*
Impairment	3.10	1	- 3
on financial assets at AC and at FVOCI	*3.10*	*1*	*5*
on goodwill	*3.10*	*0*	*0*
other	*3.10*	*0*	*- 7*
Share in results of associated companies and joint ventures	3.11	0	0
RESULT BEFORE TAX		677	633
Income tax expense	3.12	- 117	- 125
Net post-tax result from discontinued operations	-	0	0
RESULT AFTER TAX		560	508
attributable to minority interests	-	0	0
of which relating to discontinued operations	-	*0*	*0*
attributable to equity holders of the parent	**-**	**560**	**508**
of which relating to discontinued operations	-	*0*	*0*

- We have dealt with the main items in the income statement in the ‘Report of the Board of Directors’ under the ‘Our financial report’ section (which has not been audited by the statutory auditor).
- The breakdown of interest income and interest expense on financial instruments calculated using the effective interest rate method and on other financial instruments (not calculated using the effective interest rate method) is provided in Note 3.1.
- Overview of the impact of the overlay approach on the consolidated income statement: this approach has been applied to the equity instruments held by the group’s insurance companies. These equity instruments, which have mainly been classified as ‘Available for sale’ under IAS 39, would be measured at FVPL under IFRS 9. For as long as IFRS 17 is not effective (until 31 December 2022), the overlay approach allows for increased volatility reported in the income statement as a result of applying IFRS 9 to be removed from the income statement to OCI. This increased volatility, which was reclassified out of ‘Net result from financial instruments at FVPL’ to ‘Revaluation reserve (FVPL equity instruments) – overlay approach’, relates to -350 million euros in unrealised changes in fair value in 2022 (-356 million euros before tax). That is the difference between (i) the result under IFRS 9 (without applying the overlay approach), i.e. -265 million euros, of which -270 million euros in realised and unrealised changes in fair value recognised in ‘Net result from financial instruments at FVPL’ and +5 million euros in taxes, and (ii) the result under IAS 39, i.e. 86 million euros, comprising a net realised result of 176 million euros and an impairment of -90 million euros. More details are provided in Note 1.2.
- More information on the adoption of IFRS 17 in 2023 can be found in Note 6.10.

Illustration of the overlay approach (in millions of EUR)	Under IAS39	Under IFRS 9 without overlay (choice FVPL)	Impact overlay	Under IFRS 9 with overlay
Realised results through profit or loss	176	176	—	176
Unrealised results through profit or loss	—	- 446	- 446	—
Impairment through profit or loss	- 90	—	90	- 90
Realised and unrealised results through OCI	- 356	—	356	- 356
Income taxes (through profit or loss or OCI)	5	5	—	5
Total through profit or loss or OCI	- 265	- 265	0	- 265

Consolidated statement of comprehensive income

(in millions of EUR)	2022	2021
RESULT AFTER TAX	560	508
attributable to minority interests	0	0
attributable to equity holders of the parent	560	508
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	- 1 540	- 157
Net change in revaluation reserve (FVOCI debt instruments)	- 1 197	- 346
Fair value adjustments before tax	- 1 593	- 453
Deferred tax on fair value changes	385	109
Transfer from reserve to net result	11	- 3
Impairment	- 1	- 4
Net gains/losses on disposal	16	1
Deferred taxes on income	- 3	0
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 350	172
Fair value adjustments before tax	- 270	279
Deferred tax on fair value changes	5	- 4
Transfer from reserve to net result	- 86	- 104
Impairment	90	20
Net gains/losses on disposal	- 176	- 123
Deferred taxes on income	0	0
Net change in hedging reserve (cashflow hedges)	- 1	0
Fair value adjustments before tax	- 2	0
Deferred tax on fair value changes	0	0
Transfer from reserve to net result	0	0
Gross amount	0	0
Deferred taxes on income	0	0
Net change in translation differences	6	17
Gross amount	6	17
Deferred taxes on income	0	0
Hedge of net investments in foreign operations	0	0
Fair value adjustments before tax	0	0
Deferred tax on fair value changes	0	0
Transfer from reserve to net result	0	0
Gross amount	0	0
Deferred taxes on income	0	0
Net change in respect of associated companies and joint ventures	0	0
Gross amount	0	0
Deferred taxes on income	0	0
Other movements	2	0

(in millions of EUR)	2022	2,021
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	21	61
Net change in revaluation reserve (FVOCI equity instruments)	- 1	42
Fair value adjustments before tax	- 1	42
Deferred tax on fair value changes	0	0
Net change in defined benefit plans	22	18
Remeasurements	30	24
Deferred tax on remeasurements	- 7	- 6
Net change in own credit risk	0	0
Fair value adjustments before tax	0	0
Deferred tax on fair value changes	0	0
Net change in respect of associated companies and joint ventures	0	0
Remeasurements	0	0
Deferred tax on remeasurements	0	0
TOTAL COMPREHENSIVE INCOME	- 959	411
attributable to minority interests	0	0
attributable to equity holders of the parent	- 959	411

- Revaluation reserves in 2022: the net change in the 'revaluation reserve (FVPL equity instruments) – overlay approach' came to -350 million euros and was largely attributable to negative changes in fair value and to transfers to the net result (gains on sales offset in part by impairment charges. The net change in the 'revaluation reserve (FVOCI debt instruments)' came to (-1 197 million euros, which was mainly accounted for by higher interest rates, related primarily to government bonds of European countries. The net change in defined benefit plans (+22 million euros) was accounted for by the impact of the higher discount rate applied to the liabilities, partly offset by the negative returns on plan assets and higher inflation. The net change in the 'revaluation reserve (FVOCI equity instruments)' was immaterial. The net change in translation differences (+6 million euros) was caused primarily by the appreciation of the Czech koruna against the euro, partially cancelled out by the depreciation of the Hungarian forint against the euro.
- Revaluation reserves in 2021: the net change in the 'revaluation reserve (FVPL equity instruments) – overlay approach' came to +172 million euros and was largely attributable to positive changes in fair value, partly offset by transfers to the result (gains on sales offset in part by impairment charges). The net change in the 'revaluation reserve (FVOCI debt instruments)' came to -346 million euros, which was mainly accounted for by higher interest rates, related primarily to government bonds of various European countries. The net change in translation differences (+17 million euros) was caused primarily by the appreciation of the Czech koruna (CZK) against the euro. The net change of the 'revaluation reserve (FVOCI debt instruments)' came to +49 million euros in 2021, which was largely attributable to positive changes in fair value related to an amendment to the Articles of Association of an unlisted equity participation, as a result of which KBC is entitled to a higher amount of compensation in the event of an exit. The net change in defined benefit plans (+18 million euros) related mainly to higher discount rates applied to the liabilities and the positive returns on plan assets partly offset by a higher – and as of the third quarter of 2021 – market-based inflation curve.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2022	31-12-2021
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions	-	377	509
Financial assets	4.0	32 568	36 706
Amortised cost	*4.0*	*9 900*	*9 560*
Fair value through OCI	*4.0*	*8 564*	*11 108*
Fair value through profit or loss	*4.0*	*14 035*	*16 017*
of which held for trading	*4.0*	*26*	*29*
Hedging derivatives	*4.0*	*69*	*21*
Reinsurers' share in technical provisions, insurance	5.6	192	191
Profit/loss on positions in portfolios hedged against interest rate risk	-	0	0
Tax assets	5.2	235	83
Current tax assets	*5.2*	*50*	*45*
Deferred tax assets	*5.2*	*185*	*38*
Non-current assets held for sale and disposal groups	5.11	0	0
Investments in associated companies and joint ventures	5.3	0	0
Property, equipment and investment property	5.4	302	282
Goodwill and other intangible assets	5.5	210	212
Other assets	5.1	874	758
TOTAL ASSETS		**34 758**	**38 741**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	13 179	14 591
Amortised cost	*4.0*	*1 166*	*968*
Fair value through profit or loss	*4.0*	*12 005*	*13 608*
of which held for trading	*4.0*	*3*	*5*
Hedging derivatives	*4.0*	*7*	*14*
Technical provisions, before reinsurance	5.6	18 491	18 974
Profit/loss on positions in portfolios hedged against interest rate risk	-	0	0
Tax liabilities	5.2	90	346
Current tax liabilities	*5.2*	*16*	*44*
Deferred tax liabilies	*5.2*	*74*	*302*
Liabilities associated with disposal groups	5.11	0	0
Provisions for risks and charges	5.7	2	3
Other liabilities	5.8	838	836
TOTAL LIABILITIES		32 601	34 750
Total equity	5.10	2 157	3 991
Parent shareholders' equity	5.10	2 157	3 991
Minority interests	-	0	0
TOTAL LIABILITIES AND EQUITY		**34 758**	**38 741**

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revalu-ation reserves	Parent share-holder's equity	Minority interests	Total equity
2022								
Balance at the beginning of the perioc	65	1 086	- 203	1 888	1 155	3 991	0	3 991
Net result for the period	0	0	0	560	0	560	0	560
Other comprehensive income for the period	0	0	0	2	- 1 521	- 1 519	0	- 1 519
Subtotal	0	0	0	562	- 1 521	- 959	0	- 959
Dividends	0	0	0	- 875	0	- 875	0	- 875
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 1	1	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0
Total change	0	0	0	- 314	- 1 520	- 1 834	0	- 1 834
Balance at the end of the period	**65**	**1 086**	**- 203**	**1 574**	**- 365**	**2 157**	0	**2 157**
2021								
Balance at the beginning of the perioc	65	1 086	- 203	1 616	1 251	3 815	0	3 815
Net result for the period	0	0	0	508	0	508	0	508
Other comprehensive income for the period	0	0	0	0	- 97	- 97	0	- 97
Subtotal	0	0	0	508	- 97	411	0	411
Dividends	0	0	0	- 235	0	- 235	0	- 235
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	0	0	0	0	0
Change in minority interests	0	0	0	0	0	0	0	0
Total change	0	0	0	272	- 97	176	0	176
Balance at the end of the period	**65**	**1 086**	**- 203**	**1 888**	**1 155**	**3 991**	**0**	**3 991**

An explanation of the changes in the revaluation reserves is provided under 'Consolidated statement of comprehensive income'.

- For information on the shareholder structure, see the 'Report of the Board of Directors' in the 'Corporate governance statement' section.
- For information on the shareholder structure, see Note 3 in the 'Company annual accounts and additional information' section and the 'Corporate governance statement' in the 'Report of the Board of Directors' section.
- For information on treasury shares and the number of shares, see Note 5.10.
- The 'Dividends' item in 2021 (235 million euros) includes the payment of an interim dividend of 235 million euros as an advance on the final dividend for 2021. The 'Dividends' item in 2022 (875 million euros) includes the final dividend for 2021 (524 million euros) as well as the payment of an interim-dividend of 351 million euros. We will propose to the General Meeting of Shareholders of 26 April 2023 a gross final dividend for financial year 2022 of 308 million euros, bringing the total gross dividend to 659 million euros.
-

(in millions of EUR)	31-12-2022	31-12-2021	01-01-2021
Revaluation reserve (FVOCI debt instruments)	- 629	567	913
Revaluation reserve (FVPL equity instruments) - overlay	146	496	325
Revaluation reserve (FVOCI equity instruments)	49	49	7
Hedging reserve (cashflow hedges)	- 2	0	0
Translation differences	24	18	0
Hedge of net investments in foreign operations	1	1	1
Remeasurement of defined benefit plans	46	24	5
Total revaluation reserves	**- 365**	**1 155**	**1 251**

Consolidated cashflow statement

(in millions of EUR)	Note (1)	2022	2021
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	677	633
Adjustments for:	-	- 410	149
Result before tax from discontinued operations	Consolidated income statement	0	0
Depreciation, impairment and amortisation of property and equipment, intangible fixed assets, investment property and securities	3.3, 3.10, 4.2, 5.4, 5.5	126	63
Profit/Loss on the disposal of investments	-	- 74	- 5
Change in impairment on loans and advances	3.10	0	- 1
Change in technical provisions (before reinsurance)	5.6	- 250	275
Change in the reinsurers' share in the technical provisions	5.6	3	- 41
Change in other provisions	5.7	0	0
Other unrealised gains/losses	-	- 214	- 143
Income from associated companies and joint ventures	3.11	0	0
Cashflows from operating profit before tax and before changes in operating assets and liabilities	-	267	783
Changes in operating assets (excluding cash and cash equivalents)	-	2 683	705
Financial assets at amortised cost (excluding debt securities)	4.1	173	146
Financial assets at fair value through OCI	4.1	964	1 164
Financial assets at fair value through profit or loss	4.1	1 709	- 508
of which financial assets held for trading	*4.1*	*4*	*- 18*
Hedging derivatives	4.1	- 47	- 16
Operating assets associated with disposal groups, and other assets	-	- 116	- 81
Changes in operating liabilities (excluding cash and cash equivalents)	-	- 1 633	618
Financial liabilities at amortised cost	4.1	198	- 23
Financial liabilities at fair value through profit or loss	4.1	- 1 603	842
of which financial liabilities held for trading	*4.1*	*- 2*	*- 2*
Hedging derivatives	4.1	- 9	- 26
Technical provisions, before reinsurance	5.6	- 249	- 170
Operating liabilities associated with disposal groups and other liabilities	-	30	- 6
Income taxes paid	3.12	- 112	- 131
Net cash from or used in operating activities		1 206	1 974
INVESTING ACTIVITIES			
Purchase of debt securities at amortised cost	4.1	- 1 913	- 1 696
Proceeds from the repayment of debt securities at amortised cost	4.1	1 434	285
Acquisition of a subsidiary or a business unit, incl. cash acquired (including increases in percentage interest held)	6.6	- 52	- 71
Proceeds from the disposal of a subsidiary or business unit, incl. cash disposed of (including decreases in percentage interest held)	-	111	0
Purchase of shares in associated companies and joint ventures	-	0	0
Proceeds from the disposal of shares in associated companies and joint ventures	-	0	0
Dividends received from associated companies and joint ventures	-	0	0
Purchase of investment property	5.4	- 15	- 10
Proceeds from the sale of investment property	5.4	2	6
Purchase of intangible fixed assets (excluding goodwill)	5.5	- 19	- 37
Proceeds from the sale of intangible fixed assets (excluding goodwill)	5.5	2	18
Purchase of property and equipment	5.4	- 6	- 6
Proceeds from the sale of property and equipment	5.4	4	4
Net cash from or used in investing activities		- 453	- 1 508

(in millions of EUR)	Note (1)	2022	2021
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Consolidated statement of changes in equity	0	0
Issue or repayment of promissory notes and other debt securities	4.1	0	0
Proceeds from or repayment of subordinated liabilities	4.1	0	0
Proceeds from the issuance of share capital	Cons. statement of changes in equity	0	0
Issue of additional tier-1 instruments	Consolidated statement of changes in equity	0	0
Dividends paid	Cons. statement of changes in equity	- 875	- 235
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	0	0
Net cash from or used in financing activities		- 875	- 235
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents	-	- 122	231
Cash and cash equivalents at the beginning of the period	-	510	278
Effects of exchange rate changes on opening cash and cash equivalents	-	- 1	1
Cash and cash equivalents at the end of the period	-	387	510
ADDITIONAL INFORMATION			
Interest paid	3.1	- 40	- 36
Interest received	3.1	468	434
Dividends received (including equity method)	3.2, 5.3	39	31
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	377	509
Term loans to banks at not more than three months (excl. reverse repos)	4.1	10	1
Reverse repos up to three months with credit institutions and investment firms	4.1	0	0
Deposits from banks repayable on demand	4.1	0	0
Cash and cash equivalents belonging to disposal groups	-	0	0
Total	-	387	510
of which not available	-	*0*	*0*

(1) The notes referred to do not always contain the exact same amounts as those included in the cashflow statement, as - among other things - adjustments have been made to take account of acquisitions or disposals of subsidiaries, as set out in IAS 7.

(2) 'Interest paid' and 'Interest received' in this overview are the equivalent of the 'Interest expense' and 'Interest income' items in the consolidated income statement. Given the large number of underlying contracts that generate interest expense and interest income, it would take an exceptional administrative effort to establish actual cashflows. Moreover, it is reasonable to assume that actual cashflows for a bank-insurance company do not differ much from the accrued interest expense and accrued interest income, as most rate products pay interest regularly within the year.

- KBC uses the indirect method to report on cashflows from operating activities.
- Net cash from or used in operating activities in 2022 and 2021 included the realised result as well as the lower outstanding debt instruments at fair value through OCI.
- Net cash from or used in investing activities in 2022 and 2021 was mainly accounted for by additional investments in debt securities at amortised cost. In 2022, these items also included -52 million euros related to the acquisition of Renaissance Magister Invest NV and +111 million euros related to the sale of KBC Verzekeringen Vastgoed Nederland I BV. In 2021, these items also included -71 million euros related to the acquisition of NN's Bulgarian pension and life insurance business (see Note 6.6)
- Net cash from financing activities in 2022 and 2021 related to the dividend payment (-875 million euros and -235 million euros, respectively).

1.0 Notes on the accounting policies

Note 1.1: Statement of compliance

The consolidated financial statements of KBC Insurance NV, including all the notes, were authorised for issue on 16 March 2023 by the Board of Directors. They have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS') and present one year of comparative information. All amounts are shown in millions of euros and rounded to the million (unless otherwise stated).

No new IFRS standards became effective on 1 January 2022 that have significant consequences for KBC.

The following IFRS standards were issued but not yet effective in 2022. KBC will apply these standards when they become mandatory.

- IFRS 17: see Note 6.10.
- Amendments to IAS 1 Presentation of Financial Statements: the amended IAS 1 requires that companies provide information about material accounting policies rather than a list of their main accounting policies. KBC will apply this amendment when it becomes mandatory, i.e. in the 2023 Annual Report.
- Other: the IASB has published several limited amendments to existing IFRSs and IFRICs. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

Note 1.2: Summary of significant accounting policies

General / Basic principle

The general accounting principles of KBC Group NV ('KBC') are based on the International Financial Reporting Standards (IFRS), as adopted by the European Union, and on the IFRS Framework. The financial statements of KBC are prepared based on the going concern assumption. It presents each material class of similar items separately. Dissimilar items are presented separately unless they are immaterial, and items are only offset when explicitly required or permitted by the relevant IFRS.

Financial assets

KBC has applied all the requirements of IFRS 9 since 1 January 2018, except for hedge accounting transactions, which continue to be accounted for in accordance with IAS 39.

Financial assets – recognition and derecognition

Recognition: financial assets and liabilities are recognised in the balance sheet when KBC becomes party to the contractual provisions of the instruments. Regular-way purchases or sales of financial assets are recognised using settlement date accounting. All financial assets – except those measured at fair value through profit or loss – are measured initially at fair value plus transaction costs directly attributable to their acquisition.

Derecognition and modification: KBC derecognises a financial asset when the contractual cashflows from the asset expire or when KBC transfers its rights to receive contractual cashflows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. If the terms and conditions change during the term of a financial asset, KBC assesses whether the new terms are substantially different from the original ones and whether the changes indicate that the rights to the cashflows from the instrument have expired. If it is concluded that the terms are substantially different, the transaction is accounted for as a financial asset derecognition, which means that the existing financial asset is removed from the balance sheet and that a new financial asset is recognised based on the revised terms. Conversely, when KBC assesses that the terms are not substantially different, the transaction is accounted for as a financial asset modification.

Write-offs: KBC writes off the gross carrying value of financial assets (or the part of the gross carrying value) deemed uncollectable. This means that there is no reasonable expectation that KBC will recover any interest or principal in a timely manner. The timing of write-offs depends on several factors, including the portfolio, the existence and type of collateral, the settlement process in each jurisdiction, and local legislation. If a loan is uncollectable, the gross carrying value is written off directly against the corresponding impairment. Recoveries of amounts previously written off are recognised as reversals of impairments in the income statement. KBC differentiates between write-offs for financial reporting purposes (which are still subject to credit enforcement activities) and debt forgiveness. The latter entails the forfeiture of the legal right to recover all or part of the debt outstanding to the client.

Classification of equity instruments and debt instruments

On initial recognition of a financial asset, KBC first assesses the contractual terms of the instrument in order to classify it as an equity instrument or a debt instrument. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets. To satisfy this condition, KBC checks that the instrument does not include a contractual obligation requiring the issuer to deliver cash or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer. Any instruments that do not meet the criteria to qualify as equity instruments are classified as debt instruments by KBC, with the exception of derivatives.

Classification and measurement – debt instruments

If KBC concludes that a financial asset is a debt instrument, then – upon initial recognition – it can be classified in one of the following categories:

- Measured at fair value through profit or loss (FVPL);
  - Mandatorily measured at fair value through profit or loss (MFVPL) – this category includes held-for-trading instruments (HFT);
  - Designated upon initial recognition at fair value through profit or loss (FVO);
  - Measured at fair value through profit or loss – overlay approach (FVPL – overlay);
- Measured at fair value through other comprehensive income (FVOCI);
- Measured at amortised cost (AC).

Debt instruments have to be classified in the FVPL category where (i) they are not held within a business model whose objective is to hold assets in order to collect contractual cashflows or within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets or, alternatively, (ii) they are held within a business model but, on specified dates, the contractual terms of the instrument give rise to cashflows that are not solely payments of principal and interest on the principal amount outstanding.

Furthermore, KBC may in some cases – on initial recognition – irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at fair value (FVO) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated to be measured at FVO:

- the asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated to be measured at FVO:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
- the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is categorised as 'FVPL – overlay' when it is held in respect of a business line that is connected with contracts in scope of IFRS 4 and if it is measured at fair value through profit or loss by applying IFRS 9, but would not have been measured at fair value through profit or loss in its entirety in accordance with IAS 39, and it is an instrument for which KBC has elected to use the overlay approach. More information on this approach is provided under 'Overlay approach' further below.

Business model assessment

The business model is assessed to determine whether debt instruments should be measured at AC or FVOCI. In performing the assessment, KBC reviews at portfolio level the objective of the business model in which an asset is held because this best reflects how the business is managed and how information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and how those policies operate in practice (in particular, whether management's strategy focuses on earning contractual interest income, maintaining a specific interest rate profile, matching the duration of the financial assets to that of the liabilities that fund those assets, or realising cashflows through the sale of the assets);
- how the performance of the portfolio is evaluated and reported to KBC's Executive Committee and Board of Directors;
- the risks that affect the performance of the business model (and the financial assets held within that model) and how those risks are managed;
- how managers of the business are rewarded (for instance, whether remuneration is based on the fair value of the assets managed or the contractual cashflows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and KBC's expectations of future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how KBC's stated objective for managing the financial assets is achieved and how cashflows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVPL, because they are neither held for collecting contractual cashflows, nor held for both collecting contractual cashflows and selling financial assets.

Assessment whether contractual cashflows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. In assessing whether contractual cashflows are solely payments of principal and interest, KBC considers the contractual terms of the instrument, which entails assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that the instrument would not meet this condition. In making the assessment, KBC considers:

- contingent events that could change the amount and timing of cashflows;
- leverage features;
- prepayment and extension terms;
- terms that limit KBC's claim to cashflows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g., periodic resets of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition except in a period after KBC changes its business model for managing financial assets, which can occur when KBC begins or ceases to perform an activity that is significant to its operations (e.g., when KBC acquires, disposes of, or terminates a business line). Reclassification takes place from the start of the reporting period immediately following the change.

Classification and measurement – equity instruments

Financial equity instruments are classified in one of the following categories:

- mandatorily measured at fair value through profit or loss (MFVPL) – only includes equity instruments held for trading (HFT);
- equity instruments elected to be measured at fair value through other comprehensive income (FVOCI);
- equity instruments held in an activity connected with the insurance business, which KBC measures at fair value through profit or loss – overlay approach (FVPL – overlay).

KBC can classify equity instruments connected with the insurance business in the 'FVPL – overlay' category until the effective date of IFRS 17. Each equity instrument that KBC's insurance business classifies as 'FVPL – overlay' must meet both of the following criteria:

- it is measured at fair value through profit or loss under IFRS 9, but would not have been measured at fair value through profit or loss in its entirety under IAS 39; and
- it is not held in respect of an activity that is unconnected with insurance contracts.

More information on this approach is provided under 'Overlay approach' further below. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis, which is interpreted by KBC as a share-by-share basis. Equity instruments categorised as FVOCI are subsequently measured at fair value, with all value changes recognised in other comprehensive income and without any recycling into the income statement, even when the investment is disposed of. The only exception applies to dividend income, which is recognised in the income statement under ‘Dividend income’.

Classification and measurement – derivatives (trading and hedging)

KBC can recognise derivative instruments either for trading purposes or as hedging derivatives. They can be accounted for as assets or liabilities depending on their current market value.

Trading derivatives

Derivatives are always measured at fair value and KBC draws distinctions as follows:

- Derivatives that are held with the intent of hedging, but for which hedge accounting cannot be or is not applied (economic hedges): hedging instruments can be acquired with the intention of economically hedging an external exposure but without applying hedge accounting. The interest component of these derivatives is recognised under ‘Net interest income’, while all other fair value changes are recognised under ‘Net result from financial instruments at fair value through profit or loss’.
- Derivatives held with no intent of hedging (trading derivatives): KBC entities can also contract derivatives without any intention to hedge a position economically. Such activity can relate to closing or selling an external position in the near term or for short-term profit-taking purposes. All fair value changes (including interest) on such derivatives are recognised under ‘Net result from financial instruments at fair value through profit or loss’.

Hedging derivatives

Hedging derivatives are derivatives that are specifically designated in a hedge relationship. The process for accounting such derivatives is detailed in ‘Hedge accounting’.

Financial assets – impairment

Definition of default

KBC defines defaulted financial assets in the same way as the definition for internal risk management purposes and in line with the guidance and standards of financial industry regulators. A financial asset is considered in default if any of the following conditions is fulfilled:

- there is a significant deterioration in creditworthiness;
- the asset is flagged as non-accrual;
- the asset is forborne and meets the default criteria in accordance with the internal policies for forbearance (for example, when an additional forbearance measure is extended to a forborne asset that did not reach default status within two years of the first forbearance measure being granted, or when a forborne asset becomes more than 30 days past due within the two-year period);
- KBC has filed for the borrower's bankruptcy;
- the counterparty has filed for bankruptcy or sought similar protection measures;
- the credit facility granted to the client has been terminated.

KBC applies a backstop for facilities whose status is '90 days or more past due'. In this context, a backstop is used as a final control to ensure that all the assets that should have been designated as defaulted are properly identified.

Expected credit loss model (ECL model) – general

The ECL model is used to measure impairment of financial assets, apart from debt instruments and equity instruments connected with the insurance business, for which KBC has elected to apply the overlay approach. The impairment policy applying to these instruments is dealt with under 'Overlay approach' further below.

The scope of the ECL model is based on how financial assets are classified. The model is applicable to the following financial assets:

- Financial assets measured at AC and at FVOCI;
- Loan commitments and financial guarantees;
- Finance lease receivables;
- Trade and other receivables.

No ECLs are calculated for investments in equity instruments.

Financial assets that are in scope of the ECL model carry impairment in an amount equal to the lifetime ECL if the credit risk increases significantly after initial recognition. Otherwise, the loss allowance is equal to the 12-month ECL (see below for more information on the significant increase in credit risk).

To distinguish the various stages with regard to quantifying ECL, KBC uses the internationally accepted terminology for 'Stage 1', 'Stage 2' and 'Stage 3' financial assets.
Unless they are already credit impaired, all financial assets are classified in 'Stage 1' at the time of initial recognition and 12-month ECL is recognised. Once a significant increase in credit risk occurs after initial recognition, the asset is moved into 'Stage 2' and lifetime ECL is recognised. Once an asset meets the definition of default, it is moved into 'Stage 3'.
For trade receivables, IFRS 9 allows for a practical expedient. The ECL for trade receivables can be measured in an amount equal to their lifetime ECL. KBC applies this practical expedient to trade and other receivables.
Impairment gains and losses on financial assets are recognised under the 'Impairment' heading in the income statement.
Financial assets that are measured at AC are presented in the balance sheet at their net carrying value, which is the gross carrying value less impairment. Debt instruments measured at FVOCI are presented in the balance sheet at their carrying value, which is their fair value on the reporting date. The adjustment for the ECL is recognised as a reclassification adjustment between the income statement and OCI.

Significant increase in credit risk since initial recognition

In accordance with the ECL model, financial assets attract lifetime ECL once their credit risk increases significantly after initial recognition. Therefore, the assessment of a significant increase in credit risk is important for the staging of financial assets. The assessment of a significant increase in credit risk is a relative assessment based on the credit risk that was assigned upon initial recognition. This is a multi-factor assessment and, therefore, KBC has developed a multi-tier approach.

Multi-tier approach (MTA) – bond portfolio

For the bond portfolio, the MTA consists of three tiers:

- Low-credit exception: 12-month ECL is always recognised for bonds if they have a low credit risk on the reporting date (i.e. 'Stage 1'). KBC uses this exception for investment grade bonds.

- Internal rating: [only applicable if the first tier criterion is not met] this is a relative assessment that compares the probability of default (PD) upon initial recognition to that on the reporting date. KBC does the assessment at facility level for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.
- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first two tiers of the MTA. Examples of idiosyncratic events are unexpected developments in the macroeconomic environment (e.g., due to the coronavirus crisis), uncertainties about geopolitical events (e.g., as a result of the war in Ukraine) and the secondary impact of material defaults (e.g., on the suppliers, clients and employees of a defaulted company).

If none of these triggers results in a move into 'Stage 2', the bond remains in 'Stage 1'. A financial asset is considered as 'Stage 3' as soon as it meets the definition of default. The MTA is symmetrical, i.e. credit that has been moved into 'Stage 2' or 'Stage 3' can revert to 'Stage 1' or 'Stage 2' if the tier criterion that triggered the migration is not met on a subsequent reporting date.

Loan portfolio

For the loan portfolio, KBC uses a five-tier approach. This MTA is a waterfall approach (i.e. if assessing the first tier does not result in a move into 'Stage 2', the second tier is assessed, and so on). In the end, if all tiers are assessed without triggering a migration to 'Stage 2', the financial asset remains in 'Stage 1'.

- Internal rating: this rating is used as the main criterion for assessing an increase in credit risk. It is a relative assessment that compares the PD upon initial recognition to that on the reporting date. KBC does the assessment at the level of the facility (i.e. contract) for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.
- Forbearance: forborne financial assets are always considered as 'Stage 2' unless they are already defaulted, in which case they are moved into 'Stage 3'.
- Days past due: KBC uses the backstop defined in the directive. A financial asset that is more than 30 days past due is moved into 'Stage 2'.
- Internal rating backstop: KBC uses an absolute level of PD as a backstop for financial assets that have to be moved into 'Stage 2'. This backstop corresponds to the highest PD (i.e. PD 9 based on KBC's internal rating) before a financial asset is considered defaulted.
- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first four tiers of the MTA (see above for a number of examples).

A financial asset is considered as 'Stage 3' as soon as it meets the definition of default. The MTA is symmetrical, i.e. credit that has been moved into 'Stage 2' or 'Stage 3' can revert to 'Stage 1' or 'Stage 2' if the tier criterion that triggered the migration is not met on the reporting date.

Measurement of ECL

ECL is calculated as the product of probability of default (PD), estimated exposure at default (EAD) and loss given default (LGD).

ECL is calculated to reflect:

- an unbiased, probability-weighted amount;
- the time value of money; and
- information about past events, current conditions and forecast economic conditions.

Lifetime ECL represents the sum of ECL over the lifetime of the financial asset discounted at the original effective interest rate. The 12-month ECL represents the portion of lifetime ECL resulting from a default in the 12-month period after the reporting date.

KBC uses specific IFRS 9 models for PD, EAD and LGD in order to calculate ECL. As much as possible and to promote efficiency, KBC uses modelling techniques similar to those developed for prudential purposes (i.e. Basel models). More information on the credit risk models developed by KBC is provided in the 'Internal Modelling' section of the Risk Report at www.kbc.com. That said, KBC ensures that the Basel models are adapted so they comply with IFRS 9.

- KBC removes the conservatism that is required by the regulator for Basel models;
- KBC adjusts how macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a 'point-in-time' estimate rather than one that is 'through the cycle' (as required by the regulator);
- KBC applies forward-looking macroeconomic information in the models.

As regards loans that are in default, the ECL is also calculated as the product of the PD, EAD and LGD. In this specific case, however, the PD is set at 100%, the EAD is known given the default status and the LGD takes into account the net present value of the (un)recoverable amount.

KBC uses the IRB and Standardised models to assign the Basel PD, which then serves as input for IFRS 9 ECL calculations and staging. If there is no Basel PD model with a similar scope to the IFRS 9 model, the long-term observed default rate is used as the PD for all facilities in the portfolio. For low default portfolios, there may have been no or only a small number of defaults in the period being considered, in which case the PD is determined based on expert input and external ratings.

KBC considers forward-looking information in the calculation of ECL via macroeconomic variables and based on management's assessment of any idiosyncratic events. KBC's Chief Economist develops three different macroeconomic scenarios (base-case, up and down) for all the KBC Core Countries and sets a corresponding probability for each scenario. On a quarterly basis, KBC updates the economic scenarios and attributed weightings to be used for the ECL calculation according to the input of the Chief Economist. The incorporation of the macroeconomic variables included in these scenarios in the PD, EAD and LGD components of the ECL calculation is based on statistical correlation in historical datasets.

The maximum period for measurement of ECL is the maximum contractual period (including extensions), except for specific financial assets that include a drawn and an undrawn amount available on demand, and KBC's contractual ability to request repayment of the drawn amount and cancel the undrawn commitment does not limit the exposure to credit risk to the contractual period. Only for such assets can a measurement period extend beyond the contractual period.

Purchased or originated credit impaired (POCI) assets

KBC defines POCI assets as financial assets in scope of the IFRS 9 impairment standard that are already defaulted at origination (i.e. they then meet the definition of default). POCI assets are initially recognised at an amount net of impairment and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods, any changes to the lifetime ECL are recognised in the income statement. Favourable changes are recognised as an impairment gain, even if the lifetime ECL on the reporting date is lower than the lifetime ECL at origination.

Significant judgements and uncertainties

Calculating ECL (and the significant increase in credit risk since initial recognition) requires significant judgement of various aspects, including the borrowers' financial position and repayment capabilities, the value and recoverability of collateral, projections and macroeconomic information. KBC applies a neutral, bias-free approach when dealing with uncertainties and making decisions based on significant judgements.

Overlay approach

In accordance with the amendment to IFRS 4 issued in September 2016, KBC uses the overlay approach to overcome the temporary consequences of the different effective dates of IFRS 9 and IFRS 17 (replacing IFRS 4). Accordingly, KBC uses the overlay approach, which means that the extra volatility related to the adoption of IFRS 9 is reclassified from the income statement to OCI. The reclassified amounts are recognised in the overlay reserve in OCI. The overlay approach is applied to those financial assets of KBC's insurance business that are eligible. Eligibility is based on the following criteria:

- Assets that are measured at FVPL under IFRS 9 that would not have been measured at FVPL in their entirety under IAS 39;
- All assets except those held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

A financial asset can be designated under the overlay approach until:

- the instrument is derecognised;
- it is no longer held in respect of an activity that is connected with insurance contracts;
- KBC decides not to apply the overlay approach for that particular instrument at the beginning of any financial year; or
- the effective date of IFRS 17.

Application of the overlay approach requires certain IAS 39 accounting policies for financial assets to be retained, namely:

- Impairment of equity instruments: equity instruments held by KBC's insurance business were typically classified as 'available for sale' under IAS 39, whereas they are classified as FVPL under IFRS 9. Designation under the overlay approach requires the application of IAS 39 impairment rules to investments in equity instruments. In using the overlay approach, all fair value changes are recognised in the overlay reserve but, where the decline is significant compared to acquisition cost (more than 30%) or prolonged (more than one year), the fair value loss is recognised in the income statement. Any further decrease is also recognised directly in the income statement, whereas increases are recognised in the overlay reserve.
- Recognition of gains and losses in the income statement upon the disposal of equity instruments: by designating the equity instruments connected with KBC's insurance business under the overlay approach upon their sale, the accumulated overlay reserve in OCI is recycled to the income statement, ensuring the same results as under IAS 39.

Cash, cash balances with central banks and other demand deposits with credit institutions

'Cash' comprises cash on hand and demand deposits, e.g., cheques, petty cash and cash balances at central and other banks.

Financial liabilities

Financial instruments or their component parts are classified on initial recognition as liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments. A financial instrument is classified as a liability if:

- KBC has a contractual obligation to deliver cash or another financial asset to the holder or to exchange another financial instrument with the holder under conditions that are potentially unfavourable to KBC; or
- KBC has a contractual obligation to settle the financial instrument in a variable number of its own shares.

A financial instrument is classified as an equity instrument when neither condition is met. In that case, it is accounted for in the way set out under 'Equity'.

Financial liabilities – recognition and derecognition

KBC recognises a financial liability when it becomes party to the contractual provisions of the relevant instrument. This is typically the date when the consideration in the form of cash or some other financial asset is received. Upon initial recognition, the financial liability is recognised at fair value less transaction costs directly attributable to issuance of the instrument, except for financial liabilities at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, i.e. the obligation specified in the contract is discharged or cancelled, or it expires. KBC can also derecognise the financial liability and recognise a new one where an exchange takes place between KBC and the lenders of the financial liability, each with substantially different terms, or if there are substantial modifications to the terms of the existing financial liabilities. In assessing whether terms differ, KBC compares the discounted present value of cashflows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, and the discounted present value of the remaining cashflows of the original financial liability. If the difference is 10% or more, KBC derecognises the original financial liability and recognises a new one. Where the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Financial liabilities – classification and measurement

KBC classifies recognised financial liabilities in three different categories, as provided for by IFRS 9:

- Financial liabilities held for trading (HFT). Held-for-trading liabilities are those incurred principally for generating a profit from short-term fluctuations in price or dealer's margin. A liability also qualifies as a trading liability if it belongs to a portfolio of financial instruments held for trading separately by the trading desk and for which there is a recent pattern of short-term profit-taking. Held-for-trading liabilities can include derivatives, short positions in debt and equity instruments, time deposits and debt certificates. Derivative liabilities are split by KBC into trading and hedging derivatives as in the case of derivative assets. Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting period, derivative liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.

- Financial liabilities designated by the entity as liabilities at fair value through profit or loss upon initial recognition (FVO). Under IFRS 9, a financial liability or group of financial liabilities can be measured upon initial recognition at fair value, whereby fair value changes are recognised in the income statement except for fair value changes related to own credit risk, which are presented separately in OCI. The fair value designation is used by KBC for the following reasons:
  - managed on an FV basis: KBC designates a financial liability or a group of financial liabilities at fair value where it is managed and its performance is evaluated on a fair value basis. It is used to account for (unbundled) deposit components (i.e. financial liabilities that do not include a discretionary participation feature);
  - accounting mismatch: the fair value option can be used when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases;
  - hybrid instruments: a financial instrument is regarded as hybrid when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely-related embedded derivative from the host contract. In that case the entire hybrid instrument can be designated at fair value. This means that both the embedded derivative and the host contract are measured at fair value. KBC uses this option when structured products contain non-closely-related embedded derivatives, in which case both the host contract and the embedded derivative is measured at fair value.
- Financial liabilities measured at amortised cost (AC). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently, they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued but not yet paid are recorded under accruals and deferrals.

Financial liabilities – own credit risk

For financial liabilities designated at fair value, IFRS 9 requires the financial liability to be measured at fair value upon initial recognition. Any changes in fair value are subsequently recognised in the income statement, except for those relating to own credit risk, which are presented separately in OCI.
Accordingly, movements in the fair value of the liability are presented in different places: changes in own credit risk are presented in OCI and all other fair value changes are presented in the income statement under 'Net result from financial instruments at fair value through profit or loss'. Amounts recognised in OCI relating to own credit risk are not recycled to the income statement even if the liability is derecognised and the amounts realised. Although recycling is prohibited, KBC does transfer the amounts in OCI to retained earnings within equity upon derecognition. The only situation in which presentation of own credit risk in OCI is not applied is where this would create an accounting mismatch in the income statement. This could arise if there is a close economic relationship between the financial liability designated at fair value (for which the own credit risk is recognised in OCI), while all changes in fair value of the corresponding financial asset are measured and recognised at fair value through profit or loss. This is the case with unit-linked investment contracts, where changes in fair value of the liability position are fully offset by the asset position.

Financial liabilities – financial guarantee contract

A financial guarantee contract is one that requires KBC to make specified payments to reimburse holders for losses they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at fair value and is subsequently measured at the higher of (a) the amount determined in accordance with the impairment provisions of IFRS 9 (see 'Financial assets – impairment') and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition principle of IFRS 15.

Reverse repos and repos

A reverse repo is a transaction in which KBC purchases a financial asset and simultaneously enters into an agreement to sell the asset (or a similar asset) at a fixed price on a future date; this agreement is accounted for as a loan or advance, and the underlying asset is not recognised in the financial statements.

In a repo transaction, KBC sells a security and simultaneously agrees to repurchase it (or a substantially similar asset) at a fixed price on a future date. KBC continues to recognise the securities in their entirety because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and the financial liability is recognised for the obligation to pay the repurchase price.

Offsetting

KBC offsets and presents only a net amount of a financial asset and financial liability in its balance sheet if and only if (i) it currently has a legally enforceable right to set off the recognised amounts and (ii) it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value

KBC defines 'fair value' as 'the price that would be received for sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. An imbalance between supply and demand (e.g., fewer buyers than sellers, thereby forcing prices down) is not the same as a forced transaction or distress sale.

Market value adjustments are recognised on all positions that are measured at fair value, with fair value changes being reported in the income statement or in OCI. They relate to close-out costs, adjustments for less-liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk (credit value adjustment) and funding costs:

- Credit value adjustments (CVAs) are used when measuring derivatives to ensure that their market value is adjusted to reflect the credit risk of the counterparty. In making this adjustment, both the mark-to-market value of the contract and its expected future fair value are taken into account. These valuations are weighted based on the counterparty credit risk that is determined using a quoted credit default swap (CDS) spread, or, if there is no such spread, on the counterparty credit risk that is derived from bonds whose issuers are similar to the derivative counterparty in terms of rating, sector and geographical location. A debt value adjustment (DVA) is made for contracts where the counterparty is exposed to KBC. It is similar to a CVA, but the expected future negative fair value of the contracts is taken into consideration.
- A funding value adjustment (FVA) is a correction made to the fair value of uncollateralised derivatives in order to ensure that the (future) funding costs or income attached to entering into and hedging such instruments are factored in when measuring their value.

Hedge accounting

KBC has elected to apply the hedge accounting principles under IAS 39 (EU carve-out version). KBC designates certain derivatives held for risk management purposes, as well as certain non-derivative financial instruments, as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, KBC formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. KBC makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is/are expected to be highly effective in offsetting the changes in the fair value or cashflows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. KBC makes an assessment for a cashflow hedge of a forecast transaction of whether it is highly probable to occur and presents an exposure to variations in cashflows that could ultimately affect the income statement.

KBC uses the following hedge accounting techniques: cashflow hedges, fair value micro hedges, fair value hedges for a portfolio of interest rate risk, and hedges of net investments in foreign operations.

Cashflow hedges: if a derivative is designated as the hedging instrument in a hedge of the variability in cashflows attributable to a particular risk associated with a recognised asset, liability or highly probable forecast transaction that could affect the income statement, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve (cashflow hedge) within OCI. Any ineffective portion of changes in the fair value of a derivative is immediately recognised in the income statement under 'Net result from financial instruments at fair value through profit or loss'. The amount recognised in OCI is reclassified to the income statement (as a reclassification adjustment in the same period as the hedged cashflows affect the income statement) under 'Net interest income'. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cashflow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised under 'Net result from financial instruments at fair value through profit or loss' when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately recycled to the income statement under 'Net result from financial instruments at fair value through profit or loss'.

Fair value micro hedging: when a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability (portfolio of recognised assets or liabilities) or a firm commitment that could affect the income statement, changes in the fair value of the derivative are immediately recognised in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same item in the income statement as the hedged item). However, accrued interest income from interest rate swaps is recognised in 'Net interest income'. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to the point of discontinuation that is made to a hedged item for which the effective interest method is used is amortised to the income statement as part of the recalculated effective interest rate of the item over its remaining life or recognised directly when the hedged item is derecognised.

Fair value hedges for a portfolio of interest-rate risk (macro hedging): the EU's macro hedging carve-out means that a group of derivatives (or proportions of them) can be viewed in combination and jointly designated as a hedging instrument, and removes some of the limitations on fair value hedge accounting relating to hedging core deposits and underhedging strategies. Under the EU carve-out, hedge accounting may be applied to core deposits and will be ineffective only when the revised estimate of the amount of cashflows in scheduled time buckets falls below the designated amount of that bucket. KBC uses interest rate swaps to hedge the interest rate risk for a portfolio of loans and for a portfolio of retail deposits. Interest rate swaps are measured at fair value, with fair-value changes being reported in the income statement. Accrued interest income from interest rate swaps is recognised in 'Net Interest Income'. The hedged amount of loans is measured at fair value as well, with fair value changes being reported in the income statement. The fair value of the hedged amount is presented as a separate item on the assets or liabilities side of the balance sheet. If a hedge is ineffective, the cumulative fair value change in the hedged amount will be amortised to the income statement over the remaining lifetime of the hedged assets or will be immediately removed from the balance sheet if ineffectiveness is due to derecognition of the corresponding loans.

Hedge of net investments in foreign operations: when a derivative instrument or a non-derivative financial instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation having a different functional currency than the direct holding company of the foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in the hedging reserve (investment in foreign operation) in OCI. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the income statement. The amount recognised in OCI is reclassified to the income statement as a reclassification adjustment on disposal of the foreign operation (which includes a dividend distribution or capital decrease).

Insurance contracts

General

The accounting policies for IFRS 4 (Insurance Contracts) apply to insurance contracts (including reinsurance contracts) that KBC issues and reinsurance contracts that it holds. They also apply to financial instruments with a discretionary participation feature held by KBC.
A reinsurance contract is a type of insurance contract, given that all reinsurance contracts that transfer insurance risk are themselves insurance contracts.
Some contracts that are accounted for as insurance contracts under local GAAP will no longer be considered insurance contracts under IFRS. Contracts that do not expose KBC to any insurance risk (e.g., pure investment without additional (insurance) benefits/cover) are treated as financial instruments, which can exist with or without a discretionary participation feature.
Financial instruments without a discretionary participation feature and the deposit component of unit-linked insurance contracts will be recognised in accordance with deposit accounting principles, as they fall under the scope of IFRS 9.
Deposit accounting applies to the deposit component of unit-linked insurance contracts (the insurance component is treated as an insurance contract according to IFRS 4).

KBC unbundles the components if both of the following conditions are met:

- measurement of the deposit component is possible (including any embedded surrender options), i.e. without considering the insurance component;
- the accounting policies do not otherwise require recognition of all the obligations and rights arising from deposit accounting.

Unbundling is prohibited if the deposit component cannot be measured separately.
At KBC, insurance contracts other than unit-linked contracts are not unbundled into a deposit component and an insurance component. The insurance component of unit-linked contracts (see below), whether insurance contracts or investment contracts, is treated as an insurance contract. Unit-linked financial instruments without death benefits or a participation feature are classified as 'financial liabilities at fair value through profit or loss' (also referred to as deposit accounting) under IFRS 9 and are consequently measured at fair value.
A unit-linked financial instrument classified at fair value through profit or loss represents the liability towards the policyholder, whose consideration received (i.e. deposit) is invested in an investment fund. The latter is classified as a financial asset 'Mandatorily measured at fair value through profit or loss' (in the 'Investment contracts (insurance)' line in Note 4.1). The valuation of the financial assets relating to unit-linked contracts is reflected in the adjustments to the related liabilities. Unit-linked contracts are policies whose value or return is determined based on investments or an index, and where the policyholder bears the risk.
Changes in fair value (assets and liabilities), including any component that relates to changes in foreign exchange rates, are recognised in the income statement under 'Net result from financial instrument at fair value through profit or loss'. The unit value is considered to be the fair value. Only the earned management fees and commissions are recognised using margin deposit accounting principles under 'Net fee and commission income' in the income statement.

Financial instruments with a discretionary participation and the insurance component of unit-linked contracts are treated as insurance contracts under IFRS 4. On the balance sheet date, the liabilities resulting from these financial instruments or insurance contracts are subjected to the liability adequacy test to see if they are adequate. If the carrying value of these liabilities is lower than their estimated future discounted cashflows, the deficiency will be recognised in the income statement against an increase in the corresponding liability.

A reinsurance asset is impaired if and only if:

- there is objective evidence that, as a result of an event occurring after initial recognition of the reinsurance asset, KBC might not receive all amounts due under the terms of the contract;
- that event has a reliably measurable impact on the amounts that KBC will receive from the reinsurer. If a reinsurance asset is impaired, KBC will reduce its carrying value accordingly and recognise that impairment loss in the income statement.
-

When IFRS 4 was adopted, KBC decided to follow its then local GAAP practices and did not introduce any of the following:

- measurement of insurance liabilities on an undiscounted basis;
- non-uniform accounting policies for the insurance contracts of subsidiaries. If these accounting policies are not uniform, an insurer may change them if the change does not make them more divergent and provided the other requirements of IFRS 4 (Insurance Contracts) are met.

KBC believes that it applies sufficient prudence in the measurement of its insurance contracts. KBC does not recognise any provisions for possible future claims as a liability if those claims arise under insurance contracts that are not in existence at the reporting date, such as catastrophe provisions and equalisation provisions.

KBC removes an insurance liability (or part of an insurance liability) from the balance sheet if and only if it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Reinsurance assets are not offset against the related insurance liabilities, nor will income or expense from reinsurance contracts be offset against expense or income from the related insurance contracts.

Technical provisions, insurance contracts

The technical provisions comprise the estimates at balance sheet date of the liabilities of the company towards insured persons, beneficiaries and policyholders, including the translation differences on the technical provisions denominated in a foreign currency.

Provision for unearned premiums and unexpired risk (Non-life)

Provision for unearned premiums (Non-life)
This provision comprises the portion of gross premiums to be allocated to a subsequent period in order to be able to cover claims, administrative costs and management costs of investments relating to the underlying policies. For the primary business, the provision for unearned premiums is in principle calculated separately for each contract on a daily basis, based on the gross premiums. For reinsurance business received, the provision for unearned premiums is calculated for each contract separately. It is based on information communicated by the ceding undertaking, supplemented by the company's own past experience of how risks change over time.

Provision for unexpired risk (Non-life)
This item is an additional provision to supplement the provision for unearned premiums. It is set aside when the estimated total amount of claims and administrative costs relating to current contracts is expected to be higher in the following period than total unearned premiums and premiums receivable. For reinsurance business received, the contractual stipulations are examined and, where appropriate, the underlying provision restated.
Life insurance provisions

This provision relates exclusively to life insurance activities, with the exception of the unit-linked life business. It comprises the actuarially estimated value of KBC's liabilities and the profit share already awarded, less the actuarially estimated value of the liabilities of the policyholders. The acquisition costs are not deducted from the provision.
This item also includes the provision for unearned premiums and unexpired risk, the ageing provision, the provisions for annuities payable but not yet due (including internal claims settlement costs) for supplementary life insurance and the provisions for retirement and survivorship annuities.
Valuation according to the prospective method is applied to (i) the provision for conventional non-unit-linked life insurance, (ii) universal non-unit-linked life insurance policies offering a guaranteed rate of interest on future premium payments, and (iii) the provision for non-statutory benefits for employees in respect of current annuities.
Valuation according to the retrospective method is applied to the provisions for modern non-unit-linked universal life insurance and to the provision for non-statutory benefits for employees in respect of new supplementary premium payments.
The provision is calculated separately for every insurance contract.

Provision for claims outstanding

For claims reported, the provision is measured separately in each case, taking into account the known facts in the claims file, on the basis of the amounts still due to the injured parties or beneficiaries, plus external costs of settling claims. Where benefits have to be paid in the form of an annuity, the amounts to be set aside for that purpose are calculated using recognised actuarial methods.
For 'claims incurred but not reported' at balance sheet date, an IBNR (Incurred But Not Reported) provision is set aside. In the primary business, this IBNR provision is based on a lump sum per class of insurance depending upon past experience and the trend in the insured portfolio. For extraordinary events, additional amounts are added to the IBNR provision.
For 'claims incurred but not enough reserved' at balance sheet date, an IBNER (Incurred But Not Enough Reserved) provision is set aside if the adequacy procedures demonstrate that the other claims provisions are insufficient to meet future liabilities. This provision contains amounts for claims which have already been reported but which, for technical reasons, could not yet be recorded in the claims file.
A provision for the internal cost of settling claims is calculated at a percentage that is based on past experience.
Additional provisions are also constituted as required by law (according to the Royal Decree of 17 November 1994 on the annual accounts of insurance undertakings), such as supplementary workmen's compensation provisions in Belgium.

Leasing

All leases are required to be classified as either finance leases or operating leases. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.
This classification is crucial for positions as a lessor, but less important for positions as a lessee, since both classifications result in similar recognition and measurement of the lease on the balance sheet and in the income statement.

Equity

Equity represents the residual interest in KBC's total assets after deduction of all its liabilities (referred to as 'net assets') and encompasses all shares issued by KBC, reserves attributable to the holders of the shares and minority interests.

KBC classifies all issued financial instruments as equity or as a financial liability based on the substance of the contractual arrangements. The critical feature that distinguishes a financial liability from a share is whether KBC has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.
Minority interests represent the equity in a subsidiary that is not attributable to the holders of KBC shares. When the proportion of the equity held by the minority interests changes, KBC adjusts the carrying value of the controlling and minority interests to reflect changes in their relative interests in the consolidated companies. KBC recognises in equity any difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received, and allocates it to its controlling stake.

Employee benefits

Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences, performance-related cash awards and social security contributions, are recognised over the period in which the employees provide the corresponding services. The related expenses are presented in the income statement as 'Operating expenses' under the 'Staff expenses' heading.

Post-employment benefits

KBC offers its employees' pension schemes in the form of defined contribution or defined benefit plans. Under the defined contribution plans, KBC's statutory or constructive obligation is limited to the amount that it agrees to contribute to the fund. The amount of the post-employment benefit to be received by the employee is determined by the amount of the contributions paid by KBC and the employee him or herself into the post-employment benefit plan, as well as by the investment returns arising from those contributions. The actuarial risk is borne by the employee.
Conversely, under the defined benefit plans, KBC's obligation is to provide the agreed benefits to current and former employees and, in substance, the actuarial risk and investment risk fall on KBC. This means that if, from an actuarial or investment viewpoint, things turn out worse than expected, KBC's obligation may be increased.
In Belgium, defined contribution plans have a legally guaranteed minimum return and the actual return can be lower than the legally required return. In addition, these plans have defined benefit plan features and KBC treats them as defined benefit plans.
Liabilities under the defined benefit plans and the Belgian defined contribution plans (or pension liabilities) are included under 'Other liabilities' and relate to the obligations for retirement and survivor's pensions, early retirement benefits and similar pensions and annuities.
The pension obligations for employees under the defined benefit plans are calculated using the projected-unit-credit method, with each period of service granting additional entitlement to pension benefits.
Actuarial valuations are performed every reporting period. The defined benefit liabilities are discounted using rates equivalent to the yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have a maturity similar to the related pension liabilities.
Changes in the net defined benefit liability/asset, apart from cash movements, are grouped into three main categories and recognised in operating expenses (service costs), interest expenses (net interest costs) and other comprehensive income (remeasurements).

Net fee and commission income

Most net fee and commission income falls under the scope of IFRS 15 (Revenue from Contracts with Customers), as it relates to the services that KBC provides to its clients and is outside the scope of other IFRS standards. For the recognition of revenue, KBC identifies the contract and defines the promises (performance obligations) in the transaction. Revenue is recognised only when KBC has satisfied the performance obligation.
The revenue presented under 'Securities and asset management' falls under the scope of IFRS 15 and, in principle, entails KBC keeping assets in a trust for the beneficiary ('fund') and being responsible for investing the amounts received from clients to their benefit. These transactions are straightforward, because KBC provides a series of distinct services which clients use at the same time when receiving the benefits. In return, KBC receives a monthly or quarterly management fee, which is calculated as a fixed percentage of the net asset value, or a subscription fee retained from the beneficiary. The fees do not include a variable component.
Revenue reported as 'Margin on life insurance investment contracts without DPF' represents the amount realised on investment contracts without a discretionary participation feature, i.e. a fixed percentage or fixed amount is withheld from the client's payments, enabling the insurance company to cover its expenses.
Payment services, where KBC charges clients for certain current-account transactions, domestic or foreign payments, payment services provided through ATMs, etc., are usually settled when the actual transaction is carried out, enabling the relevant fee to be recognised directly at that time.

Government grants

Government grants are recognised when there is a reasonable assurance that the grant will be received and the conditions attached to it will be met. The grants are recognised in the income statement on a systematic basis to match the way that KBC recognises the expenses for which the grants are intended to compensate.

Levies

Public authorities can impose various levies on KBC. The size of the levies can depend on the amount of revenue (mainly interest income) generated by KBC, the amount of deposits accepted from clients, and the total balance sheet volume, including corrections based on certain, specific ratios. In accordance with IFRIC 21, levies are recognised when the obligating event that gives rise to recognition of the liability has occurred as stated in the relevant legislation. Depending on the obligating event, levies can be recognised at a single point in time or over time. Most of the levies imposed on KBC have to be recognised at a single point in time, which is mainly the beginning of the financial year. KBC recognises levies under 'Operating expenses'.

Income tax

Income tax consists of three items, namely taxes paid/payable over the reporting period, underprovisioning/overprovisioning in previous years, and changes in deferred tax assets/deferred tax liabilities. It is accounted for either in the income statement or in other comprehensive income, depending on where the items that triggered the tax are recorded. Income taxes that are initially accounted for in other comprehensive income and that relate to gains or losses that are subsequently recognised in the income statement are recycled to the income statement in the same period in which that item is accounted for in the income statement.

Deferred and current tax assets and liabilities are offset when there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax assets/liabilities

Current tax for the period is measured at the amount expected to be paid to or recovered from the tax authorities, using the rates of tax in effect during the reporting period.

Deferred tax assets/liabilities

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base. They are measured using the tax rates that are substantively enacted at the reporting date and expected to be in effect on realisation of the assets or settlement of the liabilities to which they relate and that reflect the tax consequences following from the manner in which the entity expects to recover or settle the carrying value of the underlying asset or liability at the balance sheet date.
Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, as well as for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. KBC calculates deferred tax assets for carry forward unused tax losses. When estimating the period over which tax losses can be set off against future taxable profits, KBC uses projections for a period of eight to ten years.
Deferred tax assets/liabilities that relate to business combinations are recorded directly in goodwill.
Deferred tax assets/liabilities are not discounted.

Property and equipment

Property and equipment are recognised initially at cost (including directly allocable acquisition costs). KBC subsequently measures property and equipment at the initial cost less accumulated depreciation and impairment. The rates of depreciation are determined on the basis of the estimated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use. Property and equipment are derecognised upon disposal or when the relevant asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses upon derecognition are recognised in the income statement in the period in which derecognition occurs.
Property and equipment are subject to impairment testing when there is an indication that the asset might have been impaired.
Depreciation charges, impairment losses and gains or losses on disposal are recognised under 'Operating expenses' in the income statement, with the exception of assets that are leased under operating leases (KBC as a lessor), for which the costs are recognised in 'Other net income'. Where a disposal falls within the definition of a discontinued operation, the net results are reported in a single line in the income statement (see 'Discontinued operations' below).

Investment property

Investment property is defined as a property built, purchased or acquired by KBC under a finance lease and is held to earn rentals or for the purpose of capital appreciation rather than being used by KBC for the provision of services or for administrative purposes.
Investment property is initially recognised at cost (including directly attributable costs). KBC subsequently measures it at the initial cost less accumulated depreciation and impairment.
The depreciation charge is recognised under 'Other net income' in the income statement.

Intangible assets

Intangible assets include goodwill, software developed in-house, software developed externally and other intangible assets. Intangible assets can be (i) acquired as part of a business combination transaction (see 'Business combinations and goodwill' below), (ii) acquired separately or (iii) developed internally.

Separately acquired intangible assets (mainly software developed externally) are initially recognised at cost. Internally developed intangible assets (mainly software developed in-house) are recognised only if they arise from development and KBC can demonstrate:

- the technical feasibility of completing them;
- an intention to complete for use or sale;
- an ability to use or sell them;
- how the intangible assets will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets;
- reliable measurement of the expenditure attributable to the intangible assets during their development.

Internally generated intangible assets are initially measured at the development costs directly attributable to the design and testing of the unique software controlled by KBC.
Directly attributable costs capitalised as part of the software developed in-house include software development employee costs and directly attributable overheads.
Research expenses, other development expenditure, costs associated with maintaining software and investment projects (large-scale projects introducing or replacing an important business objective or model) that do not meet the recognition criteria are recognised as an expense in the period they are incurred.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use as intended by management. Software is amortised as follows:

- System software (initial purchased software forming an integral part with hardware) is amortised at the same rate as hardware.
- Standard software and customised software developed by a third party or developed in-house are amortised over five years according to the straight-line method from the time the software is available for use.
- Core systems (typically including deposit account processing, loan and credit processing, interfaces to the general ledger and reporting tools) are amortised over eight years according to the straight-line method.

Impairment of non-financial assets

When KBC prepares financial statements, it ensures that the carrying value of the non-financial asset does not exceed the amount that could be obtained from either using or selling it ('recoverable amount'). Property and equipment, investment property and software are subject to the impairment review only when there is objective evidence of impairment. Goodwill and intangible assets with an indefinite useful life are subject to impairment reviews at least annually and also reviewed for impairment indicators every quarter.
Indications that an impairment loss is required may stem from either an internal source (e.g., the condition of the asset) or an external source (e.g., new technology or a significant decline in the asset's market value).

When an impairment indicator is present, KBC reviews the asset's recoverable amount and the asset is impaired when its recoverable amount is lower than its carrying value at the reporting date. The recoverable amount is defined as the higher of the value in use and the fair value less cost to sell.
Value in use is defined as the discounted future cashflows expected to be derived from an asset or a cash-generating unit.
Impairment is borne at individual asset level, but when the individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the so-called 'cash-generating unit' (CGU) to which the asset or group of assets belongs. In forming the CGUs, KBC applies its own judgement to define the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This process mainly applies to goodwill that has been recognised in relation to acquisitions.
Impairment losses are recognised in the income statement for the period in which they occur. An impairment loss can be reversed if the condition that triggered it is no longer present, except for goodwill, which can never be reversed. Impairment gains are recognised in the income statement for the period in which they occur.

Provisions, contingent liabilities and contingent assets

Provisions are recognised on the reporting date if and only if the following criteria are met:

- there is a present obligation (legal or constructive) due to a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at balance sheet date. When the effect of time is material, the amount recognised as a provision is the net present value of the best estimate.
Due to its inherent nature, a provision requires management judgement regarding the amount and timing of probable future economic outflows.

Consolidated financial statements / interim financial statements

All material entities (including structured entities) over which KBC exercises direct or indirect control as defined in IFRS 10 are consolidated according to the method of full consolidation. Changes in ownership interests (that do not result in a loss of control) are accounted for as equity transactions. They do not affect goodwill or profit or loss.

Subsidiaries that are not included in the consolidated financial statements because of immateriality are classified as equity instruments at fair value through other comprehensive income, with all fair value changes being reported in other comprehensive income, except for dividend income, which is recognised in the income statement. Material companies over which joint control is directly or indirectly exercised and material investments in associates (companies over which KBC has significant influence), are all accounted for using the equity method.

Consolidation threshold: subsidiaries are effectively included in the consolidated financial statements using the full consolidation method if at least two of the following materiality criteria are exceeded:

- Group share in equity is 2 500 000 euros;
- Group share in the result is 1 000 000 euros (absolute value);
- Group share in the balance sheet total is 100 000 000 euros.

In order to prevent too many entities from being excluded, KBC checks that the combined balance sheet total of the entities excluded from consolidation does not amount to more than 1% of the consolidated balance sheet total.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred (measured at acquisition-date fair value) and the amount of any minority interests in the acquired entity. For measurement of the minority interests, KBC can decide for each business combination separately whether to measure the minority interest at fair value or as their proportionate share of the acquired entity's net identifiable assets. The way the minority interest is measured on the acquisition date will have an impact on purchase accounting as a result of the determination of goodwill.

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. In order to complete the acquisition accounting and determine the goodwill item, KBC applies a measurement period of 12 months. The classification of the financial assets acquired and financial liabilities assumed in the business combination is based on the facts and circumstances existing at the acquisition date (except for lease and insurance contracts, which are classified on the basis of the contractual terms and other factors at the inception of the relevant contract).
Goodwill is presented under 'Goodwill and other intangible assets' and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or when there is objective evidence (external or internal) that it should be impaired. If the acquisition accounting is not complete because the 12-month measurement period has not elapsed, the goodwill is not considered as final and is only tested if there is objective evidence that the provisional goodwill is impaired.

For the purpose of testing goodwill for impairment, it is allocated to each of KBC's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units. An impairment loss is recognised if the carrying value of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed.

Effects of changes in foreign exchange rates

KBC's functional and presentation currency is the euro. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the spot rate on the balance sheet date. Negative and positive valuation differences, except for those relating to the funding of equity instruments and investments of consolidated companies in a foreign currency, are recognised in the income statement. Non-monetary items measured at historical cost are translated into the functional currency at the historical exchange rate that existed on the transaction date. Non-monetary items carried at fair value are translated at the spot rate on the date the fair value was determined. Translation differences are reported together with changes in fair value. Income and expense items in foreign currency are taken to the income statement at the exchange rate prevailing when they were recognised.

Valuation differences are accounted for either in the income statement or in other comprehensive income. Valuation differences that are initially accounted for in other comprehensive income and that relate to gains or losses that are subsequently recognised in the income statement are recycled to the income statement in the same period in which that item is accounted for in the income statement. The balance sheets of foreign subsidiaries are translated into the presentation currency at the spot rate on the reporting date (except for equity, which is translated at the historical rate). The income statement is translated at the average rate for the financial year as a best estimate of the exchange rate on the transaction date.

Related-party transactions

A related party to KBC is either a party over which KBC has control or significant influence or a party that has control or significant influence over KBC. KBC defines its related parties as:

- KBC subsidiaries and other KBC group entities (primarily KBC Bank NV, KBC Group NV and KBC Global Services NV);
- KBC associates and joint ventures;
- KBC key management staff (i.e. the Board of Directors and the Executive Committee of KBC Insurance NV).

Transactions with related parties must occur at arm's length.

Non-current assets held for sale and disposal groups, liabilities associated with disposal groups and discontinued operations

Non-current assets held for sale and disposal groups, liabilities associated with disposal groups

Non-current assets or groups of assets and liabilities held for sale are those where the carrying value will be recovered by KBC through a sale transaction, which is expected to qualify as a sale within a year, rather than through continued use. Non-current assets and liabilities held for sale are reported separately from the other assets and liabilities in the balance sheet at the end of the reporting date.

Discontinued operations

A discontinued operation refers to a part of KBC that has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Results from discontinued operations are recognised separately in the income statement and in other comprehensive income and contain:

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognised on the measurement to fair value less the costs of the sale or disposal of the assets or group of assets.

Events after the reporting period

Events after the reporting date are defined as favourable or unfavourable events that occur between the reporting date and the date on which the financial statements are authorised for issue. There are two types of event after the reporting date:

- those which provide evidence of conditions that existed on the reporting date (adjusting events);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events).

The impact of adjusting events has already been reflected in the financial position and financial performance for the current year. The impact and consequences of non-adjusting events are disclosed in the notes to the financial statements.

Exchange rates used

	Exchange rate at 31-12-2022		Exchange rate average in 2022	
	1 EUR = … … currency	Change relative to 31-12-2021 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)	1 EUR = … … currency	Change relative to average in 2021 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)
CZK	24.116	3%	24.569	5%
HUF	400.87	-8%	391.79	-9%

* Rounded figures.

Note 1.3: Critical estimates and significant judgements

When preparing the consolidated financial statements and applying KBC's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Some degree of uncertainty is inherent in almost all amounts reported. The estimates are based on the experience and assumptions that KBC's management believes are reasonable at the time the financial statements are being prepared.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are found in, but not limited to, notes 1.4, 3.3, 3.7, 3.10, 4.2, 4.4–4.8, 5.2, 5.5–5.7, 5.9, 6.1 and 6.10.

See also 'Climate-related and other ESG risks' in the 'How do we manage our risks?' section.

Note 1.4: Impact of the coronavirus crisis

The ‘Report of the Board of Directors’ section contains additional information on the impact of the coronavirus crisis and of the war in Ukraine on the activities and stakeholders of the group, concerning the following:

- The macroeconomic context (see ‘In what environment do we operate?’)
- Our clients (see ‘The client is at the centre of our business culture’)
- Our employees (see ‘Our employees, capital, network and relationships’)
- Our risk management (see ‘How do we manage our risks?’)

Note 1.5: Climate-related information

When preparing the consolidated financial statements and applying KBC’s accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets.

In accordance with the relevant ESMA recommendations, all notes and other sections in the Annual Report in which direct or indirect reference is made to the climate and climate-related risks are set out below.

In the ‘Report of the Board of Directors’:

- See ‘How do we create sustainable value?’ in ‘Our business model’
- See ‘What are our main challenges?’ in ‘Our business model’
- See ‘Our role in society’ and ‘Focus on the climate’ (this section also sets out our climate targets and information on the EU Taxonomy) in ‘Our strategy’
- See ‘Climate-related and other ESG risks’ in ‘How do we manage our risks?’

In the ‘Consolidated financial statements’ (in the notes below each table)

- Note 3.7.1: Overview (insurance results)
- Note 5.4: Property and equipment and investment property
- Note 5.5: Goodwill and other intangible assets

2.0 Notes on segment reporting

Applies to KBC Group and KBC Bank, but not to KBC Insurance.

3.0 Notes to the income statement

Note 3.1: Net interest income

(in millions of EUR)	2022	2021
Total	428	398
Interest income	468	434
Interest income on financial instruments calculated using the effective interest rate method		
Financial assets at AC	258	214
Financial assets at FVOCI	183	197
Hedging derivatives	15	1
Financial liabilities (negative interest rate)	11	17
Other	0	0
Interest income on other financial instruments		
Financial assets MFVPL other than held for trading	0	0
Financial assets held for trading	2	5
Of which economic hedges	*1*	*5*
Other financial assets at FVPL	0	0
Interest expense	- 40	- 36
Interest expense on financial instruments calculated using the effective interest rate method		
Financial liabilities at AC	- 18	- 8
Financial assets (negative interest rate)	- 8	- 13
Hedging derivatives	- 11	- 8
Other	- 2	- 2
Interest expense on other financial instruments		
Financial liabilities held for trading	- 1	- 5
Of which economic hedges	*- 1*	*- 5*
Other financial liabilities at FVPL	0	0
Net interest expense relating to defined benefit plans	0	0

Note 3.2: Dividend income

(in millions of EUR)	2022	2021
Total	39	31
Equity instruments MFVPL other than held for trading	35	28
Equity instruments held for trading	0	0
Equity instruments at FVOCI	4	3

Note 3.3: Net result from financial instruments at fair value through profit or loss

(in millions of EUR)	2022	2021
Total	91	117
Total broken down by IFRS portfolio		
Financial instruments MFVPL other than held for trading and overlay	- 1 893	1 213
Trading instruments (including interest on non-ALM trading derivates and fair value changes in all trading derivatives)	4	8
Financial instruments to which the overlay is applied	86	104
Gains or losses on sale	176	123
Impairment	- 90	- 20
Other financial instruments at FVPL	1 894	- 1 204
Foreign exchange trading	- 1	- 3
Fair value adjustments in hedge accounting	1	0
Hedge accounting broken down by type of hedge	0	0
Fair value micro hedges	1	0
Changes in the fair value of the hedged items	- 57	- 37
Changes in the fair value of the hedging derivatives	58	37
Cashflow hedges	0	0
Changes in the fair value of the hedging derivatives, ineffective portion	0	0
Hedges of net investments in foreign operations, ineffective portion	0	0
Portfolio hedge of interest rate risk	0	0
Changes in the fair value of the hedged items	0	0
Changes in the fair value of the hedging derivatives	0	0
Discontinuation of hedge accounting for fair value hedges	0	0
Discontinuation of hedge accounting in the event of cashflow hedges	0	0

- ALM hedging derivatives (recognised in hedge accounting): the interest component of these derivatives is recognised under ‘Net interest income’. Fair value changes in hedging derivatives, excluding those for which an effective cashflow hedge relationship exists, are recognised under ‘Net result from financial instruments at fair value through profit or loss’. Under fair value hedge accounting, changes in the fair value of hedged assets are also recognised under this heading, and offsetting takes place insofar as the hedge is effective. ALM hedging derivatives not recognised in hedge accounting (and therefore classified as trading instruments) are treated in the same way, except most of the related assets are not recognised at fair value (i.e. not marked-to-market).
- Day 1 profit: when the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit) is taken to profit or loss. If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit is reserved and is released in profit or loss during the life and until the maturity of the financial instrument, if significant.
- Financial instruments to which the overlay approach is applied: see the comments under the consolidated income statement.
- Foreign exchange trading includes all realised and unrealised foreign exchange results (when the monetary assets and liabilities are revalued), regardless of the IFRS portfolio, except for financial assets and liabilities measured through profit or loss, for which the revaluation is included in the fair value correction. Note that (unrealised) foreign exchange gains/losses on claims provisions (insurance) and on the financial instruments hedging the claims provisions are included under ‘Technical charges’. (Unrealised) foreign exchange gains/losses on the reinsurers’ share of claims provisions and on the financial instruments hedging such provisions are included under ‘Ceded reinsurance result’.
- Under IFRS 9, investment contracts (insurance) are included under ‘Financial instruments mandatorily measured at fair value through profit or loss’ in accordance with their ‘managed on a FV basis’ business model, whereas liabilities under investment contracts are recognised under ‘Financial instruments at fair value through profit or loss’. This resulted in amounts being offset against each other in ‘Financial instruments MFVPL other than held for trading and overlay’ and ‘Financial instruments at fair value through profit or loss’ in the above table (-1 893 million euros and +1 893 million euros in 2022 and +1 195 million euros and -1 195 million euros in 2021).
- The effectiveness of the hedge is determined according to the following methods:
    - For fair value micro hedging, we use the dollar offset method on a quarterly basis, with changes in the fair value of the hedged item offsetting changes in the fair value of the hedging instrument within a range of 80%–125%.
    - For cashflow hedges, we compare the designated hedging instrument with a perfect hedge of the hedged cashflows on a prospective (by BPV measurement) and retrospective basis (by comparing the fair value of the designated hedging instrument with the perfect hedge). The effectiveness of both tests must fall within a range of 80%–125%.
    - We use the rules set out in the European version of IAS 39 (carve-out) to assess the effectiveness of fair value hedges for a portfolio of interest rate risk. IFRS does not permit net positions to be reported as hedged items, but

does allow hedging instruments to be designated as a hedge of a gross asset position (or a gross liabilities position, as the case may be). Specifically, we make sure that the volume of assets (or liabilities) in each maturity bucket is greater than the volume of hedging instruments allocated to the same bucket.

Note 3.4: Net realised result from debt instruments at fair value through OCI

- In 2022, the realised result from debt instruments at fair value through OCI was impacted by a realised loss of -16 million euros on the sale of low-yielding bonds. The realised result from debt instruments at fair value through OCI was not material in 2021.

Note 3.5: Net fee and commission income

(in millions of EUR)	2022	2021
Total	- 407	- 373
Fee and commission income	163	161
Fee and commission expense	- 570	- 533
Breakdown by type		
Asset Management Services	20	14
Fee and commission income	30	26
Fee and commission expense	- 10	- 11
Banking Services	- 5	- 6
Fee and commission income	2	2
Fee and commission expense	- 8	- 8
Distribution	- 422	- 381
Fee and commission income	130	134
Fee and commission expense	- 552	- 515

Note 3.6: Net Other income

(in millions of EUR)	2022	2021
Total	73	74
of which gains or losses on		
Sale of financial assets measured at amortised cost	- 69	0
Repurchase of financial liabilities measured at amortised cost	0	- 2
Other, including:	142	75
Income from VAB Group	51	59
Net rental income	12	16
Gain on sale real estate subsidiary at KBC Insurance	68	0

In 2022, gains or losses on the sale of financial assets measured at amortised cost mainly concerned the realised loss on the exceptional sale of low-yielding bonds.

Note 3.7: Insurance results

Note 3.7.1: Overview

(in millions of EUR)	Life	Non-life	Non-technical account	Total
2022				
Earned premiums, insurance (before reinsurance)	1 163	2 054	0	3 217
of which changes in the provision for unearned premiums	- 1	- 71	0	- 72
Technical charges, insurance (before reinsurance)	- 1 071	- 1 154	0	- 2 225
Claims paid	- 1 399	- 1 029	0	- 2 428
Changes in technical provisions	419	- 115	0	304
Other technical result	- 91	- 9	0	- 100
Net fee and commission income	- 5	- 403	0	- 407
Ceded reinsurance result	- 3	1	0	- 2
General administrative expenses	- 152	- 285	- 3	- 440
Internal claims settlement expenses	- 9	- 65	0	- 74
Indirect acquisition costs	- 32	- 68	0	- 100
Administrative expenses	- 111	- 153	0	- 263
Investment management fees	0	0	- 3	- 3
Technical result	- 68	213	- 3	143
Investment Income	384	112	38	534
Technical-financial result	316	325	36	677
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	316	325	36	677
Income tax expense	-	-	-	- 117
RESULT AFTER TAX	-	-	-	560
attributable to minority interest	-	-	-	-
attributable to equity holders of the parent	-	-	-	**560**
2021				
Earned premiums, insurance (before reinsurance)	1 196	1 905	0	3 101
of which changes in the provision for unearned premiums	- 1	- 48	0	- 49
Technical charges, insurance (before reinsurance)	- 1 150	- 1 106	0	- 2 256
Claims paid	- 1 163	- 872	0	- 2 036
Changes in technical provisions	- 1	- 223	0	- 224
Other technical result	14	- 10	0	4
Net fee and commission income	- 5	- 367	0	- 373
Ceded reinsurance result	- 2	27	0	25
General administrative expenses	- 149	- 255	- 2	- 407
Internal claims settlement expenses	- 9	- 59	0	- 68
Indirect acquisition costs	- 31	- 68	0	- 98
Administrative expenses	- 109	- 128	0	- 238
Investment management fees	0	0	- 2	- 2
Technical result	- 111	204	- 2	90
Investment Income	383	93	67	543
Technical-financial result	272	297	65	633
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	272	297	65	633
Income tax expense	-	-	-	- 125
RESULT AFTER TAX	-	-	-	508
attributable to minority interest	-	-	-	-
attributable to equity holders of the parent	-	-	-	**508**

- Investment income (in millions of EUR, for 2022 and 2021, respectively) comprises: ‘Net interest income’ (428, 398), ‘Net dividend income’ (39, 31), ‘Net result from financial instruments at fair value through profit or loss’ (91, 117), ‘Net realised result from debt instruments at fair value through OCI’ (-16, -2), ‘Other net income’ (-9, 1) and ‘Impairment’ (1, -3). The ‘Non-technical account’ also includes the results from non-insurance subsidiaries, such as VAB group, ADD and Pension Insurance Company UBB EAD, and a number of real estate companies. They have been included in the note for the ‘insurance business’ given that they are KBC Insurance subsidiaries (but as they cannot be recognised under ‘Life’ or ‘Non-life’, they are included under ‘Non-technical account’). The ‘Non-technical account’ also includes the investment income from equity (i.e. mainly interest income from bonds).
- The figures relating to earned premiums do not include investment contracts without DPF, which largely correspond to unit-linked contracts. The margin on these products is recognised under ‘Net fee and commission income’.
- ‘Non-life technical charges’ consist mainly of paid claims, changes in claims provisions, changes in the deficiency provision, recourse received, changes in recourse estimations and other technical charges. ‘Life technical charges’ consist primarily of paid claims, changes in claims provisions, changes in the life insurance provision, changes in the provision for (non-unbundled) unit-linked products, bonuses (profit-sharing), changes in the deficiency provision and other technical charges.
- An overview of the insurer’s investment portfolio can be found in the ‘How do we manage our risks?’ section (in the ‘Investment portfolio of KBC group insurance entities’ table, which constitutes part of the financial statements).
- In the vast majority of cases, internal acquisition costs are recognised immediately in the income statement (i.e. not spread).
- In 2022, the non-life technical result was negatively impacted by factors including extreme weather conditions, such as flooding and storms (especially in Belgium in the first quarter, having a gross impact of 107 million euros, which comes down to 53 million euros after reinsurance). In 2021, the non-life technical result was negatively impacted by factors including the tornado in the Czech Republic and even more so by heavy flooding in Belgium (the gross impact of the latter totalled 110 million euros, which comes down to 87 million euros after reinsurance, 45 million euros of which above the legal limit (i.e. the ceiling introduced in Belgian law on the intervention of insurers in the event of very large floods), but which is still within the limit agreed between the Belgian insurance sector and the Walloon government).
- In 2022, the Life and Non-life technical result benefited from a release of technical reserves in the Czech Republic (31 million euros and 10 million euros, respectively) resulting from a reassessment of the confidence level of technical provisions.
- More information on the acquisition of certain life and pension insurance policies from NN in Bulgaria is provided in Note 6.6.
- See also ‘Climate-related and other ESG risks’ in the ‘How do we manage our risks?’ section.

Note 3.7.2: Life insurance

(in millions of EUR)	2022	2021
Total	1 163	1 196
By IFRS category		
Insurance contracts	884	900
Investment contracts with DPF	280	296
By type		
Accepted reinsurance	0	0
Primary business	1 163	1 196
Breakdown of primary business		
Individual premiums	816	831
Single premiums	44	61
Periodic premiums	773	770
Premiums under group contracts	347	365
Single premiums	26	50
Periodic premiums	321	315
Total sales of life insurance (including investment contracts without DPF)		
Unit-linked	1 089	942
Guaranteed-rate	996	1 022
Total	2 085	1 964

- As required under IFRS, we use deposit accounting for a number of investment contracts without DPF. This means that the premium income and technical charges from these contracts are not recognised under ‘Earned premiums’ and ‘Technical charges’, but that the margins on them are reported under ‘Net fee and commission income’. Investment contracts without DPF are more or less the same as unit-linked contracts, which in 2021 accounted for premium income of 0.9 billion euros and in 2022 for premium income of 1.1 billion euros. Premium income generated by investment contracts without DPF (under deposit accounting) is included in ‘Total sales of life insurance’, as presented in the lower part of the table. These sale volumes, therefore, comprise earned insurance premiums plus premiums from contracts that are subject to deposit accounting.

Note 3.7.3: Non-life insurance

(in millions of EUR)	Earned premiums (before reinsurance)	Claims incurred	Operating expenses (before reinsurance)	Ceded reinsurance	Total
2022					
Total	2 054	- 1 154	- 688	1	213
Accepted reinsurance	30	- 26	- 10	18	12
Primary business	2 024	- 1 128	- 678	- 17	201
Accident & health (classes 1 & 2, excl. industrial accidents)	128	- 60	- 41	0	27
Industrial accidents (class 1)	94	- 95	- 18	- 1	- 21
Motor, third-party liability (class 10)	525	- 321	- 156	- 2	45
Motor, other classes (classes 3 & 7)	360	- 212	- 124	- 1	23
Shipping, aviation, transport (classes 4, 5, 6, 7, 11 & 12)	9	- 2	- 3	- 2	2
Fire and other damage to property (classes 8 & 9)	622	- 327	- 232	- 5	58
General third-party liability (class 13)	156	- 45	- 51	- 6	54
Credit and suretyship (classes 14 & 15)	0	0	0	0	0
Miscellaneous pecuniary losses (class 16)	30	- 13	- 11	1	7
Legal assistance (class 17)	65	- 40	- 23	0	2
Assistance (class 18)	36	- 11	- 20	0	4
2021					
Total	1 905	- 1 106	- 622	27	204
Accepted reinsurance	27	- 11	- 9	- 3	4
Primary business	1 878	- 1 095	- 614	30	200
Accident & health (classes 1 & 2, excl. industrial accidents)	123	- 53	- 40	0	28
Industrial accidents (class 1)	89	- 77	- 16	0	- 4
Motor, third-party liability (class 10)	512	- 305	- 148	- 4	55
Motor, other classes (classes 3 & 7)	320	- 179	- 108	3	36
Shipping, aviation, transport (classes 4, 5, 6, 7, 11 & 12)	7	- 2	- 2	- 1	1
Fire and other damage to property (classes 8 & 9)	569	- 343	- 211	28	44
General third-party liability (class 13)	142	- 92	- 46	1	6
Credit and suretyship (classes 14 & 15)	0	0	0	0	0
Miscellaneous pecuniary losses (class 16)	22	- 9	- 8	3	9
Legal assistance (class 17)	62	- 28	- 22	0	13
Assistance (class 18)	31	- 6	- 13	0	12

Note 3.8: Operating expenses

(in millions of EUR)	2022	2021
Total	- 522	- 480
Staff expenses	- 245	- 233
General administrative expenses	- 257	- 225
of which levies	- 26	- 22
Depreciation and amortisation of fixed assets	- 20	- 21

- General administrative expenses include repair and maintenance expenses, advertising costs, rent, professional fees, various (non-income) taxes, utilities and other such expenses. They also include expenses related to the special tax imposed on financial institutions in various countries.

Note 3.9: Personnel

	2022	2021
Total average number of persons employed (in full-time equivalents)	4 024	3 953
By employee classification		
Blue-collar staff	341	328
White-collar staff	3 658	3 600
Senior management	25	25

- The figures in the table are annual averages, which – in terms of scope – may differ from year-end figures that are provided elsewhere.
- The staff numbers for NN's Bulgarian life and pension insurance businesses were included for five months from August 2021 (52 FTEs on average).

Note 3.10: Impairment (income statement)

(in millions of EUR)	2022	2021
Total	1	- 3
Impairment on financial assets at AC and at FVOCI *	1	5
Of which impairment on financial assets at AC	0	1
By product		
Loans and advances	0	0
Debt securities	0	0
Off-balance-sheet commitments and financial guarantees	0	0
By type		
Stage 1 (12-month ECL)	0	1
Stage 2 (lifetime ECL)	0	0
Stage 3 (lifetime ECL)	0	0
Purchased or originated credit impaired assets	0	0
Of which impairment on financial assets at FVOCI	1	4
Debt securities	1	4
Stage 1 (12-month ECL)	0	3
Stage 2 (lifetime ECL)	1	0
Stage 3 (lifetime ECL)	0	0
Impairment on goodwill	0	0
Impairment on other	0	- 7
Intangible fixed assets (other than goodwill)	- 3	- 5
Property and equipment (including investment property)	5	0
Associated companies and joint ventures	0	0
Other	- 2	- 2

* Modification gains or losses are also recognised under impairment, but were limited.

- A sensitivity analysis of the impact of these multiple economic scenarios on the collectively assessed ECL (i.e. without the ECL for individually assessed loans of 0.6 million euros at the end of 2022 and 0.6 million euros at the end of 2021) shows that the 'base' scenario generates an ECL of 4.9 million euros (6.1 million euros in 2021), which is 0.0 million euros lower than for the 'down' scenario (0.3 million euros in 2021) and 0.1 million euros higher than for the 'up' scenario (0.1 million euros in 2021). The assessed scenario-weighted collective ECL (that was recognised) amounted to 4.9 million euros (6.1 million euros in 2021).
- For information on total impairment recognised in the balance sheet, see Note 4.2.
- More background information and methodology for KBC's ECL model is provided in the accounting policies under 'Financial assets – impairment' in Note 1.2.
- KBC uses specific models for PD, EAD and LGD in order to calculate ECL. It is essential to take account of historical observations and forward-looking projections in this respect.

- PD represents the probability of a counterparty defaulting in the next 12 months or during the entire term of the facility (depending on which IFRS 9 ‘Stage’ the facility is in). The PD is driven by the counterparty’s internal (and, if applicable, external) credit rating. Variables used in PD models include financial ratios and behavioural parameters (arrears).
- EAD represents the estimated outstanding debt at the time of default and depends on the existing outstanding debt and any changes permitted under the contract and normal repayments. Variables used in these models include product types and repayment schedules.
- LGD is the estimated size of the loss relative to the outstanding debt at the time of default. LGD is presented as a percentage of the outstanding debt and is determined by historical amounts recovered on similar claims. Variables used in these models include collateral types and financial ratios.

Note 3.11: Share in results of associated companies and joint ventures

No associated companies and joint ventures were recognised using the equity method in 2022 and 2021.

- Impairment on (goodwill on) associated companies and joint ventures is included in ‘Impairment’ (see Note 3.10). The share in results of associated companies and joint ventures does not therefore take this impairment into account.

Note 3.12: Income tax expense

(in millions of EUR)	2022	2021
Total	- 117	- 125
By type		
Current taxes on income	- 112	- 131
Deferred taxes on income	- 5	6
Tax components		
Result before tax	677	633
Income tax at the Belgian statutory rate	25.00%	25.00%
Income tax calculated	- 169	- 158
Plus/minus tax effects attributable to		
differences in tax rates, Belgium – abroad	14	20
tax-free income	64	30
adjustments related to prior years	- 1	1
adjustments to deferred taxes due to change in tax rate	0	0
unused tax losses and unused tax credits to reduce current tax expense	0	0
unused tax losses and unused tax credits to reduce deferred tax expense	0	0
reversal of previously recognised deferred tax assets due to tax losses	0	0
other (mainly non-deductible expenses)	- 25	- 18

- For information on tax assets and tax liabilities, see Note 5.2.

4.0 Notes on the financial assets and liabilities on the balance sheet

Note 4.1 Financial assets and liabilities, breakdown by portfolio and product

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO (1)	Hedging deriva-tives	Total
FINANCIAL ASSETS, 31-12-2022								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	337	0	0	0	1	0	0	**338**
Of which repayable on demand and term loans at not more than three months								***10***
Loans and advances to customers (excl. reverse repos)	1 997	0	0	0	0	0	0	**1 997**
Trade receivables	1	0	0	0	0	0	0	**1**
Consumer credit	0	0	0	0	0	0	0	**0**
Mortgage loans	910	0	0	0	0	0	0	**910**
Term loans	914	0	0	0	0	0	0	**914**
Finance lease	0	0	0	0	0	0	0	**0**
Current account advances	0	0	0	0	0	0	0	**0**
Other	173	0	0	0	0	0	0	**173**
Reverse repos (2)	0	0	0	0	0	0	0	**0**
with credit institutions and investment firms	0	0	0	0	0	0	0	**0**
with customers	0	0	0	0	0	0	0	**0**
Equity instruments	0	127	0	1 237	3	0	0	**1 367**
Investment contracts (insurance) (6)	0	0	12 771	0	0	0	0	**12 771**
Debt securities issued by	7 539	8 438	1	0	21	0	0	**15 999**
Public bodies	5 440	5 165	0	0	17	0	0	**10 622**
Credit institutions and investment firms	809	1 277	0	0	1	0	0	**2 087**
Corporates	1 290	1 996	1	0	3	0	0	**3 290**
Derivatives	0	0	0	0	0	0	69	**69**
Other (3)	27	0	0	0	0	0	0	**27**
Total	9 900	8 564	12 773	1 237	26	0	69	**32 568**
FINANCIAL ASSETS, 31-12-2021								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	419	0	0	0	1	0	0	**420**
Of which repayable on demand and term loans at not more than three months								***1***
Loans and advances to customers (excl. reverse repos)	2 077	0	0	0	0	0	0	**2 077**
Trade receivables	1	0	0	0	0	0	0	**1**
Consumer credit	0	0	0	0	0	0	0	**0**
Mortgage loans	972	0	0	0	0	0	0	**972**
Term loans	952	0	0	0	0	0	0	**952**
Finance lease	0	0	0	0	0	0	0	**0**
Current account advances	0	0	0	0	0	0	0	**0**
Other	153	0	0	0	0	0	0	**153**
Reverse repos (2)	0	0	0	0	0	0	0	**0**
with credit institutions and investment firms	0	0	0	0	0	0	0	**0**
with customers	0	0	0	0	0	0	0	**0**
Equity instruments	0	129	0	1 366	8	0	0	**1 503**
Investment contracts (insurance) (6)	0	0	14 620	0	0	0	0	**14 620**
Debt securities issued by	7 036	10 978	2	0	21	0	0	**18 037**
Public bodies	5 316	6 547	0	0	16	0	0	**11 880**
Credit institutions and investment firms	454	1 757	0	0	2	0	0	**2 213**
Corporates	1 265	2 674	2	0	3	0	0	**3 944**
Derivatives	0	0	0	0	0	0	21	**21**
Other (3)	29	0	0	0	0	0	0	**29**
Total	9 560	11 108	14 621	1 366	29	0	21	**36 706**

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-12-2022					
Deposits from credit institutions and investment firms (excl. repos)	24	0	0	0	**24**
Of which deposits repayable on demand					***0***
Deposits from customers and debt securities (excl. repos)	501	0	0	0	**501**
Demand deposits	0	0	0	0	**0**
Time deposits	1	0	0	0	**1**
Savings accounts	0	0	0	0	**0**
Special deposits	0	0	0	0	**0**
Other deposits	0	0	0	0	**0**
Certificates of deposit	0	0	0	0	**0**
Savings certificates	0	0	0	0	**0**
Convertible bonds	0	0	0	0	**0**
Non-convertible bonds	0	0	0	0	**0**
Convertible subordinated liabilities	0	0	0	0	**0**
Non-convertible subordinated liabilities	500	0	0	0	**500**
Repos (4)	619	0	0	0	**619**
with credit institutions and investment firms	619	0	0	0	**619**
with customers	0	0	0	0	**0**
Liabilities under investment contracts (6)	0	0	12 002	0	**12 002**
Derivatives	0	3	0	7	**11**
Short positions	0	0	0	0	**0**
In equity instruments	0	0	0	0	**0**
In debt securities	0	0	0	0	**0**
Other (5)	23	0	0	0	**23**
Total	1 166	3	12 002	7	**13 179**
FINANCIAL LIABILITIES, 31-12-2021					
Deposits from credit institutions and investment firms (excl. repos)	110	0	0	0	**110**
Of which deposits repayable on demand					***0***
Deposits from customers and debt securities (excl. repos)	500	0	0	0	**500**
Demand deposits	0	0	0	0	**0**
Time deposits	0	0	0	0	**0**
Savings accounts	0	0	0	0	**0**
Special deposits	0	0	0	0	**0**
Other deposits	0	0	0	0	**0**
Certificates of deposit	0	0	0	0	**0**
Savings certificates	0	0	0	0	**0**
Convertible bonds	0	0	0	0	**0**
Non-convertible bonds	0	0	0	0	**0**
Convertible subordinated liabilities	0	0	0	0	**0**
Non-convertible subordinated liabilities	500	0	0	0	**500**
Repos (4)	333	0	0	0	**333**
with credit institutions and investment firms	333	0	0	0	**333**
with customers	0	0	0	0	**0**
Liabilities under investment contracts (6)	0	0	13 603	0	**13 603**
Derivatives	0	5	0	14	**19**
Short positions	0	0	0	0	**0**
In equity instruments	0	0	0	0	**0**
In debt securities	0	0	0	0	**0**
Other (5)	25	0	0	0	**25**
Total	968	5	13 603	14	**14 591**

1. The carrying value comes close to the maximum credit exposure.
2. The amount of the reverse repos is virtually identical to the amount of the underlying assets (that have been lent out).
3. Financial assets not included under 'Loans and advances to customers' as they are not directly related to commercial lending.
4. The amount of the repos is virtually identical to the amount of the underlying assets (that have been lent out), with the assets being partly reflected on the balance sheet and partly obtained through reverse repo transactions.
5. Financial liabilities not included under deposits from customers as they are not directly related to commercial deposit acquisition.

- It should be noted that KBC has more transferred financial assets on its balance sheet than repo transactions, due to the fact (as required under IAS 32) the cash legs of certain repo transactions are offset against reverse repo transactions if they are carried out with the same counterparty, in the same currency and with the same maturity date.
- Transferred financial assets that continue to be recognised in their entirety: KBC regularly lends and/or sells securities with the commitment to buy them back at a later date (repo transactions). Securities lent or sold with such a commitment are transferred to the counterparty, and, in exchange, KBC receives cash or other financial assets. However, KBC retains the main risks and income relating to these securities, and, therefore, continues to recognise them on its balance sheet. In addition, a financial liability is recognised equalling the cash received.

Transferred financial assets that continue to be recognised in their entirety	31-12-2022	31-12-2021
Transferred assets, which continued to be recognised in their entirety: repo transactions and securities lent out with a carrying value	2 857	2 406
Held for trading		
Measured at fair value through OCI	1 369	1 181
Measured at amortised cost	1 488	1 225
Related financial debt	2 978	2 797
Held for trading		
Measured at fair value through OCI	1 438	1 201
Measured at amortised cost	1 540	1 596

Note 4.2: Financial assets and liabilities, breakdown by portfolio and quality

Note 4.2.1: Impaired financial assets

			31-12-2022			31-12-2021
(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances (*)	2 335	- 1	2 334	2 496	- 1	2 496
Stage 1 (12-month ECL)	2 280	0	2 280	2 435	0	2 435
Stage 2 (lifetime ECL)	54	0	54	59	0	59
Stage 3 (lifetime ECL)	0	0	0	2	- 1	1
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
Debt Securities	7 540	- 1	7 539	7 037	- 1	7 036
Stage 1 (12-month ECL)	7 540	- 1	7 539	7 019	- 1	7 018
Stage 2 (lifetime ECL)	0	0	0	18	0	18
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	8 441	- 3	8 438	10 983	- 5	10 978
Stage 1 (12-month ECL)	8 393	- 2	8 391	10 895	- 2	10 892
Stage 2 (lifetime ECL)	48	- 1	47	88	- 2	86
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	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)

Note 4.2.2: Impairment details

(in millions of EUR)	Stage 1 Subject to 12-month ECL	Stage 2 Subject to lifetime ECL	Stage 3 Subject to lifetime ECL (non-performing)	Subject to lifetime ECL (purchased or originated credit impaired)	Total
					31-12-2022
LOANS AND ADVANCES AT AMORTISED COST					
Impairment on 01-01-2022	0	0	1	0	1
Movements with an impact on results (1)	0	0	0	0	0
Transfer of financial assets					
Stage 1 (12-month ECL)	0	0	0	0	0
Stage 2 (lifetime ECL)	0	0	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0
New financial assets (2)	0	0	0	0	0
Changes in risk parameters	0	0	0	0	0
Changes in the model or methodology	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Other	0	0	0	0	0
Movements without an impact on results	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0
Other	0	0	0	0	0
Impairment on 31-12-2022	0	0	1	0	1
DEBT SECURITIES AT AMORTISED COST					
Impairment on 01-01-2022	1	0	0	0	1
Movements with an impact on results (1)	0	0	0	0	0
Transfer of financial assets					
Stage 1 (12-month ECL)	0	0	0	0	0
Stage 2 (lifetime ECL)	0	0	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0
New financial assets (2)	0	0	0	0	0
Changes in risk parameters	0	0	0	0	0
Changes in the model or methodology	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Other	0	0	0	0	0
Movements without an impact on results	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0
Other	0	0	0	0	0
Impairment on 31-12-2022	1	0	0	0	1
DEBT SECURITIES AT FAIR VALUE THROUGH OCI					
Impairment on 01-01-2022	2	2	0	0	5
Movements with an impact on results (1)	0	- 1	0	0	- 1
Transfer of financial assets					
Stage 1 (12-month ECL)	0	0	0	0	0
Stage 2 (lifetime ECL)	0	0	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0
New financial assets (2)	0	0	0	0	0
Changes in risk parameters	0	- 1	0	0	- 1
Changes in the model or methodology	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Other	0	0	0	0	0
Movements without an impact on results	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0
Other	0	0	0	0	0
Impairment on 31-12-2022	2	1	0	0	3

(in millions of EUR)	Stage 1 Subject to 12-month ECL	Stage 2 Subject to lifetime ECL	Stage 3 Subject to lifetime ECL (non-performing)	Subject to lifetime ECL (purchased or originated credit impaired)	Total
					31-12-2021
LOANS AND ADVANCES AT AMORTISED COST					
Impairment on 01-01-2021	0	0	1	0	1
Movements with an impact on results (1)	0	0	0	0	0
Transfer of financial assets					
Stage 1 (12-month ECL)	0	0	0	0	0
Stage 2 (lifetime ECL)	0	0	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0
New financial assets (2)	0	0	0	0	0
Changes in risk parameters	0	0	0	0	0
Changes in the model or methodology	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Other	0	0	0	0	0
Movements without an impact on results	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0
Other	0	0	0	0	0
Impairment on 31-12-2021	0	0	1	0	1
DEBT SECURITIES AT AMORTISED COST					
Impairment on 01-01-2021	2	0	0	0	2
Movements with an impact on results (1)	0	0	0	0	0
Transfer of financial assets					
Stage 1 (12-month ECL)	0	0	0	0	0
Stage 2 (lifetime ECL)	0	0	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0
New financial assets (2)	0	0	0	0	0
Changes in risk parameters	- 1	0	0	0	- 1
Changes in the model or methodology	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Other	0	0	0	0	0
Movements without an impact on results	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0
Other	0	0	0	0	0
Impairment on 31-12-2021	1	0	0	0	1
DEBT SECURITIES AT FAIR VALUE THROUGH OCI					
Impairment on 01-01-2021	6	3	0	0	8
Movements with an impact on results (1)	- 3	0	0	0	- 4
Transfer of financial assets					
Stage 1 (12-month ECL)	0	0	0	0	0
Stage 2 (lifetime ECL)	0	- 1	0	0	- 1
Stage 3 (lifetime ECL)	0	0	0	0	0
New financial assets (2)	0	0	0	0	0
Changes in risk parameters	- 3	0	0	0	- 3
Changes in the model or methodology	0	0	0	0	0
Derecognised financial assets (3)	- 1	0	0	0	- 1
Other	0	0	0	0	0
Movements without an impact on results	0	0	0	0	0
Derecognised financial assets (3)	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0
Other	0	0	0	0	0
Impairment on 31-12-2021	2	2	0	0	5

(1) Amounts recovered in respect of loans that have already been written off are recycled to the income statement and recorded as 'Impairment on financial assets at amortised cost and at fair value through OCI'. However, they have not been included in this table since they do not have any impact on impairment losses on the balance sheet.

(2) Also includes impairment related to new financial assets resulting from off-balance-sheet commitments and financial guarantees already given being called.

(3) Derecognition without an impact on results occurs when the impairment adjustment has already been made upfront (for example, at the moment of the sale agreement (disposals) or before the write-off). Derecognition with an impact on results occurs when the impairment adjustment takes place at the same time (for instance, in the case of debt forgiveness).

- For information on provisions for commitments and financial guarantees, see Note 5.7.2.
- For information regarding the impact of changes in impairment on the income statement, see Note 3.10.
- The loan portfolio contains a portion of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.

Note 4.3: Maximum credit exposure and offsetting

			31-12-2022			31-12-2021
(in millions of EUR)	Maximum credit exposure (A)	Collateral and other credit enhan-cements received (B)	Net (A-B)	Maximum credit exposure (A)	Collateral and other credit enhan-cements received (B)	Net (A-B)
Subject to impairment	18 497	689	17 808	20 622	726	19 897
of which Stage 3 'non-performing' (AC and FVOCI)	*0*	*0*	*0*	*1*	*0*	*1*
Debt securities	15 977	0	15 977	18 014	0	18 014
Loans and advances (excl. reverse repos)	2 334	689	1 645	2 496	726	1 770
Reverse repos	0	0	0	0	0	0
Other financial assets	27	0	27	29	0	29
Off-balance-sheet liabilities	160	0	160	84	0	84
irrevocable	160	0		84	0	
revocable	0	0		0	0	
Not subject to impairment	93	0	93	44	0	44
Debt securities	22	0	22	22	0	22
Loans and advances (excl. reverse repos)	1	0	1	1	0	1
of which FVO	*0*	*0*	*0*	*0*	*0*	*0*
Reverse repos	0	0	0	0	0	0
Derivatives	69	0	69	21	0	21
Other financial assets	0	0	0	0	0	0
Off-balance-sheet liabilities	0	0	0	0	0	0
Total	18 590	689	17 901	20 667	726	19 941

- Maximum credit exposure for a financial asset is the net carrying value. Besides the amounts on the balance sheet, maximum credit exposure also includes the undrawn portion of irrevocable credit lines, financial guarantees granted and other irrevocable commitments.
- The loan portfolio contains a portion of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.
- Collateral and credit enhancements received: recognised at market value and limited to the outstanding amount of the relevant loans.

Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements (in millions of EUR)	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off	Net amounts of financial instruments presented in the balance sheet	Amounts not set off in the balance sheet: Financial instruments	Amounts not set off in the balance sheet: Cash collateral	Amounts not set off in the balance sheet: Securities collateral	Net amount
FINANCIAL ASSETS, 31-12-2022							
Derivatives	69	0	69	32	0	0	37
Derivatives (excluding central clearing houses)	69	0	69	32	0	0	37
Derivatives with central clearing houses	0	0	0	0	0	0	0
Reverse repos, securities borrowing and similar arrangements	0	0	0	0	0	0	0
Reverse repos	0	0	0	0	0	0	0
Securities borrowing	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	69	0	69	32	0	0	37
FINANCIAL LIABILITIES, 31-12-2022							
Derivatives	11	0	11	10	0	0	0
Derivatives (excluding central clearing houses)	11	0	11	10	0	0	0
Derivatives with central clearing houses	0	0	0	0	0	0	0
Repos, securities lending and similar arrangements	619	0	619	0	0	619	0
Repos	619	0	619	0	0	619	0
Securities lending	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	630	0	630	10	0	619	0
FINANCIAL ASSETS, 31-12-2021							
Derivatives	21	0	21	0	0	0	21
Derivatives (excluding central clearing houses)	21	0	21	0	0	0	21
Derivatives with central clearing houses	0	0	0	0	0	0	0
Reverse repos, securities borrowing and similar arrangements	0	0	0	0	0	0	0
Reverse repos	0	0	0	0	0	0	0
Securities borrowing	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	21	0	21	0	0	0	21
FINANCIAL LIABILITIES, 31-12-2021							
Derivatives	19	0	19	0	18	0	1
Derivatives (excluding central clearing houses)	19	0	19	0	18	0	0
Derivatives with central clearing houses	0	0	0	0	0	0	0
Repos, securities lending and similar arrangements	333	0	333	0	0	333	0
Repos	333	0	333	0	0	333	0
Securities lending	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	352	0	352	0	18	333	1

- The criteria for offsetting are met if KBC currently has a legally enforceable right to set off the recognised financial assets and financial liabilities and intends either to settle the transactions on a net basis, or to realise the financial asset and settle the financial liability simultaneously. Financial assets and financial liabilities that are set off relate to financial instruments that were traded on (central) clearing houses.
- The amounts presented in the 'Financial instruments' column under the 'Amounts not set off in the balance sheet' heading are for financial instruments entered into under an enforceable master netting agreement or similar arrangement that does not meet the criteria defined in IAS 32. These amounts refer to situations in which offsetting can only be applied if one of the counterparties defaults, becomes insolvent or goes bankrupt. The same principle applies for financial instruments given or received as collateral. The value given in the table for non-cash collateral received (the 'Securities collateral' column under the 'Amounts not set off in the balance sheet' heading) corresponds with the market value. This is the value that is used if one of the counterparties defaults, becomes insolvent or goes bankrupt.

Note 4.4: Fair value of financial assets and liabilities – general

Fair value of financial instruments that are not measured at fair value in the balance sheet	**Financial assets at amortised cost**		**Financial liabilities at amortised cost**	
(in millions of EUR)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL ASSETS, 31-12-2022				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	337	359	-	-
Loans and advances to customers (incl. reverse repos)	1 997	1 773	-	-
Debt securities	7 539	6 689	-	-
Other	27	27	-	-
Total	9 900	8 847	-	-
Level 1	-	5 429	-	-
Level 2	-	3 415	-	-
Level 3	-	3	-	-
FINANCIAL LIABILITIES, 31-12-2022				
Deposits from credit institutions and investment firms (incl. repos)	-	-	643	643
Deposits from customers and debt securities (incl. repos)	-	-	501	501
Liabilities under investment contracts	-	-	0	0
Other	-	-	23	11
Total	-	-	1 166	1 155
Level 1	-	-	-	0
Level 2	-	-	-	1 155
Level 3	-	-	-	0
FINANCIAL ASSETS, 31-12-2021				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	419	509	-	-
Loans and advances to customers (incl. reverse repos)	2 077	2 291	-	-
Debt securities	7 036	7 724	-	-
Other	29	29	-	-
Total	9 560	10 553	-	-
Level 1	-	5 858	-	-
Level 2	-	4 690	-	-
Level 3	-	5	-	-
FINANCIAL LIABILITIES, 31-12-2021				
Deposits from credit institutions and investment firms (incl. repos)	-	-	443	443
Deposits from customers and debt securities (incl. repos)	-	-	500	500
Liabilities under investment contracts	-	-	0	0
Other	-	-	25	13
Total	-	-	968	956
Level 1	-	-	-	0
Level 2	-	-	-	956
Level 3	-	-	-	0

- All internal valuation models are validated by an independent Risk Validation Unit. In addition, the Executive Committee has appointed a Group Valuation Committee (GVC) to ensure that KBC meets all the legal requirements for measuring financial assets and liabilities at fair value. The GVC monitors consistent implementation of the KBC Valuation Framework, which consists of various guidelines, including the Group Valuation Policy, the Group Market Value Adjustments Policy and the Group Parameter Review Policy. The GVC meets at least twice a quarter to approve significant changes in valuation methods (including, but not limited to, models, market data and inputs) or deviations from group policies for financial assets and liabilities measured at fair value. The committee is made up of members from Finance, Risk Management and the Middle Office. Valuation uncertainty measurements are made and reported to the GVC every six months. Certain fair values generated by valuation models are challenged by a team set up specifically for this purpose.
- The fair value of mortgage and term loans not measured at fair value in the balance sheet (see table) is calculated by discounting contractual cashflows at the risk-free rate. This calculation is then adjusted for credit risk by taking account of margins obtained on similar, but recently issued, loans or by using a spread derived from the listed-bond spread. The fair value of the main portfolios takes account of prepayment risks and cap options. The fair value of time deposits is calculated by

discounting contractual cashflows at the risk-free rate. The fair value of demand and savings deposits is presumed to be equal to their carrying value.

Note 4.5: Financial assets and liabilities measured at fair value – fair value hierarchy

(in millions of EUR)				31-12-2022				31-12-2021
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss, other than held for trading incl. overlay	13 769	134	107	14 010	15 688	254	45	15 987
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	0	0	0	0	0	0	0
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Equity instruments	1 131	0	106	1 237	1 323	0	43	1 366
Investment contracts (insurance)	12 638	134	0	12 771	14 365	254	0	14 620
Debt securities	0	0	1	1	0	0	2	2
of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other	0	0	0	0	0	0	0	0
Held for trading	22	4	0	26	23	6	0	29
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	1	0	1	0	1	0	1
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Equity instruments	3	0	0	3	8	0	0	8
Debt securities	19	2	0	21	16	5	0	21
of which sovereign bonds	*16*	*1*	*0*	*17*	*14*	*2*	*0*	*16*
Derivatives	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
FVO	0	0	0	0	0	0	0	0
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	0	0	0	0	0	0	0
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0	0	0
of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
At fair value through OCI	6 395	1 867	302	8 564	7 923	2 863	323	11 108
Equity instruments	0	0	126	127	2	0	127	129
Debt securities	6 395	1 867	175	8 438	7 920	2 863	195	10 978
of which sovereign bonds	*4 142*	*983*	*40*	*5 165*	*4 816*	*1 711*	*20*	*6 547*
Hedging derivatives	0	69	0	69	0	21	0	21
Derivatives	0	69	0	69	0	21	0	21
Total	20 186	2 074	409	22 669	23 634	3 144	368	27 145

(in millions of EUR)				31-12-2022				31-12-2021
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	0	3	0	3	0	5	0	5
Deposits from credit institutions and investment firms (incl. repos)	0	0	0	0	0	0	0	0
Deposits from customers and debt securities (incl. repos)	0	0	0	0	0	0	0	0
Derivatives	0	3	0	3	0	5	0	5
Short positions	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Designated at fair value	12 002	0	0	12 002	13 603	0	0	13 603
Deposits from credit institutions and investment firms (incl. repos)	0	0	0	0	0	0	0	0
Deposits from customers and debt securities (incl. repos)	0	0	0	0	0	0	0	0
Liabilities under investment contracts	12 002	0	0	12 002	13 603	0	0	13 603
Other	0	0	0	0	0	0	0	0
Hedging derivatives	0	7	0	7	0	14	0	14
Derivatives	0	7	0	7	0	14	0	14
Total	12 002	11	0	12 013	13 603	19	0	13 622

- The fair value hierarchy prioritises the valuation techniques and the respective inputs into three levels.
  - The fair value hierarchy gives the highest priority to ‘level 1 inputs’. This means that, when there is an active market, quoted prices have to be used to measure the financial assets or liabilities at fair value. Level 1 inputs are prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency (and that are quoted in active markets accessible to KBC). They represent actual and regularly occurring market transactions on an arm’s length basis. The fair value is then based on a mark-to-market valuation derived from currently available transaction prices. No valuation technique (model) is involved.
  - If there are no price quotations available, the reporting entity establishes fair value using a model based on observable or unobservable inputs. The use of observable inputs needs to be maximised, whereas the use of unobservable inputs has to be minimised. Observable inputs are also referred to as ‘level 2 inputs’ and reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs include discounted cashflow analysis, or reference to the current or recent fair value of a similar instrument.
  - Unobservable inputs are also referred to as ‘level 3 inputs’ and reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions regarding the risks involved). Unobservable inputs reflect a market that is not active. For example, proxies and correlation factors can be considered to be unobservable in the market.
- When the inputs used to measure the fair value of an asset or a liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is classified in its entirety into the same level as the lowest level input that is significant to the entire fair value measurement. For example, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.
- The valuation methodology and the corresponding classification in the fair value hierarchy of the most commonly used financial instruments are summarised in the table. This table provides an overview of the level in which the instruments are generally classified, but exceptions are possible. In other words, whereas the majority of instruments of a certain type are within the level indicated in the table, a small portion may actually be classified in another level.
- KBC follows the principle that transfers into and out of levels of the fair value hierarchy are made at the end of the reporting period. Transfers between the various levels are dealt with in more detail in Note 4.6 and Note 4.7.

Overview at KBC Group level

	Instrument type	Products	Valuation technique
Level 1	Liquid financial instruments for which quoted prices are regularly available	FX spots, exchange traded financial futures, exchange traded options, exchange traded stocks, exchange traded funds, liquid government bonds, other liquid bonds, liquid asset backed securities (ABS) in active markets	Mark-to-market (quoted prices in active markets), for bonds: BVAL or vendor data.
Level 2	Plain vanilla/liquid derivatives	(Cross-currency) interest rate swaps (IRS), FX swaps, FX forwards, forward rate agreements (FRA), inflation swaps, dividend swaps and futures, reverse floaters, bond future options, interest rate future options, overnight index swaps (OIS), FX resets	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
		Caps & floors, interest rate options, European stock options, European & American FX options, forward starting options, digital FX options, FX strips of simple options, European swaptions, European cancellable IRS, compound options	Option pricing model based on observable inputs (e.g., volatilities)
	Linear financial liabilities (without optional features) – cash instruments	Deposits, simple cashflows, repo transactions	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
	Semi-liquid bonds/asset backed securities	Semi-liquid bonds/asset backed securities	BVAL, prices corroborated by alternative observable market data, or using comparable spread method
	Debt instruments	KBC IFIMA own issues (liabilities), mortgage bonds held by ČSOB	Discounted cashflow analysis and valuation of related derivatives based on observable inputs
	Linear financial assets (cash instruments)	Loans, commercial paper	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
Level 3	Exotic derivatives	Target profit forwards, flexible forwards, American & Asian stock options, Bermudan swaptions, digital interest rate options, quanto interest rate options, digital stock options, composite stock options, barrier stock options, quanto digital FX options, FX Asian options, FX European barrier options, FX simple digital barrier options, FX touch rebates, inflation options, Bermudan cancellable IRS, constant maturity swaps (CMS), CMS spread swaps, CMS spread options, CMS interest rate caps/floors, (callable) range accruals, outperformance options, auto-callable options, lookback options, commodity swaps and forwards	Option pricing model based on observable inputs (e.g., correlation)
	Illiquid credit-linked instruments	Collateralised debt obligations (notes)	Valuation model based on correlation of probability of default of underlying assets
	Private equity investments	Private equity and non-quoted participations	Based on the valuation guidelines of the European Private Equity & Venture Capital Association
	Illiquid bonds/asset backed securities	Illiquid (mortgage) bonds/asset backed securities that are indicatively priced by a single pricing provider in an inactive market	BVAL, third-party pricing (e.g., lead manager), where prices cannot be corroborated due to a lack of available/reliable alternative market data
	Debt instruments	KBC own issues (KBC IFIMA)	Discounted cashflow analysis and valuation of related derivatives based on unobservable inputs (indicative pricing by third parties for derivatives)

Note 4.6: Financial assets and liabilities measured at fair value – transfers between levels 1 and 2

- In 2022, KBC transferred 76 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 358 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due in part to a change in the liquidity of government bonds and corporate bonds.
- In 2021, KBC transferred 110 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 279 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 bonds and corporate bonds.

Note 4.7: Financial assets and liabilities measured at fair value – focus on level 3

- In 2022, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:
  - Financial assets at fair value through OCI: The fair value of the equity instruments rose by 63 million euros, due primarily to new positions.
- In 2021, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:
  - Financial assets at fair value through OCI: The fair value of the equity instruments rose by 48 million euros, mainly due to the revaluation of non-consolidated positions. The fair value of debt instruments fell by 63 million euros, primarily as a result of shifts from level 3, only partly offset by shifts into level 3.

Note 4.8: Derivatives

Note 4.8.1: Trading derivatives

				31-12-2022				31-12-2021
(in millions of EUR)	Carrying value		Notional amount (*)		Carrying value		Notional amount (*)	
	Assets	Lia-bilities	Purchased	Sold	Assets	Lia-bilities	Purchased	Sold
Total	0	3	40	38	0	5	63	63
Interest rate contracts	0	3	26	26	0	5	50	50
of which interest rate swaps and futures	*0*	*3*	*26*	*26*	*0*	*5*	*50*	*50*
of which options	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Foreign exchange contracts	0	0	14	12	0	0	13	12
of which currency and interest rate swaps, FX swaps and futures	*0*	*0*	*14*	*12*	*0*	*0*	*13*	*12*
of which options	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Equity contracts	0	0	0	0	0	0	0	0
of which equity swaps	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
of which options	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Credit contracts	0	0	0	0	0	0	0	0
of which credit default swaps	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Commodity and other contracts	0	0	0	0	0	0	0	0

(*) In this table, both legs of the derivatives are reported in the notional amounts.

Note 4.8.2 Hedging derivatives

31-12-2022

(in millions of EUR)	Hedging instrument					Hedged item				Impact on equity	
	Notional amount (1)		Carrying value		Change in fair value of hedging instruments as basis for recognising hedge ineffectiveness for the period (2)			Carrying value	Change in fair value of hedged items as basis for recognising hedge ineffectiveness for the period (2)	Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Hedging strategy	Pur-chased	Sold	Assets	Liabilities		Type	Total (incl. fair value changes)	Of which accumulated fair value adjustments			
Fair value micro hedge											
Interest rate swaps	442	442	66	0	58	Debt securities held at AC	0	0	0		
Currency and interest rate swaps	6	6	1	0	0	Loans and advances at AC	0	0	0		
						Debt securities held at FVOCI	412	- 72	- 57		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	0	0	0		
Total	448	448	67	0	58	Total			- 57	1	-
Portfolio hedge of interest rate risk											
Interest rate swaps	0	0	0	0	0	Debt securities held at AC	0	0	0		
Currency and interest rate options	0	0	0	0	0	Loans and advances at AC	0	0	0		
						Debt securities held at FVOCI	0	0	0		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	0	0	0		
Total	0	0	0	0	0	Total			0	0	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	0	0	0	0	0						
Currency and interest rate swaps	6	5	1	7	- 2						
Total	6	5	1	7	- 2	Total			2	0	- 2
Hedge of net investments in foreign operations											
Total (3)	0	0	0	0	0	Total			0	0	1

(1) In this table, both legs of the derivatives are reported in the notional amounts.

(2) Ineffectiveness is recognised in 'Net result from financial instruments at fair value through profit or loss' (also see Note 3.3).

(3) Carrying value liabilities: hedging instruments in the form of foreign currency deposits.

31-12-2021

(in millions of EUR)	Hedging instrument						Hedged item			Impact on equity	
	Notional amount (1)		Carrying value		Change in fair value of hedging instruments as basis for recognising hedge ineffectiveness for the period (2)		Carrying value		Change in fair value of hedged items as basis for recognising hedge ineffectiveness for the period (2)	Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Hedging strategy	Pur-chased	Sold	Assets	Liabilities		Type	Total (incl. fair value changes)	Of which accumulated fair value adjustments			
Fair value micro hedge											
Interest rate swaps	437	437	20	14	37	Debt securities held at AC	0	0	0		
Currency and interest rate swaps	19	18	0	0	0	Loans and advances at AC	0	0	0		
						Debt securities held at FVOCI	501	- 14	- 37		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	0	0	0		
Total	456	456	20	14	37	Total			- 37	0	-
Portfolio hedge of interest rate risk											
Interest rate swaps	0	0	0	0	0	Debt securities held at AC	0	0	0		
Currency and interest rate options	0	0	0	0	0	Loans and advances at AC	0	0	0		
						Debt securities held at FVOCI	0	0	0		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	0	0	0		
Total	0	0	0	0	0	Total			0	0	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	0	0	0	0	0						
Currency and interest rate swaps	6	5	0	0	0						
Total	6	5	0	0	0	Total			0	0	0
Hedge of net investments in foreign operations											
Total (3)	0	0	0	0	0	Total			0	0	1

(1) In this table, both legs of the derivatives are reported in the notional amounts.

(2) Ineffectiveness is recognised in 'Net result from financial instruments at fair value through profit or loss' (also see Note 3.3).

(3) Carrying value liabilities: hedging instruments in the form of foreign currency deposits.

- To prevent rate movements from having a negative impact, the maturities of assets and liabilities are adjusted on the balance sheet using interest rate swaps and other derivatives.
- As regards the relationship between risk management and hedge accounting policy, ‘economic’ management takes priority and risks are hedged in accordance with the general ALM framework. Only then is a decision made on which, if any, of these techniques will be used to limit any resulting accounting mismatch.

Estimated cashflows from cashflow hedging derivatives per time bucket (in millions of EUR)	Inflow	Outflow
Not more than three months	0	0
More than three but not more than six months	0	0
More than six months but not more than one year	6	- 6
More than one but not more than two years	0	0
More than two but not more than five years	0	0
More than five years	0	- 2

5.0 Notes to other balance sheet items

Note 5.1: Other assets

(in millions of EUR)	31-12-2022	31-12-2021
Total	874	758
Debtors arising out of direct insurance operations	457	404
Debtors arising out of reinsurance operations	89	78
Deposits with ceding companies	8	10
Prepaid charges and accrued income	22	19
Other	298	247

Note 5.2: Tax assets and tax liabilities

(in millions of EUR)	31-12-2022	31-12-2021
CURRENT TAXES		
Current tax assets	50	45
Current tax liabilities	16	44
DEFERRED TAXES	111	- 265
Deferred tax assets by type of temporary difference	316	125
Employee benefits	2	2
Losses carried forward	2	0
Tangible and intangible fixed assets	5	7
Provisions for risks and charges	1	1
Impairment for losses on loans and advances	3	3
Financial instruments at fair value through profit or loss and fair value hedges	45	46
Fair value changes financial instruments at FVOCI, cashflow hedges and hedges of net investments in foreign operations	210	29
Technical provisions	42	30
Other	6	7
Deferred tax liabilities by type of temporary difference	205	389
Employee benefits	7	0
Losses carried forward	0	0
Tangible and intangible fixed assets	5	5
Provisions for risks and charges	9	9
Impairment for losses on loans and advances	0	0
Financial instruments at fair value through profit or loss and fair value hedges	42	41
Fair value changes, financial assets at FVOCI, cashflow hedges and hedges of net investments in foreign operations	25	225
Technical provisions	115	106
Other	2	3
Recognised as a net amount in the balance sheet as follows:		
Deferred tax assets	185	38
Deferred tax liabilities	74	302
Unused tax losses and unused tax credits	0	0

- Deferred tax assets are recognised to the extent that it is probable that, on the basis of realistic financial projections, taxable profit will be available against which the deductible temporary differences can be utilised in the foreseeable future (limited to a period of eight to ten years).
- Unused tax losses and unused tax credits concern tax losses of group companies which are not capitalised due to insufficient proof of future taxable profit. Most unused tax losses and unused tax credits can be carried forward for 20 years or more.
- The net change in deferred taxes (+375 million euros in 2022) breaks down as follows:
    - The increase in deferred tax assets of +191 million euros.

    - A decrease in deferred tax liabilities of -184 million euros.
- The changes in deferred tax assets and liabilities are mainly attributable to the decrease in the revaluation reserve for financial instruments measured at FVOCI.

Note 5.3: Investments in associated companies and joint ventures

No associated companies and joint ventures were recognised using the equity method in 2022 and 2021.

- Associated companies are companies on whose management KBC exerts significant influence, without having direct or indirect full or joint control. In general, KBC has a 20% to 50% shareholding in such companies. Joint ventures are companies over which KBC exercises joint control.
- Goodwill paid on associated companies and joint ventures is included in the nominal value of 'Investments in associated companies and joint ventures' shown on the balance sheet. An impairment test is performed and, if required, the necessary impairment losses on goodwill recognised (see table).

Note 5.4: Property and equipment and investment property

(in millions of EUR)	31-12-2022	31-12-2021
Property, equipment	44	39
Investment property	258	244
Rental income	16	21
Direct operating expenses from investments generating rental i	4	5
Direct operating expenses from investments not generating ren	0	0

MOVEMENTS TABLE	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
2022					
Opening balance	32	2	5	39	244
Acquisitions	3	2	2	6	15
Disposals	- 1	0	0	- 1	- 2
Depreciation	- 7	- 1	- 1	- 10	- 17
Other movements	11	0	- 1	10	19
Closing balance	38	3	4	44	258
Accumulated depreciation and impairment	*28*	*8*	*11*	*47*	*186*
Fair value 31-12-2022					392
2021					
Opening balance	33	2	5	40	256
Acquisitions	3	1	1	6	10
Disposals	- 1	0	0	- 1	- 3
Depreciation	- 7	- 1	- 1	- 10	- 18
Other movements	4	0	0	4	- 1
Closing balance	32	2	5	39	244
Accumulated depreciation and impairment	22	7	14	43	213
Fair value 31-12-2021					393

- Annual rates of depreciation: mainly 3% for buildings (including investment property), 33% for IT equipment, between 5% and 33% for other equipment. No depreciation is charged for land.
- There are no material obligations to acquire property or equipment. There are no material restrictions on title, or on property and equipment pledged as security for liabilities.
- Most investment property is valued by an independent expert on a regular basis and by in-house specialists on an annual basis, based primarily on the capitalisation of the estimated rental value and on unit prices of similar real property. Account is taken of all the market inputs available on the date of the assessment (including location and market situation, type of building and construction, state of repair, use, etc.).
- Certain other investment property is valued annually by in-house specialists based on the current annual rental per building and expected rental movements and on an individual capitalisation rate per building.
- The impact of the heavy flooding and other extreme weather conditions in 2022 and 2021 on property and equipment and investment property and on the associated impairment was insignificant. For more information, see 'Climate-related and other ESG risks' in the 'How do we manage our risks?' section.
- The impact of our own activities as an insurer on the environment is very limited, especially when compared to industrial companies and our indirect impact through lending and other activities, and stems mainly from our buildings and vehicles (commuting). We nevertheless also calculate our own direct greenhouse gas impact and apply certain targets in that regard. See 'Focus on climate' in the 'Report of the Board of Directors' section for a more detailed explanation. More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

Note 5.5: Goodwill and other intangible assets

(in millions of EUR)	Goodwill	Software developed in-house	Software developed externally	Other	Total
2022					
Opening balance	167	3	33	9	212
Acquisitions	0	0	12	8	19
Disposals	0	0	0	- 2	- 2
Amortisation	0	- 3	- 8	0	- 11
Other movements	0	- 1	- 1	- 7	- 8
Closing balance	167	0	36	7	210
Accumulated amortisation and impairment	*199*	*9*	*45*	*25*	*278*
2021					
Opening balance	111	0	26	16	152
Acquisitions	56	4	27	6	93
Disposals	0	0	- 10	- 9	- 19
Amortisation	0	- 5	- 6	- 1	- 12
Other movements	0	4	- 4	- 3	- 3
Closing balance	167	3	33	9	212
Accumulated amortisation and impairment	*199*	*6*	*40*	*25*	*269*

- Goodwill: includes the goodwill paid on companies included in the scope of consolidation and relating to the acquisition of activities. Goodwill paid on associated companies: included in the nominal value of 'Investments in associated companies' shown on the balance sheet.
- For goodwill in respect of recent acquisitions, see Note 6.6.
- Impairment testing: a test was carried out to establish whether impairment on goodwill had to be recognised (see table and Note 3.10). This impairment test is performed at least once a year. We also carry out a high level assessment on a quarterly basis to see whether there is an indication of impairment. In the test, each entity is regarded as a separate cash-generating unit. Each entity has a specific risk profile and it is rare to have different profiles within a single entity.
- Impairment on goodwill under IAS 36: recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cashflow analysis) and the fair value (calculated based on multiple analysis, etc.) less costs to sell.
- The main group companies to which goodwill relates are listed in the table. All of these companies have been valued using the discounted cashflow method. The discounted cashflow method calculates the recoverable amount of an investment as the present value of all future free cashflows of the business. This method is based on long-term projections about the company's business and the resulting cashflows (i.e. projections for a number of years ahead and the residual value of the business at the end of the specific projection period). These long-term projections are the result of an assessment of past and present performances combined with external sources of information on future performances in the respective markets and the global macroeconomic environment. Consequently, in cases where sustainability aspects and products/projects have been factored into the underlying financial projections, this will also affect the valuation. The ultimate growth rate is determined using a long-term average market growth rate. The present value of these future cashflows is calculated using a compound discount rate which is based on the capital asset pricing model (CAPM). A country-specific risk-free rate and a market-risk premium (multiplied by an activity beta) are also used in the calculation. Free cashflows are the dividends that can be paid out to the company's shareholders, account taken of the minimum capital requirements.

Goodwill outstanding (in millions of EUR)	31-12-2022	31-12-2021	Discount rates throughout the specific period of cashflow projections 31-12-2022	31-12-2021
DZI Insurance	75	75	10,5% - 8,1%	8,6% - 7,2%
Pension Insurance Company UBB (the acquired pension insurance activities of NN in Bulgaria)	56	56	9,3% - 9,1%	–
CSOB Pojist'ovna	18	18	10,5% - 7,7%	8,6% - 6,8%
Rest	18	18	-	-
Total	167	167	-	-

- The period to which the cashflow budgets and projections relate is 10 years in most cases. This longer period is used to take account of current strong growth in the Central and Eastern European countries, where the growth rate is expected to develop towards a more moderate level in the longer term.
- The growth rate used to extrapolate the cashflow projections after that period is equal to the expected long-term growth rate of the gross domestic product. This rate depends on the country and varied between 4.7% and 3.2% in 2022 (between 1.7% and 1.2% in 2021).
- The discount rates applied have been raised considerably since last year, but on a net basis they only have a limited impact on valuations given the higher cashflow budgets resulting from improved net interest income.
- No sensitivity analysis was carried out for entities where the recoverable amount exceeded the carrying value to such a large extent that no reasonably possible change in the key assumptions would result in the recoverable amount being less than or equal to the carrying value. The table gives an indication for the other entities of the change in key assumptions that would lead to their recoverable amount equalling their carrying value.

Change in key assumptions[1]	Increase in discount rate[2]	Decrease in terminal growth rate	Increase in targeted solvency ratio	Decrease in annual net profit	Increase in annual impairment charges
Pension Insurance Company	4.0%	-	-	47%	-

[1] Needless to say account should be taken of the fact that a change in these assumptions could affect other assumptions used to calculate the recoverable amount.
[2] Based on a parallel shift and absolute increase in the discount rate curve. Discount rates are in the 13.1%-13.3% bracket for Pension Insurance Company UBB.

Note 5.6: Technical provisions, insurance

(in millions of EUR)	Gross 2022	Reinsurance 2022	Gross 2021	Reinsurance 2021
Technical provisions	18 491	192	18 974	191
Insurance contracts, Non-life	4 161	180	3 974	181
Provision for unearned premiums	891	5	820	4
Provision for claims outstanding	3 026	175	2 909	176
Provision for profit sharing & rebates	2	0	3	0
Other technical provisions	242	0	242	0
Insurance contracts, Life	8 348	12	8 511	10
Provision for unearned premiums	19	1	18	1
Life insurance provision	7 945	8	8 080	8
Provision for claims outstanding	165	4	197	1
Provision for profit sharing & rebates	37	0	28	0
Other technical provisions	181	0	187	0
Investment contracts with DPF, life	5 982	0	6 489	0
Life insurance provision	5 918	0	6 418	0
Provision for claims outstanding	11	0	16	0
Provision for profit sharing & rebates and other	53	0	55	0

Movements tabel	Gross 2022	Reinsurance 2022	Gross 2021	Reinsurance 2021
Insurance contracts, Non-life				
Opening balance	3 974	181	3 682	137
Movements reflected in earned premiums (income statement)	71	1	48	2
Movements reflected in technical charges (income statement)	115	- 3	223	41
Payments regarding claims of previous financial years	- 412	- 42	- 328	- 22
Provision for new claims	610	37	626	66
Surplus/Shortfall of claims provision of previous financial years	- 113	28	- 112	2
Cost of profit sharing	- 1	0	0	0
Other movements with an impact on results	31	- 26	38	- 5
Movements reflected in the balance sheet	2	1	22	1
Closing balance	4 161	180	3 974	181
Insurance contracts, Life				
Opening balance	8 511	10	8 315	8
Movements reflected in earned premiums (income statement)	1	0	1	0
Movements reflected in technical charges (income statement)	- 175	2	71	2
New business (net of risk premium and charges)	590	0	633	0
Payments (including funding of risk premium)	- 844	0	- 776	0
Accretion of interest	159	0	166	2
Cost of profit sharing	20	0	13	0
Provision for new claims and change in provision for claims outstanding	- 38	3	- 3	0
Fair Value adjustments of unit-linked contracts (not unbundled)	- 70	0	32	0
Other movements with an impact on results	7	0	6	1
Movements reflected in the balance sheet	11	0	124	0
Closing balance	8 348	12	8 511	10
Investment contracts with DPF, life				
Opening balance	6 489	0	6 727	0
Movements reflected in technical charges (income statement)	- 244	0	- 70	0
New business (net of risk premium and charges)	266	0	281	0
Payments (including funding of risk premium)	- 593	0	- 461	0
Accretion of interest	85	0	92	0
Cost of profit sharing	8	0	6	0
Provision for new claims and change in provision for claims outstanding	- 9	0	12	0
Fair Value adjustments of unit-linked contracts (not unbundled)	0	0	0	0
Other movements with an impact on results	0	0	0	0
Movements reflected in the balance sheet	- 263	0	- 168	0
Closing balance	5 982	0	6 489	0

- We have reworked the table to facilitate reconciliation with Note 3.7.
- Technical provisions relate to insurance contracts and investment contracts with a discretionary participation feature (DPF).
- Liabilities under investment contracts without DPF are measured at fair value. These liabilities concern mainly unit-linked contracts, which are recognised under financial liabilities (see Note 4.1).
- Technical provisions for life insurance are calculated using various assumptions. Judgement is required when making these assumptions and the assumptions used are based on various internal and external sources of information. At present, IFRS 4 refers extensively to local accounting principles for the recognition of technical provisions. These provisions are generally calculated using the technical assumptions that were applicable at the inception of the insurance contract and are subject to liability adequacy tests. The key assumptions are:
  - mortality and morbidity rates, which are based on standard mortality tables and adapted where necessary to reflect the group's own experience;
  - expense assumptions, which are based on current expense levels and expense loadings;
  - the discount rate, which is generally equal to the technical interest rate, remains constant throughout the life of the policy, and in some cases is adjusted to take account of legal requirements and internal policy decisions.
  - It should be noted that assumptions may vary depending on the type of life insurance (e.g., conventional versus modern), the generation of contracts (mainly the time when the contract is entered into and the applicable terms and conditions) and the country (since we have insurance companies in five of our core markets), making it impossible to quantify these

assumptions for the entire group. This is illustrated by the following two points: (i) The discount rate follows the historical market rate and since it concerns a life portfolio, most of which has existed for a long time and also has a long maturity, there are considerable differences within the portfolio. In Belgium alone, discount rates range from 4.75% for the oldest rates to 0.5% and lower for certain modern products. (ii) In terms of mortality risk, unisex mortality tables are used in Belgium, based on the standard 'MK/FK' mortality tables for products sold from 2012 on (before 2012, separate mortality tables were used for men and women). Corrections may still be made to these standard tables, with due consideration being given to the segmentation criteria of the relevant policies. As a result, the range of mortality tables used is extensive.

- Assumptions for the technical provisions for claims outstanding are based on past claims experience relating to claim numbers, claim payments and claims handling costs, and adjusted to take account of such factors as anticipated market experience, claims inflation and external factors such as court awards and legislation. The technical provision for claims outstanding is generally not discounted except when long-term obligations and/or annuities (industrial accidents, guaranteed income and hospitalisation insurance) are involved.
- In 2022, a reassessment of the confidence level of technical provisions resulted in a release of technical reserves in the Czech Republic (31 million euros in Life and 10 million euros in Non-Life technical result). In 2021, there were no changes in assumptions leading to a significant change in the valuation of insurance assets and liabilities.
- The 'Movements reflected in the balance sheet' item also includes the impact of the life insurance business acquired from NN in Bulgaria (see Note 6.6).
- See also 'Climate-related and other ESG risks' in the 'How do we manage our risks?' section.
- Information relating to IFRS 17 can be found in Note 6.10.

Note 5.7: Provisions for risks and charges

Note 5.7.1: Overview

(in millions of EUR)	31-12-2022	31-12-2021
Total provisions for risks and charges	2	3
Provisions for off-balance-sheet commitments and financial guarantees	0	0
Provisions for other risks and charges	2	3
Provisions for restructuring	0	0
Provisions for taxes and pending legal disputes	0	1
Other	2	2

Note 5.7.2: Details of off-balance-sheet commitments and financial guarantees

Immaterial for KBC Insurance.

Note 5.7.3: Details of provisions for other risks and charges

(in millions of EUR)	Provision for restructuring	Provision for taxes and pending legal disputes	Other	Total
2022				
Opening balance	0	1	2	3
Movements with an impact on results				
Amounts allocated	0	0	0	0
Amounts used	0	0	0	0
Unused amounts reversed	0	- 1	- 1	- 2
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	0	0	0
Other	0	0	0	0
Closing balance	0	0	2	2
2021				
Opening balance	0	1	2	3
Movements with an impact on results				
Amounts allocated	0	0	1	1
Amounts used	0	0	0	0
Unused amounts reversed	0	0	0	0
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	0	0	0
Other	0	0	0	0
Closing balance	0	1	2	3

- For most of the provisions recorded, no reasonable estimate can be made of when they will be used

Note 5.8: Other liabilities

(in millions of EUR)	31-12-2022	31-12-2021
Total	838	836
Retirement benefit obligations or other employee benefits	5	7
Deposits from reinsurers	115	98
Accrued charges (other than from interest expenses on financial liabilities)	62	60
Other	656	671

- For more information on retirement benefit obligations, see Note 5.9 (note that the amount recognised under ‘Retirement benefit obligations or other employee benefits’ in Note 5.8 relates to a broader scope than the amounts presented in Note 5.9).

Note 5.9: Retirement benefit obligations

(in millions of EUR) DEFINED BENEFIT PLANS	31-12-2022	31-12-2021
Reconciliation of defined benefit obligations		
Defined benefit obligations at the beginning of the period	223	231
Current service cost	9	9
Interest cost	1	0
Actuarial gain or loss resulting from changes in demographic assumptions	- 1	0
Actuarial gain or loss resulting from changes in financial assumptions	- 55	- 2
Experience adjustments	4	- 6
Benefits paid	- 9	- 8
Other	0	- 2
Defined benefit obligations at the end of the period	173	223
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the period	234	207
Actual return on plan assets	- 35	29
Expected interest income on plan assets, calculated based on the market yields on high-quality corporate bonds	*2*	*0*
Employer contributions	6	6
Plan participant contributions	0	0
Benefits paid	- 9	- 8
Other	0	0
Fair value of plan assets at the end of the period	196	234
of which financial instruments issued by the group	*0*	*0*
of which property occupied by KBC	*0*	*1*
Funded status		
Plan assets in excess of defined benefit obligations	23	11
Reimbursement rights	0	0
Asset ceiling limit	0	- 14
Unfunded accrued/prepaid pension cost	23	- 3
Movement in net liabilities or net assets		
Unfunded accrued/prepaid pension cost at the beginning of the period	- 3	- 24
Amounts recognised in the income statement	- 9	- 9
Amounts recognised in other comprehensive income	30	24
Employer contributions	6	6
Other	0	0
Unfunded accrued/prepaid pension cost at the end of the period	23	- 3
Amounts recognised in the income statement	- 9	- 9
Current service cost	- 9	- 9
Interest cost	0	0
Plan participant contributions		0
Other	0	0
Changes to the amounts recognised in other comprehensive income	30	24
Actuarial gain or loss resulting from changes in demographic assumptions	1	0
Actuarial gain or loss resulting from changes in financial assumptions	55	2
Actuarial result on plan assets	- 36	29
Experience adjustments	- 4	6
Adjustments to asset ceiling limits	14	- 14
Other	0	2
DEFINED CONTRIBUTION PLANS		
Expenses for defined contribution plans	0	0

- Retirement benefits that are actively accrued for the Belgium-based staff of KBC Insurance and most of its Belgian subsidiaries are accrued exclusively through the KBC pension fund. Up until year-end 2018, employer-funded retirement benefits had accrued primarily through a defined benefit plan, where the benefit is calculated based on the final salary of employees before they retire, the number of years they had been in the plan and a formula that applies a progressive rate scale. A defined contribution plan was introduced on 1 January 2014 for all new employees and any employees who had chosen to switch to it. In this plan, a contribution is deposited based on the current monthly salary and the amounts deposited are paid out together with the (guaranteed) return on retirement. Both types of pension plan are managed by the KBC pension fund, which uses the services of KBC Asset Management for the investment strategy. In addition, there are a number of smaller, closed group insurance schemes from the past that will continue to be funded and are managed by the KBC pension fund. On 1 January 2019, a new defined contribution plan was introduced to replace the one introduced in 2014. All employees were again given the one-time option of switching from the defined benefit plan to the new defined contribution plan.

- From 2021, the expected age of retirement of each employee and the expected wage inflation based on an inflation curve derived from the market value of inflation-linked bonds are taken into account in the calculation of the gross defined benefit obligations.
- Since 1 January 2020, the insurance risks related to death and disability (for active pension fund participants and supplementary to the pension plan) have been fully reinsured through an external reinsurance programme.
- There are no significant defined benefit plans in the group's other core countries.

Additional information on retirement benefit obligations (in millions of EUR)	**2022**	**2021**	**2020**	**2019**	**2018**
Changes in main headings in the main table					
Defined benefit obligations	173	223	231	227	2 945
Fair value of plan assets	196	234	207	200	2 369
Unfunded accrued/prepaid pension cost	23	- 3	- 24	- 27	- 598

Note 5.10: Parent shareholders' equity

Quantities	**31-12-2022**	**31-12-2021**
Ordinary shares	**1 050 906**	**1 050 906**
of which ordinary shares that entitle the holder to a dividend payment	*1 050 906*	*1 050 906*
of which treasury shares	*48 889*	*48 889*
Additional information		
Par value per share (in EUR)	62.00	62.00
Number of shares issued but not fully paid up	0	0

The share capital of KBC Insurance NV consists of ordinary shares of no nominal value.

Note 5.11: 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' (IFRS 5)

Applies to KBC Group and KBC Bank, but not to KBC Insurance.

6.0 Other notes

Note 6.1: Off-balance-sheet commitments and financial guarantees given and received

(in millions of EUR)	31-12-2022			31-12-2021		
	Nominal amount	Provision	Net exposure	Nominal amount	Provision	Net exposure
Undrawn portion of credit lines granted						
Stage 1	0	0	0	0	0	0
Stage 2	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0
Total	0	0	0	0	0	0
of which irrevocable credit lines	*0*	*0*	*0*	*0*	*0*	*0*
Financial guarantees given						
Stage 1	3	0	3	3	0	3
Stage 2	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0
Total	3	0	3	3	0	3
Other commitments given						
Total	157	0	157	81	0	81
Total						
Off-balance-sheet commitments and financial guarantees	160	0	160	84	0	84

- Fair value of financial guarantees: based on the available market value.
- The carrying value of financial assets pledged by KBC as collateral came to 692 million euros for liabilitiesfor contingent liabilities (329 million euros in 2021). There is an obligation to return collateral received (which may be sold or repledged in the absence of default by the owner; see table) in its original form, or possibly in cash. Collateral can be called in if loans are terminated for various reasons such as default or bankruptcy. In the event of bankruptcy, the collateral will be sold by the receiver. In other cases, the bank will organise the foreclosure itself or take possession of the collateral. Collateral received that relates to OTC derivatives is primarily cash, which is recognised by KBC on the balance sheet (and is not included in the table). More details are provided in Note 4.3.

Collateral received (which may be sold or repledged in the absence of default by the owner) (in millions of EUR)	Fair value of collateral received		Fair value of collateral sold or repledged	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Financial assets	2 253	2 409	0	0
Equity instruments	0	0	0	0
Debt securities	2 253	2 409	0	0
Loans and advances	0	0	0	0
Cash	0	0	0	0
Other	0	0	0	0

Note 6.2: Leasing

Applies to KBC Group and KBC Bank, but not to KBC Insurance.

Note 6.3: Related-party transactions

Transactions with related parties, excluding key management (in millions of EUR)	Parent entities with joint control	Subsidiaries and other entities of group	Associated companies	Joint ventures	Other	Total 2022	Parent entities with joint control	Subsidiaries and other entities of group	Associated companies	Joint ventures	Other	Total 2021
Assets	0	523	1	0	0	524	0	812	1	3	13	829
Loans and advances	0	336	0	0	0	336	0	418	0	0	0	418
Equity instruments (including investments in associated companies and joint ventures)	0	66	1	0	0	67	0	68	1	3	0	72
Other	0	121	0	0	0	121	0	327	0	0	13	340
Liabilities	509	685	0	0	0	1 195	509	494	0	0	0	1 003
Deposits	1	643	0	0	0	644	0	443	0	0	0	443
Other financial liabilities	500	0	0	0	0	500	500	0	0	0	0	500
Other	8	42	0	0	0	51	8	51	0	0	0	60
Income statement	- 132	26	0	0	2	- 104	- 110	28	0	0	0	- 81
Net interest income	- 10	110	0	0	0	100	- 7	103	0	0	0	96
Interest income	0	126	0	0	0	126	0	116	0	0	0	116
Interest expense	- 10	- 16	0	0	0	- 26	- 7	- 13	0	0	0	- 20
Earned premiums, insurance (before reinsurance)	1	21	0	0	0	21	0	20	0	0	0	20
Technical insurance charges (before reinsurance)	- 1	0	0	0	0	- 1	0	- 2	0	0	0	- 2
Dividend income	0	3	0	0	2	5	0	4	0	0	0	5
Net fee and commission income	0	- 70	0	0	0	- 70	0	- 64	0	0	0	- 64
Fee and commission income	0	112	0	0	0	112	0	115	0	0	0	115
Fee and commission expense	0	- 182	0	0	0	- 182	0	- 179	0	0	0	- 179
Net other income	1	0	0	0	0	1	0	0	0	0	0	1
General administrative expenses	- 122	- 37	0	0	- 1	- 160	- 103	- 34	0	0	0	- 137
Undrawn portion of loan commitments, financial guarantees and other commitments												
Given by the group	0	0	0	0	0	0	0	0	0	0	0	0
Received by the group	0	3 437	0	0	0	3 437	0	3 610	0	0	0	3 610

Transactions with key management (members of the Board of Directors and Executive Committee) (in millions of EUR) (*)	2022	2021
Total (*)	0.4	0.4
Breakdown by type of remuneration		
Short-term employee benefits	0.4	0.4
Post-employment benefits	0.0	0.0
Defined benefit plans	0.0	0.0
Defined contribution plans	0.0	0.0
Other long-term employee benefits	0.0	0.0
Termination benefits	0.0	0.0
Share-based payments	0.0	0.0
Stock options (units)		
At the beginning of the period	0.0	0.0
Granted	0.0	0.0
Exercised	0.0	0.0
Composition-related changes	0.0	0.0
At the end of the period	0.0	0.0
Advances and loans granted to key management and partners	0.0	0.0

(*) Remuneration to key management or partners of the consolidating company on the basis of their activity in that company, its subsidiaries and associated companies, including the amount of retirement pensions granted to former key management staff on that basis.

- The ‘Subsidiaries and other entities from the same group’ heading in the first table includes transactions with unconsolidated subsidiaries (transactions with consolidated subsidiaries have already been eliminated from the consolidated financial statements) and transactions with KBC Group sister companies (primarily KBC Bank NV and KBC Global Services NV).
- All related-party transactions occur at arm’s length.
- Key management comprises the members of the Board of Directors and Executive Committee of KBC Insurance.
- There were no significant impairment charges vis-à-vis related parties.

Note 6.4: Statutory auditor’s remuneration

Statutory auditor's remuneration (PwC, in EUR)	2022	2021
KBC Insurance and its subsidiaries		
Standard audit services	1 656 652	1 177 073
Other services	25 870	95 408
Other certifications	25 870	85 408
Tax advice	0	0
Other non-audit assignments	0	10 000
KBC Insurance NV		
Standard audit services	800 982	479 873
Other services	20 332	20 408

The exceptional increase in the statutory auditor’s remuneration is chiefly accounted for by the introduction of IFRS 17 and the one-off related work this entailed for the statutory auditor.

Note 6.5: Subsidiaries, joint ventures and associated companies

Company	Registered office	Company number	Consolidation percentage	Activity
KBC Insurance: subsidiaries that are fully consolidated				
KBC Verzekeringen NV	Leuven - BE	0403.552.563	100	insurance company
ADD NV	Heverlee - BE	0406.080.305	100	insurance broker
KBC Group Re SA	Luxemburg - LU	--	100	reinsurance company
ČSOB Pojišťovna a.s.	Pardubice - CZ	--	100	insurance company
ČSOB Poisťovňa a.s.	Bratislava - SK	--	99.76	insurance company
Double U Building BV	Rotterdam - NL	--	100	real estate
DZI Life Insurance Jsc	Sofia - BG	--	100	life insurance
DZI - General Insurance EAD	Sofia - BG	--	100	non-life insurance
Pension Insurance Company UBB EAD	Sofia - BG	--	100	pension insurance
Groep VAB NV	Zwijndrecht - BE	0456.920.676	100	holding company
VAB NV	Zwijndrecht - BE	0436.267.594	100	roadside assistance
K&H Biztosító Zrt	Boedapest - HU	--	100	insurance company
Renaissance Magister Invest NV	Brussel - BE	0893.518.666	100	real estate
KBC Insurance: subsidiaries that are not fully consolidated				
ČSOB Pojišťovací servis, s. r. o.	Pardubice - CZ	--	100	insurance broker
Depannage 2000 NV	Hoboken - BE	0403.992.429	100	vehicles
Maatschappij voor Brandherverzekering cvba	Leuven - BE	0403.552.761	90.10	reinsurance
Olympus Mobility NV	Brussel - BE	0638.809.930	50.08	computer programming activities
Omnia NV	Leuven - BE	0413.646.305	100	travel agency
Pardubická Rozvojová, a.s.	Pardubice - CZ	--	100	real estate
VAB Training & Consult NV	Sint-Niklaas - BE	0435.357.180	100	driving school
Sportcomplex Aalst NV	Brussel - BE	0506.736.215	100	real estate
Sportcomplex Heist-op-den-Berg NV	Brussel - BE	0841.432.438	100	real estate
Traject NV	Gent - BE	0448.394.475	76.14	mobility
VAB Banden Peeters NV	Zwijndrecht - BE	0459.070.118	100	vehicles
Lubaco BVBA	Ranst - BE	0426.985.189	100	vehicles
VAB Koopman Automotive Solutions NV	Zwijndrecht - BE	0866.583.053	70	vehicles
VAB Rijschool NV	Sint-Niklaas - BE	0448.109.811	100	driving school
24+ NV	Zwijndrecht - BE	0895.810.836	50	customer care center
KBC Insurance: joint ventures accounted for using the equity method				
-				
KBC Insurance: joint ventures not accounted for using the equity method				
-				
KBC Insurance: companies accounted for using the equity method				
-				
KBC Insurance: companies not accounted for using the equity method				
AIA-Pool cvba	Brussel - BE	0453.634.752	33.47	insurance broker
AssurCard NV	Leuven - BE	0475.433.127	20.00	computerised third-party payment
Optimobil Belgium NV	Brussel - BE	0471.868.277	25.33	vehicles

- Companies eligible for consolidation are effectively included in the consolidated accounts if two of the following criteria are met:
  - (i) the group share in equity exceeds 2.5 million euros;
  - (ii) the group share in the results exceeds 1 million euros;
  - (iii) the balance sheet total exceeds 100 million euros.

  The combined balance sheet total of the companies excluded from consolidation may not amount to more than 1% of the consolidated balance sheet total.

- Interests in unconsolidated structured entities
  - Sponsored unconsolidated structured entities are defined as structured entities where KBC or one of its subsidiaries acts as arranger of the issuance programme, but where the decision-making power of the entities does not reside with KBC or one of its subsidiaries. As a result, these entities are not consolidated. More information on unconsolidated structured entities is provided in the KBC Group annual report.
  - At year-end 2022, KBC Insurance had received income from unconsolidated structured entities in the form of management fees (7 million euros).
  - At year-end 2022, KBC Insurance held 2 billion euros' worth of notes issued by the unconsolidated structured entities.
  - Any potential decrease in the value of the notes is passed on to the end-client, which means it will have no impact on KBC.

Note 6.6: Main changes in the scope of consolidation

- 2021: Acquisition of NN's Bulgarian pension and life insurance business
  - In July 2021, we completed the acquisition of NN's Bulgarian pension and life insurance business for a total consideration of 77.7 million euros (the deal did not contain any contingent consideration arrangements). This acquisition comprises all the shares of NN Pension Insurance Company EAD in Bulgaria (which has been renamed Pension Insurance Company UBB EAD) and all the assets and liabilities of NN Insurance Co. Ltd. – Sofia Branch. This deal will enable UBB and DZI to further expand their cross-selling opportunities through their already established bank-insurance presence in the Bulgarian market, allowing them to serve more clients and to benefit from economies of scale and increased visibility.
  - The impact of the acquisition is included in the consolidated balance sheet figures. The results of the operations concerned have been fully consolidated in the income statement since 1 August 2021. In the last five months of 2021, the impact amounted to +5 million euros in total income (mainly net commission income), -4 million euros in operating expenses, and +1 million euros in result after tax.
  - KBC recognised goodwill of 56 million euros in its consolidated financial statements for Pension Insurance Company UBB EAD. This is accounted for by this company's profitability (based on the results achieved in previous years and the business plan for the years ahead) and enables UBB and DZI to further expand their cross-selling opportunities through their already established bank-insurance presence in the Bulgarian market, allowing them to serve more clients and to benefit from economies of scale and increased visibility. KBC has not recorded any goodwill or badwill on the acquisition of all assets and liabilities of NN Insurance Co. Ltd. – Sofia Branch because the consideration was virtually identical to the net value of the assets and liabilities acquired (taking into account specific fair value adjustments). Goodwill is not deductible for tax purposes.
  - The table below shows the fair value of the main assets and liabilities involved in the acquisition of the relevant NN activities.
- 2022: sale of KBC Verzekeringen Vastgoed Nederland I BV (see Note 3.6) and acquisition of Renaissance Magister Invest NV (at an acquisition price of 52 million euros; this transaction did not involve any goodwill or badwill after fair value adjustments).

in millions of EUR	2021
Purchase or sale	Purchase
	Bulgarian life and pension insurance from NN
Total share percentage at the end of the relevant year	100%
For business unit/segment	International Markets
Deal date (month and year)	July 2021
Incorporation of the result of the company in the result of the group as of:	01-08-2021
Purchase price	78
Cashflow for acquiring or selling companies less cash and cash equivalents acquired	- 71
Recognised amounts of identifiable assets acquired and liabilities assumed - provisional fair value at:	7/31/2021
Cash and cash balances with central banks	7
Financial assets	106
Held for trading	1
Fair value through OCI	58
Property and equipment	1
Other assets	5
of which: cash and cash equivalents (included in the assets above)	*7*
Financial liabilities	36
Measured at amortised cost	0
Hedging derivatives	36
Technical provisions, before reinsurance	59
Provisions for risks and charges	0
Other liabilities	3

Note 6.7: Risk management and capital adequacy

Capital management is a key management process relating to all decisions on the level and composition of our capital, both for banking and insurance. It covers all instruments that are positioned to absorb losses in going concern and/or gone concern situations. Capital management aims to achieve the best possible balance between regulatory requirements, investor expectations, rating agencies' views and management ambitions. Ultimate accountability for capital management lies with the Board of Directors.

Capital management entails a broad scope of activities covering strategic topics (such as defining policies, targets, etc.), frameworks and models (e.g., for regulatory capital, internal capital, cost of equity, measuring performance, etc.), planning and allocation (e.g., allocating capital to business, planning capital instrument issuances, forecasting capital ratios, etc.), implementation (e.g., dividends, capital transactions) and monitoring (including current solvency positions at various levels, compliance with group policies and regulatory requirements).

ICAAP (Internal Capital Adequacy Assessment Process) consists of numerous business and risk processes that together contribute to the aim of being adequately capitalised at all times in view of our risk profile and the quality of our risk management and control environment. In addition to the integrated approach at group level, KBC Insurance and its insurance and reinsurance subsidiaries conduct an Own Risk and Solvency Assessment (ORSA) on a regular basis, in accordance with Solvency II requirements.

We report the solvency of the insurance company based on IFRS data and according to the rules imposed by the regulator.

The solvency of KBC Insurance is calculated on the basis of Solvency II (the regulatory minimum requirement is 100%). At year-end 2022, the Solvency II ratio came to 203%, more than double the minimum requirement of 100%.

Key solvency figures for KBC Insurance

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-12-2022	31-12-2021
Own Funds	3 721	4 075
Tier 1	3 220	3 574
IFRS Parent shareholders equity	2 157	3 991
Dividend payout	- 309	- 525
Deduction intangible assets and goodwill (after tax)	- 194	- 194
Valuation differences (after tax)	1 410	267
Volatility adjustment	150	43
Other	6	- 8
Tier 2	501	500
Subordinated liabilities	501	500
Solvency Capital Requirement (SCR)	1 833	2 029
Market risk	1 252	1 581
Non-life	714	626
Life	1 114	834
Health	230	314
Counterparty	122	114
Diversification	-1 185	-1 133
Other	- 414	- 308
Solvency II ratio	203%	201%

More detailed information is provided in the 'How do we manage our capital?' section of this report and in KBC's Risk Report.

The information required in relation to risks (in accordance with IFRS 4 and IFRS 7) is provided in those parts of the 'How do we manage our risks?' section which have been audited by the statutory auditor and which constitute part of the financial statements.

Note 6.8: Post-balance-sheet events

Significant non-adjusting events between balance sheet date and the date on which the financial statements were approved for publication by the Board of Directors (16 March 2023):

- None.

Note 6.9: General information on the company

- Name KBC Insurance NV
- Incorporated: 24 October 1922
- Country of incorporation: Belgium.
- Registered office: Professor Van Overstraetenplein 2, 3000 Leuven, Belgium
- VAT: BE 0403.552.563.
- RLP: Leuven
- Legal form: *naamloze vennootschap* (company with limited liability) under Belgian law; organisation of public interest; the company is an insurance company that is subject to the prudential supervision of the National Bank of Belgium.
- Life: undefined.
- Object: the company has as object the transaction of all insurance, co-insurance, reinsurance and capitalisation business and the management of group pension funds (Article 2 of the Articles of Association). Documents open to public inspection: The Articles of Association of the company are open to public inspection at the Registry of the Leuven Business Court and are published on www.kbc.com. The financial statements and annual report are filed with the National Bank of Belgium and are available at www.kbc.com. The annual report can also be obtained from the company's registered office and will be sent to those requesting it. Extracts of minutes concerning decisions on the appointment and the termination of the offices of members of the Executive Committee and the Board of Directors are published in the appendices to the Belgian Official Gazette.
- General Meeting of Shareholders: A General Meeting is held every year at the company's registered office or at any other place indicated in the convening notice, at 11.30 a.m. on the Wednesday immediately prior to the last Thursday of April, or, if

this day is a statutory public holiday or bank holiday, at 11.30 a.m. on the business day immediately before it. Each share gives entitlement to one vote.

- For information on the general meeting of shareholders and the right of shareholders to take part in such meetings, see Article 22 et seq. of the Articles of Association, which are available at www.kbc.com.

Note 6.10: IFRS 17

Background information

Significant non-adjusting events between balance sheet date and the date on which the financial statements were approved for publication by the Board of Directors (16 March 2023):

- In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. On 1 January 2023, IFRS 17 replaced IFRS 4 (Insurance Contracts) that was issued in 2005. 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. The core of IFRS 17 is the general model (the 'Building Block Approach' or 'BBA'), supplemented by a specific adaptation for contracts with direct participation features (the 'Variable Fee Approach' or 'VFA') and a simplified approach (the 'Premium Allocation Approach' or 'PAA') mainly for short-duration contracts.
- Where necessary, the interpretation of IFRS 17 was gradually adjusted when new information became available from external or in-house sources. Changes to the original standard, which were published by the IASB in June 2020, are also taken into account. On 23 November 2021, the EU published a Regulation endorsing IFRS 17 (Insurance Contracts), including the amendments to the original IFRS 17 and a solution for the annual cohort requirement for certain types of insurance contracts, for use in the European Union. KBC will not apply the European optional exemption from the annual cohort requirement.

Main differences between IFRS 4 and IFRS 17

- For Non-life insurance, income continues to be recognised primarily in earned premiums, and discounting under IFRS 17 represents the main difference in claims provisions. The undiscounted claims provisions under IFRS 4 are replaced by a discounted best estimate of future cashflows under IFRS 17, plus a risk adjustment for uncertainty (i.e. a safety margin).
- Under IFRS 4, the premiums received for Life insurance are recognised as earned premiums. Under IFRS 17, the premiums received are broken down into their various components. The savings component (as part of the premium received) is no longer recognised in the income statement. Income is spread over the term of the contract based on the services provided and claims and expenses expected during the period. While earnings per product are the same as earnings per product under IFRS 4, the earnings are recognised differently over time.
- The IFRS 4 actuarial reserves for Life insurance are replaced by a discounted best estimate of future cashflows under IFRS 17, plus a risk adjustment for uncertainty (i.e. a safety margin) and a contractual service margin (CSM, similar to unearned profit).
- Technical charges under IFRS 4 are presented in a more transparent way under IFRS 17, by presenting the insurance service result – comprising insurance revenue and insurance service expenses – separately from insurance finance income or expenses (IFIE). Finance income or expenses is a new concept under IFRS 17 resulting from the discounting of insurance liabilities.
- When facts and circumstances suggest doubtful contracts, under IFRS 17 the expected losses concerned are recognised immediately in the income statement.
- While IFRS 17 generally does not affect insurance business profitability, the timing of recognition of the result may vary, especially for long-term life insurance. Since changes in estimates (for instance, based on updated mortality tables) are absorbed in the CSM and therefore recognised in the result over time, we expect to see less volatility in the result.
- Following the introduction of IFRS 17, 'Financial assets at fair value – overlay approach' has been abolished. KBC Insurance has chosen to reclassify its shares held in portfolio based on this overlay approach to FVOCI equity instruments (without recycling). As a result, only the dividend income will now be recognised in the income statement.
- IFRS 17 does not affect:
  - KBC Insurance's Solvency II ratio;
  - KBC Group's common equity ratio (Danish compromise method): at consolidated group level, KBC Insurance is treated as an investee and measured at historical carrying value;
  - KBC Group's dividend policy.

Uniform measurement principles

- IFRS 17 introduces uniform measurement principles for insurance liabilities, which factor in insurance contract features. At KBC, the Building Block Approach (BBA) and Variable Fee Approach (VFA) measurement models are used for long-term life insurance contracts; the Premium Allocation Approach (PAA) measurement model is used for short-term non-life insurance contracts and for reinsurance (including ceded), provided they meet the PAA eligibility criteria. Certain investment contracts (primarily in Belgium) are included under IFRS 9 instead of IFRS 17.

- As required under IFRS 17, the curves used to discount cashflows that vary based on the underlying items (mainly for life insurance) based on the top-down approach (using a risk-free rate, adjusted with a spread based on a reference portfolio of assets and excluding the part not related to the insurance liabilities for discounting), while the bottom-up approach (i.e. risk-free rate + illiquidity premium) is used to discount cashflows that do not vary based on the underlying items (mainly for non-life insurance).
- Under IFRS 17, insurance liabilities are measured at the current rate, which means that the impact of the time value of money is revalued at the current rate each closing period. A choice needs to be made whether to recognise the impact of the changes in the current rate in the income statement or in other comprehensive income (OCI). In its accounting policies, KBC has chosen to disaggregate insurance finance income or expenses (IFIE) between the income statement and OCI. This means that the interest expense on the insurance liability over the reporting period is recorded in the income statement – this interest expense is determined based on the locked-in rate (i.e. the interest rate curve applicable at inception of the IFRS 17 contract) – and that the impact of changes in the market rate over the reporting period is recorded in OCI.
- The IFRS 17 insurance and reinsurance assets and liabilities represent all rights and obligations arising from a portfolio of contracts as a single insurance contract asset or liability. A division is made under IFRS 17 between insurance contracts issued (i.e. direct business and accepted reinsurance) and reinsurance contracts held (i.e. ceded reinsurance). To correctly present the insurance liabilities and ceded reinsurance receivables, an adjustment is applied by offsetting the outstanding insurance and reinsurance payables and receivables (for instance, premiums receivable and fees payable) against the Liability for Remaining Coverage (LRC)/Asset for Remaining Coverage (ARC).
- The risk adjustment for non-financial risks is the compensation the entity needs to bear the uncertainty of the amount and the timing of cashflows arising from non-financial risks. It is a buffer on top of the best estimate of future cashflows that represents a 50% probability that future liabilities can be met. Life insurance liabilities are characterised by long-term cashflows based on biometric parameters. The risk adjustment is defined as the difference between the Value at Risk (VaR) and the best estimate of future cashflows in the context of meeting the liabilities. Non-financial risks included in the VaR model are mortality risk, longevity risk, illness/disability risk, lapse risk, expense risk and revision risk. The correlations between the different types of risk have been drawn from the Solvency II correlation matrix. Since the risk adjustment for non-life insurance liabilities is only calculated for damages suffered, only the reserve risk is taken into account. A Value at Risk method is used, as is the case for life insurance liabilities. The risk adjustment for non-life is calculated at a confidence level of 90% and the risk adjustment for life is set at a confidence level of 75%.
- When transitioning from IFRS 4 to IFRS 17, KBC applies the Full Retrospective Approach (FRA) for recent years for which the required historical data is available that allows KBC to make these FRA transition calculations. Applying the FRA for non-recent years is impracticable due to either a lack of historical data (data and hypotheses) or high costs associated with making information from the past available for FRA transition calculations, where these costs outweigh the benefits. Where the FRA is impracticable, the Fair Value Approach (FVA) is predominantly used to determine the CSM on the transition date. The Modified Retrospective Approach (MRA) is rarely applied as this transition approach is overly complex and the costs do not outweigh the benefits. KBC calculates a fair value according to IFRS 13 based on the IFRS 17 cashflows and subsequently adjusts a few assumptions or parameters. The adjustments relate to the inclusion in the IFRS 13 fair value of total expenses, i.e. including non-directly attributable expenses, and to the inclusion of a risk premium that covers not only non-financial risk but also operational risk, lapse risk, system and integration expenses and capital funding costs. All past years are combined into a single cohort for the FVA transition calculations. The FVA CSM ensues from cost and risk margin differences under IFRS 17 and IFRS 13 measurement approaches. The OCI amount on the transition date under the FVA is determined in accordance with the transition exemptions provided in IFRS 17.

Level of aggregation

- IFRS 17 calculations are performed at an aggregated level and take into account:
    - IFRS 17 portfolios (an aggregation of contracts with similar risks that are managed together)
    - Annual cohorts (the year in which the policy was taken out)
    - Group of contracts (having the same profitability expectation at inception)
- The IFRS 17 Life group portfolios allow KBC to report at the level of guaranteed-interest (class 21), unit-linked (class 23) and hybrid products. For Non-life, reports are prepared at the level of property, liability and personal insurance. New production is aggregated in annual cohorts. Contracts are allocated to a group of contracts that have the same profitability characteristics upon initial recognition (i.e. at inception of the policy).

Impact of the first-time adoption of IFRS 17

- The table shows which IFRS 4 or IFRS 9 insurance-related assets and liabilities are or are not measured under IFRS 17 at year-end 2021:
    - Assets and liabilities that will not be measured under IFRS 17 are included under IFRS 9 (Financial Instruments).
    - Assets and liabilities that are covered by IFRS 17 are subject to differences in presentation (movements between assets and liabilities, which do not affect equity) and valuation differences. The latter may affect equity through retained earnings or the revaluation reserves (Insurance finance income or expense through OCI, after reinsurance).

Impact of the transition to IFRS 17 (in millions of EUR)		Situation as at 31-12-2021 (IFRS 4)	Not measured under IFRS 17	Measured under IFRS 17	Presentation change	Measurement change (impact on equity)	Situation as at 01-01-2022 (IFRS 17)
Reported under IFRS 4	Reported under IFRS 17						
Reported as assets	Reported as assets	952	222	730	-688	-29	235
Reinsurers' share in technical provisions, insurance	*Ceded reinsurance assets*	*191*	*0*	*191*	*-149*	*-29*	*13*
Other assets	*Other assets*	*761**	*222*	*539*	*-539*	*0*	*222*
Reported as liabilities	Reported as liabilities	33 414	14 256	19 157	-688	1 456	34 182
Technical provisions, before reinsurance	*Insurance contract obligations*	*18 974*	*197*	*18 777*	*-504*	*1 456*	*19 926*
Non-life	*Non-life*	*3 974*	*0*	*3 974*	*-447*	*-449*	*3 078*
Life	*Life*	*15 000*	*197*	*14 803*	*-57*	*1 904*	*16 847*
Liabilities under investment contracts (measured under IFRS 9)	*Liabilities under investment contracts (measured under IFRS 9)*	*13 603*	*13 464*	*139*	*57*	*0*	*13 661*
Other liabilities	*Other liabilities*	*836*	*595*	*241*	*-241*	*0*	*595*
Impact of transition to IFRS 17 (excluding reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17)							
Impact on equity before tax		-	-	-	-	-1 485	-
on retained earnings		-	-	-	-	*-1 419*	-
on revaluation reserves		-	-	-	-	*-65*	-
Impact on equity after tax		-	-	-	-	-1 102	-
on retained earnings		-	-	-	-	*-1 054*	-
on revaluation reserves		-	-	-	-	*-48*	-
Impact of reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17							
Impact on equity before tax		-	-	-	-	574	-
on retained earnings		-	-	-	-	*71*	-
on revaluation reserves		-	-	-	-	*503*	-
Impact on equity after tax		-	-	-	-	428	-
on retained earnings		-	-	-	-	*71*	-
on revaluation reserves		-	-	-	-	*357*	-
Total impact of transition to IFRS 17 (including reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17)							
Total impact on equity after tax		-	-	-	-	-673	-
on retained earnings		-	-	-	-	*-983*	-
on revaluation reserves		-	-	-	-	*309*	-

* The difference with the 758 million euros on the balance sheet at year-end 2021 is due to the addition of insurance-related items included in other balance sheet items.

- Conclusions:
    - The full net impact (after tax) 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, partly offset by non-life.
            - Life (impact of -1 857 million euros before tax): is measured mainly on the basis of the Building Block Approach, which results in an increase in insurance liabilities. Higher insurance liabilities are largely accounted for by the application of a different discount rate (under IFRS 4 liabilities are discounted using the higher guaranteed rate, whereas under IFRS 17 they are discounted using the lower current rate at transition).
            - Non-life (impact of +372 million euros before tax): the decrease in insurance liabilities is mainly attributable to the use of the Premium Allocation Approach. The lower insurance liabilities are accounted for by a combination of the application of a best estimate under IFRS 17 and the impact of discounting (not applied under IFRS 4).
        - 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 fair value through OCI', 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' (see above), 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)'.

- Liabilities that will not be measured under IFRS 17 are mainly investment contracts in Belgium, which will be included under IFRS 9 (Financial Instruments) (no changes compared with IFRS 4).
- Differences in presentation: these pertain to the adjustment applied by offsetting the outstanding insurance payables and receivables (for instance, premiums receivable and fees payable) against the Liability for Remaining Coverage (LRC) or the Asset for Remaining Coverage (ARC).
- The CSM release model is based on coverage units in the group of contracts (GoC). The number of coverage units is the volume of services the insurer provides under the contracts in that GoC, which is determined by taking into account, for each contract, the total payments a policyholder receives under a contract and the expected period of cover. The CSM amount included in the income statement is the number of coverage units allocated to the current period for the insurance cover provided in the current period.
- The number of coverage units is reassessed at the end of every reporting period in order to reflect the most up-to-date contract assumptions. KBC has chosen to present the time value of money on coverage units. Discounting the coverage units helps achieve a more stable allocation of the CSM to the income statement. KBC applies 'multivariate coverage units' for contracts under which multiple services are provided, i.e. insurance cover, investment return services and investment management services, and charges the following items:
    - Coverage units are determined based on individual payment components.
    - Each component is assigned a weight to reflect an appropriate service level.

  These weights appropriately reflect the CSM release based on the volume of work carried out for each service.
- Contracts under which the insurer provides cover, i.e. where the insurer runs risks, fall within the IFRS 17 contract boundaries. Tacit renewals of non-life insurance policies and contracts with a future period of cover fall outside the IFRS 17 contract boundaries.
- On the transition date, ceded reinsurance assets and insurance contract obligations amounted to 13 million euros and 19 926 million euros, respectively. More information can be found in the table. On the transition date, total insurance contract obligations excluding PAA consisted of contracts subject to the Fair Value Approach (FVA) (16 388 million euros), the Full Retroactive Approach (FRA) (586 million euros) and the Modified Retrospective Approach (MRA) (199 million euros).

Overview of ceded reinsurance assets and insurance contract obligations, in millions of EUR, 01-01-2022	Total	PAA	BBA	VFA
Ceded reinsurance assets				
By portfolio	13	13	-	-
- Life	*-18*	*-18*	-	-
- Non-life	*32*	*32*	-	-
Insurance contract obligations				
By portfolio, profitability label, product and business unit	**19 926**	**2 739**	**16 157**	**1 016**
Total Life	16 847	61	15 771	1 016
By profitability label				
- Profitable contracts	*16 466*	-	-	-
- Doubtful contracts	*0*	-	-	-
- Onerous contracts	*381*	-	-	-
By product				
- Unit-linked contracts	*899*	*0*	*0*	*899*
- Non-unit-linked contracts	*15 701*	*61*	*15 640*	*0*
- Hybrid contracts	*248*	*0*	*131*	*117*
By business unit				
- *- Belgium*	*14 906*	*59*	*14 847*	*0*
- *- Czech Republic*	*1 157*	*0*	*630*	*527*
- *- International Markets*	*784*	*1*	*294*	*489*
- *- Group Centre*	*0*	*0*	*0*	*0*
Total Non-life	3 078	2 692	386	0
By profitability label				
- Profitable contracts	*2 816*	-	-	-
- Doubtful contracts	*183*	-	-	-
- Onerous contracts	*80*	-	-	-
By product				
- Personal insurance	*1 108*	*722*	*386*	-
- Liabilities	*1 386*	*1 386*	*0*	-
- Property, incl. other	*585*	*585*	*0*	-
By business unit				
- Belgium	*2 482*	*2 096*	*386*	*0*
- Czech Republic	*304*	*304*	*0*	*0*
- International Markets	*278*	*278*	*0*	*0*
- Group Centre	*14*	*14*	*0*	*0*
By component	**19 926**	**2 753**	**16 157**	**1 016**
LRC	17 447	428	16 023	996
- Best estimate	*15 383*	-	*14 540*	*844*
- Risk adjustment	*178*	-	*170*	*9*
- CSM	*1 383*	-	*1 240*	*142*
- Loss component	*76*	-	*74*	*2*
- LRC PAA	*428*	*428*	-	-
LIC	2 478	2 325	134	19
- Best estimate	*2 206*	*2 057*	*130*	*19*
- Risk adjustment	*272*	*268*	*4*	*0*

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF KBC VERZEKERINGEN NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of KBC Verzekeringen NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 27 April 2022, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the Group's consolidated accounts for seven consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cashflow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 34.758 million and a profit for the year (attributable to equity holders of the parent) of EUR 560 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated accounts of the current period. This matter was addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCCBEBB

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Estimation uncertainty with respect to technical insurance provisions

Description of the Key Audit Matter

At year-end 31 December 2022 the technical insurance provisions (before reinsurance) amount to EUR 18.491 million. For detailed information regarding the valuation of the technical insurance provisions, please refer to disclosure Note 1.2 "Summary of significant accounting policies" and Note 5.6 to the consolidated accounts, as well as to the "Technical insurance risk" section of the annual report.

A liability adequacy test is performed by the Group in order to confirm that the level of technical insurance provisions is sufficient to cover the estimated future cashflows of the insurance contracts. The calculation of the cashflows arising from insurance contracts is complex, highly judgmental and is based on assumptions which are affected by future economic and political conditions and government regulations. The assumptions used for the projections of the said cash flows in the life insurance business relate, mainly, to mortality, longevity, lapse and expense. The assumptions used for the non-life insurance liability adequacy test mainly relate to the amount of the claim, the number of incurred but not yet reported claims and general expenses.

How our Audit addressed the Key Audit Matter

We used our internal actuarial experts to assist us in performing our audit procedures. We performed procedures on the design and operating effectiveness of the Group's controls to ascertain that the data used in the valuation of the technical provisions arising from insurance contracts are adequate and complete. These procedures include data analysis based on business rules and follow-up procedures on exceptions.

We performed testing of the Group's procedures to determine the aforementioned assumptions, testing of the assumptions based on market observable data and actuarial analysis through backtesting of the assumptions used.

For the non-life insurance business, we have independently recalculated the level of adequacy of the claims reserves based on recognized actuarial techniques. We then compared our results with the results of the Group and obtained the necessary underlying documentation to justify material differences observed, if any.

For the life insurance business, we reviewed the analysis prepared by management of the movements of technical provisions for life insurance and, if necessary, examined the elements of the reconciliation. On a sample basis, we have also verified the accuracy of the (incoming and outgoing) cash flows used in the liability adequacy test.

We discussed the outcome of the actuarial analysis with the actuarial function holder of the Group. Our procedures have allowed us to assess the valuation and the setting of the technical insurance provisions.

Finally, we assessed the completeness and accuracy of the disclosures regarding technical insurance provisions to assess compliance with disclosure requirements included in the International Financial Reporting Standards as adopted by the European Union.

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Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

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- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts and to report on these matters.

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Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing the company annual accounts, is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Regarding non-financial information, as mentioned in the directors' report, the information is provided at the level of the highest Belgian consolidating entity, KBC Group NV, in the directors' report on the consolidated accounts.

Statements related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the consolidated accounts.

Other statement

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Diegem, 31 March 2023

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave
Accredited auditor

Kurt Cappoen
Accredited auditor

Company annual accounts

10					EUR		
NAT.	Date deposition	Nr.	Blz.	E.	D.		VOL1.

ANNUAL ACCOUNT IN EURO

NAME : KBC Insurance

Legal Form : Limited company

Address : Professor Roger Van Overstraetenplein Nr : 2 Bus:

Postal code : 3000 City : Leuven

Register of Legal Persons (RLP) - Office of the commercial court at :

Internet address* : http://www. kbc.be

Company number : 403552563

Date (jjjj/mm/dd) 30/10/2020 of the deposition of the partnership deed OR of the most recent document mentioning the date of publication of the partnership deed and the act changing the articles of association.

ANNUAL ACCOUNTS approved by the General Meeting of 26/04/2023

concerning the financial year covering the period from 1/01/2022 tot 31/12/2022

Previous period from 1/01/2021 tot 31/12/2021

The amounts of the previous financial year are identical to those which have been previously published: yes/~~no~~ **

COMPLETE LIST WITH name, first name, profession, residence-address (address, number, postal code, municipality) and position with the enterprise, OF DIRECTORS, MANAGERS AND AUDITORS

K. Debackere, President Board of Directors, A. Stesselstraat 8 / 3012 Leuven

F. Depickere, Vice-President Board of Directors, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

P. Andronov, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

A. Blazek, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven Since 05/05/2022

A. Bostoen, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

K. Callewaert, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

E. Clinck, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

S. De Becker, Director, Meerbeekstraat 20 / 3071 Erps-Kwerps

P. Vlerick, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

F. Donck, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

Enclosed to these annual accounts: - the report of the statutory auditors **

- the annual account **

Total number of pages deposited:

standard form not deposited for not being of service.

Signature

* Optional statement.

** Delete where appropriate

NAT.	Date deposition	Nr.	Blz.	E.	D.		VOL1.

COMPLETE LIST WITH name, first name, profession, residence-address (addres

and position with the enterprise, OF DIRECTORS, MANAGERS AND AUDITORS

J. Hollows, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven Until 27/04/2022

P. Hermann, Independent Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

A. Langford, Independent Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

E. Luts, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

D. Moucheron, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

L. Okkerse, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

L. Popelier, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

T. Roussis, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

J. Thijs, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

C. Van Rijsseghem, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

M. Wittemans, Director, Beatrijslaan 91 / 3110 Rotselaar

Recognised auditor

PwC Bedrijfsrevisoren

Culliganlaan 5 1831 DIEGEM BTW BE 0458.263.335, Lidmaatschapsnummer B00009

Represented by:

Damien Walgrave A02037

Kurt Cappoen A01969

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- The managing board declares that the assignment neither regarding auditing nor adjusting has been given to a person who was not authorised by law pursuant to art. 34 and 37 of the Law of 22nd April 1999 concerning the auditing and tax professions.

- Have the annual accounts been audited or adjusted by an external accountant or auditor who is not a statutory auditor? ~~Yes~~/No (1)
If YES, mention here after: name, first names, profession and residence-address of each external accountant or auditor and the number of of membership with the professional Institute ad hoc and the nature of this engagement (A. Bookkeeping of the undertaking (2); B. Preparing the annual accounts (2); C. Auditing the annual accounts; D. Adjusting the annual accounts.

- If the assignment mentioned under A.(Bookkeeping of the undertaking) or under B. (Preparing the annual accounts) is performed by authorised accounts or by authorised accounts-tax consultants, information will be given on: name, first names, profession and residence-address of each authorised accountant or accountant-tax consultant, his number with the Professional Institute of Accountants and Tax consultants and the nature of his engagement (A. Bookkeeping of the undertaking; B. Preparing the annual accounts).

(1) Delete where appropriate.
(2) Optional statement.

Name, first names, profession and residence-address	Number of membership	Nature of the engagement (A, B, C and/or D)

Annex to the Royal Decree relating to the accounts of insurance

Chapter 1: presentation of the financial statements

Section I. Balance sheet 31/12/... (in units from Euro.)

Assets	Code	Current year	Previous year
A. -	**-**		
B. Intangible assets (annex no. 1)	**21**	0	3.394.237
I. Formation expenses	211	0	0
II. Intangible assets	212	0	3.394.237
1. Goodwill	212.1	0	0
2. Other intangible assets	212.2	0	3.394.237
3. Prepayments	212.3	0	0
C. Financial Assets (annex no. 1, 2 and 3)	**22**	19.011.081.049	19.071.844.241
I. Land and buildings (annex no. 1)	221	121.828.830	127.786.526
1. Property of own use	221.1	0	0
2. Other	221.2	121.828.830	127.786.526
II. Investments in affiliated undertakings and participations (annex no. 1, 2 and 18)	222	1.136.798.036	891.812.561
Affiliated undertakings	222.1	1.121.596.962	878.840.386
1. Shares	222.11	1.121.596.962	878.840.386
2. Debt securities, loans	222.12	0	0
- Other companies linked by participating interests	222.2	15.201.074	12.972.175
3. Shares	222.21	15.201.074	12.972.175
4. Debt securities, loans	222.22	0	0
III. Other financial assets	223	17.751.918.108	18.051.609.326

Liabilities	Code	Current year	Previous year
A. Equity (annex no 5)	**11**	1.368.154.575	1.368.498.441
I. Subscribed capital or equivalent fund under deduction of the non-uncalled capital	111	65.156.172	65.156.172
1. Subscribed capital	111.1	65.156.172	65.156.172
2. Uncalled capital (-)	111.2	(0)	(0)
II. Share premium	112	1.085.606.053	1.085.606.053
III. Revaluation reserves	113	0	0
IV. Reserves	114	217.352.217	217.719.130
1. Legal reserves	114.1	6.515.617	6.515.617
2. Reserves not available for distribution	114.2	203.833.638	203.833.638
a) own shares	114.21	203.184.639	203.184.639
b) other	114.22	648.999	648.999
3. Untaxed reserves	114.3	7.002.962	7.369.875
4. Reserves available for distribution	114.4	0	0
V. Result brought forward	115	40.133	17.086
1. Profit from previous years	115.1	40.133	17.086
2. Loss from previous years	115.2	(0)	(0)
VI. -	-		
B. Subordinated liabilities (annex no. 7 and 18)	12	500.000.000	500.000.000
Bbis. Fund for future allocations	**13**	231.578.708	181.578.708

Annex to the Royal Decree relating to the accounts of insurance

Chapter 1: presentation of the financial statements

Section I. Balance sheet 31/12/... (in units from Euro.)

Assets	Code	Current year	Previous year	Liabilities	Code	Current year	Previous year
1. Shares, participating interests and other variable-yield securities (annex no 1)	223.1	966.277.843	760.565.802				
2. Debt securities and other fixed-income securities (annex no.1)	223.2	14.476.205.061	14.805.465.254	**C. Technical provisions (annex no. 7)**	**14**	16.405.274.234	16.594.071.754
3. Participation in investment pools	223.3	14.656.513	17.280.794	I. Provision for unearned premiums and provision for unexpired risk	141	277.562.907	264.118.667
				II. Life assurance provision	142	12.891.135.086	13.243.774.951
4. Loans guaranteed by mortgages	223.4	908.747.488	970.797.174	III. Provision for claims outstanding	143	2.589.759.040	2.478.283.966
5. Other loans	223.5	1.080.444.154	1.099.262.319	IV. Provision for bonuses and rebates	144	38.528.154	31.476.819
6. Term deposits with credit institutions	223.6	305.000.000	397.000.000	V. Equalization and catastrophe provision	145	348.864.929	324.968.837
7. Other investments	223.7	587.049	1.237.983				
IV. Deposits with ceding undertakings	224	536.075	635.828	VI. Other technical provisions	146	259.424.118	251.448.514
D. Assets held for unit-linked funds	**23**	11.998.416.368	13.634.233.858	**D. Technical provisions for unit-linked funds (annex no. 7)**	**15**	11.998.416.368	13.634.233.859
Dbis. Reinsurers' share in technical provisions	**24**	151.533.672	145.388.296	**E. Provisions other than technical provisions**	**16**	5.126.895	7.315.935
I. Provision for unearned premiums and provisions for unexpired risk	241	3.126.061	2.598.846	I. Provisions for pensions and other obligatory similar obligations	161	2.137.221	3.149.999
II. Life assurance provision	242	12.690.866	9.520.086	II. Provisions for deferred income tax	162	2.334.435	2.456.739
III. Provision for claims outstanding	243	135.569.743	133.206.064	III. Other provisions (annex no 6)	163	655.239	1.709.197
IV. Provision for bonusses and rebates	244	0	0	**F. Deposits received from reinsurers**	17	140.607.721	119.310.297
V. Other technical provisions	245	147.002	63.300				

Annex to the Royal Decree relating to the accounts of insurance

Chapter 1: presentation of the financial statements

Section I. Balance sheet 31/12/... (in units from Euro.)

Assets	Code	Current year	Previous year	Liabilities	Code	Current year	Previous year
VI. Technical provisions for unit-linked funds	246	0	0				
E. Receivables (annex no. 18 en 19)	**41**	235.963.696	241.665.792	**G. Liabilities (annex no. 7 and 18)**	**42**	1.331.190.316	1.396.081.874
I. Direct insurance receivables	411	107.114.106	98.210.575	I. Amounts payable regarding direct insurance operations	421	270.061.600	305.018.618
1. Receivables from policyholders	411.1	31.978.642	24.997.847	II. Amounts payable regarding reinsurance operations	422	23.149.527	29.825.949
2. Receivables from insurance intermediaries	411.2	13.976.970	6.115.360	III. Non subordinated bonds	423	0	0
3. Other	411.3	61.158.494	67.097.368	1. Convertible bonds	423.1	0	0
				2. Non convertible bonds	423.2	0	0
II. Reinsurance receivables	412	62.748.356	66.421.822				
III. Other receivables	413	66.101.234	77.033.395	IV. Amounts owed to credit institutions	424	643.913.360	443.589.828
IV. Called capital as yet unpaid	414	0	0	V. Other liabilities	425	394.065.829	617.647.479
				1. Liabilities regarding taxes, wages and social security charges	425.1	33.729.652	31.752.323
F. Other assets	**25**	426.038.517	525.174.643	a) taxes	425.11	10.648.497	9.083.369
I. Tangible assets	251	270.909	274.721	b) wages and social security charges	425.12	23.081.155	22.668.954
II. Cash	252	222.582.968	321.715.282	2. Other	425.2	360.336.177	585.895.156
III. Own shares	253	203.184.640	203.184.640				
IV. Other	254	0	0				
G. Deferred charges and accrued income (annex no 4)	***431/433***	182.314.550	189.426.738	**H. Accrued charges and deferred income (annex no 8)**	***434/436***	24.999.035	10.036.937
I. Accrued interests and rent	431	179.695.034	188.673.921				
II. Activated acquisition costs	432	0	0				
1. Insurance transactions non-life	432.1	0	0				
2. Insurance transactions life	432.2	0	0				
III. Other	433	2.619.516	752.817				
TOTAL	***21/43***	32.005.347.852	33.811.127.805	**TOTAL**	***11/43***	32.005.347.852	33.811.127.805

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/.. (in units from Euro.)

I. Technical account non-life

Content	Codes	Current year	Previous year
1. Earned premiums net of reinsurance	**710**	1.243.440.662	1.182.152.851
a) Gross written premium (annex no 10)	710.1	1.298.976.435	1.225.562.680
b) Share of reinsurers in written premium (-)	710.2	(42.618.747)	(39.981.764)
c) Change in gross provisions for unearned premiums and provisions for unexpired risk (increase -, decrease +)	710.3	-13.444.241	-4.885.107
d) Reinsurers' share in change of provision for unearned premiums and for in expired risk (increase+ , decrease -)	710.4	527.215	1.457.042
2. Net returns on investment including costs, transferred from the non technical account (post 6)	**711**	0	0
2bis. Investment income	**712**	137.121.452	104.729.814
a) Income from investments in affiliated undertakings and participations	712.1	1.100.000	0
aa) Affiliated undertakings	712.11	1.100.000	0
1° shares	712.111	1.100.000	0
2° debt securities, loans	712.112	0	0
bb) Other companies linked by participating interests	712.12	0	0
1° shares	712.121	0	0

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/.. (in units from Euro.)

I. Technical account non-life

Content	Codes	Current year	Previous year
2° debt securities, loans	712.122	0	0
b) Income from other financial investments	712.2	106.364.493	84.034.852
aa) income from land and buildings	712.21	3.290.891	3.085.508
bb) income from other investments	712.22	103.073.602	80.949.344
c) Reversal of impairments on investments	712.3	1.509.665	3.237.640
d) Realised gains on investments	712.4	28.147.294	17.457.322
3. Other technical income net of reinsurance	**714**	478.180	477.887
4. Claims incurred, net of reinsurance (-)	**610**	(719.430.118)	(682.895.649)
a) Claims paid net of reinsurance	610.1	601.171.626	535.683.021
aa) claims paid gross (annex no 10)	610.11	673.204.043	591.756.723
bb) claims paid reinsurers' share (-)	610.12	(72.032.417)	(56.073.702)
b) Change in provision for claims outstanding net of reinsurance (increase +, decrease -)	610.2	118.258.492	147.212.628
aa) Change in provision for claims outstanding gross (annex no 10) (increase +, decrease -)	610.21	121.889.889	163.194.366
bb) Change in provision for claims outstanding reinsurers' share (increase -, decrease +)	610.22	-3.631.397	-15.981.738

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/.. (in units from Euro.)

I. Technical account non-life

Content	Codes	Current year	Previous year
5. Change in other technical provisions - net of reinsurance (increase -, decrease +)	**611**	-8.192.011	-5.790.299
6. Bonuses and rebates - net of reinsurance (-)	**612**	(-458.341)	(730.939)
7. Operating expenses (-)	**613**	(378.118.683)	(353.933.731)
a) Acquisition costs	613.1	299.367.643	283.383.414
b) Change in activated acquisition costs (increase -, decrease +)	613.2	0	0
c) Administrative expenses	613.3	80.719.989	73.263.310
d) Reinsurance commissions and profit participations (-)	613.4	(1.968.949)	(2.712.993)
7bis. Costs on investments (-)	**614**	(30.947.737)	(25.368.133)
a) Management and administrative expenses on investments	614.1	15.594.873	18.399.294
b) Impairments on investments	614.2	11.143.750	3.320.617
c) Realised losses on investments	614.3	4.209.114	3.648.222

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/.. (in units from Euro.)

I. Technical account non-life

Content		Codes	Current year	Previous year
8.	**Other technical costs - net of reinsurance (-)**	**616**	(25.920.523)	(22.831.459)
9.	**Change of equalisation provisions - net of reinsurance (increase -, decrease +)**	**619**	-23.896.092	25.413.822
10.	**Result of the technical account Non-Life**			
	Profit (+)	*710 / 619*	194.993.471	221.224.164
	Loss (-)	*619 / 710*	( )	(0)

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/... (in units from Euro.)

II. Technical account Life

Content	Code	Current year	Previous year
1. Earned premiums net of reinsurance		1.717.538.054	1.600.576.964
a) Gross written premium (annex no. 10)	720.1	1.746.785.205	1.626.900.301
b) Share of reinsurers in written premium (-)	720.2	(29.247.151)	(26.323.337)
2. Investment income	**722**	713.968.191	602.675.838
a) Income from investments in affiliated undertakings and participations	722.1	4.900.000	0
aa) affiliated undertakings	722.11	4.900.000	0
1° shares	722.111	4.900.000	0
2° debt securities, loans	722.112	0	0
bb) other companies linked by participating interests	722.12	0	0
1° shares	722.121	0	0
2° debt securities, loans	722.122	0	0
b) Income from other financial investments	722.2	493.543.462	504.165.239
aa) income from land and buildings	722.21	6.950.223	6.182.908
bb) income from other investments	722.22	486.593.239	497.982.331
c) Reversal of impairments on investments	722.3	9.532.610	17.767.719
d) Realised gains on investments	722.4	205.992.119	80.742.880
3. Value adjustments on assets held for unit-linked funds (gains)	**723**	877.270.980	1.545.857.140

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/... (in units from Euro.)

II. Technical account Life

Content	Code	Current year	Previous year
4. Other technical income net of reinsurance	**724**	2.852.515	2.711.519
5. Claims incurred, net of reinsurance (-)	**620**	(1.867.689.757)	(2.107.807.525)
a) Claims paid net of reinsurance	620.1	1.873.219.742	2.086.731.279
aa) Claims paid gross	620.11	1.885.962.686	2.102.935.041
bb) claims paid reinsurers' share (-)	620.12	(12.742.944)	(16.203.762)
b) Change in provision for claims net of reinsurance (increase +, decrease -)	620.2	-5.529.985	21.076.246
aa) Change in provision of claims outstanding gross (increase +, decrease -)	620.21	-6.797.703	21.843.964
bb) Change in provision of claims outstanding reinsurers' share (increase -, decrease +)	620.22	1.267.718	-767.718
6. Change in other technical provisions - net of reinsurance (increase -, decrease +)	**621**	1.992.442.406	-757.894.043
a) Change in provisions Life net of reinsurance (increase -, decrease +)	621.1	356.553.764	57.886.413
aa) change in provisions Life gross (increase -, decrease +)	621.11	353.382.984	55.724.145

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/... (in units from Euro.)

II. Technical account Life

Content	Code	Current year	Previous year
bb) Change in provisions Life reinsurers' share (increase +, decrease -)	621.12	3.170.780	2.162.268
b) Change in other technical provisions - net of reinsurance (increase -, decrease +)	621.2	1.635.888.642	-815.780.456
7. Bonuses and rebates - net of reinsurance (-)	**622**	(8.387.394)	(8.474.007)
8. Operating expenses (-)	**623**	(138.003.304)	(144.246.202)
a) Acquisition costs	623.1	81.740.373	80.131.850
b) Change in activated acquisition costs (increase +, decrease -)	623.2	0	0
c) Administrative expenses	623.3	68.649.469	71.399.695
d) Reinsurance commissions and profit participations (-)	623.4	(12.386.538)	(7.285.343)
9. Costs on investments (-)	**624**	(260.481.939)	(187.147.417)
a) Management and administrative expenses on investments	624.1	155.367.437	148.076.889
b) Impairments on investments	624.2	62.662.764	16.092.820
c) Realised losses on investments	624.3	42.451.738	22.977.708

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/... (in units from Euro.)

II. Technical account Life

Content	Code	Current year	Previous year
10. Value adjustments on assets held for unit-linked funds (losses) (-)	625	(2.770.076.783)	(336.611.763)
11. Other technical costs - net of reinsurance (-)	626	(15.577.462)	(16.186.734)
12. Net returns on investments including costs, transferred to the non-technical account (-)	627	(0)	(0)
12bis. Changes in the fund for future allocations (increase -, decrease +)	628	-50.000.000	-24.000.000
13. Result of the technical account Life			
Profit (+)	*720 / 628*	193.855.507	169.453.770
Loss (-)	*628 / 720*	( )	(0)

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/.. (in units from Euro)

III. Non-technical account

Content			Code	Current year	Previous year
1.	**Result of the technical account non life (post 10)**				
	Profit (+)		*(710 / 619)*	194.993.471	221.224.164
	Loss (-)		*(619 / 710)*	(0)	(0)
2.	**Result of the technical account life (post 13)**				
	Profit (+)		*(720 / 628)*	193.855.507	169.453.770
	Loss (-)		*(628 / 720)*	(0)	(0)
3.	**Investment income**		**730**	373.291.426	121.758.061
	a)	Income from investments in affiliated undertakings and participations	730.1	129.466.931	71.457.015
	b)	Income from other financial investments	730.2	40.544.527	36.351.261
		aa) income from land and buildings	730.21	3.600.314	3.552.408
		bb) Income from other investments	730.22	36.944.213	32.798.853
	c)	Reversal of impairments on investments	730.3	203.015.869	14.034.945
	d)	Realised gains on investments	730.4	264.099	-85.160
4.	**Net return on investments including costes transferred from the technical Life insurance account (post 12)**		**731**	0	0

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/.. (in units from Euro)

III. Non-technical account

	Content		Code	Current year	Previous year
5.	**Costs on investment (-)**		**630**	(15.049.915)	(22.256.924)
	a)	Management and administrative expenses on investments	630.1	12.117.194	11.523.845
	b)	Impairments on investments	630.2	2.913.159	8.695.587
	c)	Realised losses on investments	630.3	19.562	2.037.492
6.	**Net returns on investments including costs transferred to the technical Non Life insurance account (post 2) (-)**		**631**	(0)	(0)
7.	**Other operating income (annex no. 13)**		**732**	4.813.995	5.507.559
8.	**Other operating expenses (annes no. 13) (-)**		**632**	(15.119.914)	(12.381.856)
8bis.	**Profit (losses) on ordinary activities before taxes**				
	Profit (+)		*710 / 632*	736.784.570	483.304.774
	Loss (-)		*632 / 710*	(0)	(0)
9.	**-**		-		
10.	**-**		-		
11.	**Extraordinary income (annex no 14)**		**733**	0	0
12.	**Extraordinary costs (annex no 4) (-)**		**633**	(0)	(0)

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Section II. Profit and loss account on 31/12/.. (in units from Euro)

III. Non-technical account

Content		Code	Current year	Previous year
13.	**Extraordinary result**			
	Profit (+)	*733 / 633*	0	0
	Loss (-)	*633 / 733*	(0)	(0)
14.	**-**	**-**		
15.	**Income Tax (-/+)**	**634 / 734**	-75.591.367	-76.099.100
15bis.	**Deferred Tax (-/+)**	**635 / 735**	122.304	122.254
16.	**Result for the period**			
	Profit (+)	*710 / 635*	661.315.507	407.327.928
	Loss (-)	*635 / 710*	(0)	(0)
17.				
	a) Transfer from tax-free reserves (+)	**736**	366.913	366.763
	b) Transfer to tax-free reserves (-)	**636**	(0)	(0)
18.	**Result for the period available for appropriation**			
	Profit (+)	*710 / 636*	661.682.420	407.694.691
	Loss (-)	*636 / 710*	(0)	(0)

Chapter I. Presentation of the financial statements

Section II. Profit and loss account on 31/12/.. (in units from Euro)

III. Non-technical account

Content		Code	Current year	Previous year
A.	**Profit to be appropriated**	**710 / 637.1**	661.744.526	763.060.223
	Loss to be appropriated (-)	**637.1 / 710**	(0)	(0)
	1. Profit for the period available for appropriation	710 / 636	661.682.420	407.694.691
	Loss for the period available for appropriation (-)	636 / 710	(0)	(0)
	2. Profit brought forward from previous year	737.1	62.106	355.365.532
	Losst brought forward from previous year (-)	637.1	( )	( )
B.	**Transfers from capital and reserves**	**737.2 / 737.3**		
	1. from capital and share premium account	737.2		
	2. from reserves	737.3		
C.	**Transfers to capital and reserves (-)**	**637.2 / 637.3**	( )	( )
	1. to capital and share premium account	637.2		
	2. to the legal reserve	637.31		
	3. to other reserves	637.32		
D.	**Profit/loss to be carried forward**			
	1. Profit to be carried forward (-)	637.4	(85.153)	(62.106)
	2. Loss to be carried forward	737.4		
E.	**Owner's contribution in respect of losses**	**737.5**		
F.	**Profit to be distributed**	**637.5 / 637.7**	(661.659.373)	(762.998.117)
	1. Dividends	637.5	659.176.883	759.528.886
	2. Director's or manager's entitlements	637.6		
	3. Other beneficiaries	637.7	2.482.490	3.469.231

Nr. 1. Statement of the intangible assets, immovable assets for investment and securities for investment.

NAME		Code	Relevant asset items		
			B. Intangible assets	C.I. Land and buildings	C.II.1. Shares in affiliated undertakings
			1	2	3
a) ACQUISITION VALUE					
At the end of the previous period		8.01.01	9.345.032	242.331.441	1.097.840.391
Movements during the period					
. Acquisitions		8.01.021		1.439.722	84.331.727
. New acquisition costs		8.01.022			
. Sales and disposals	(-)	8.01.023	( )	(26.548)	(44.575.150)
. Transfers from one heading to another	(+)(-)	8.01.024			
. Other movements	(+)(-)	8.01.025			
Acquisition value at the end of the period		8.01.03	9.345.032	243.744.615	1.137.596.968
b) REVALUATION SURPLUSES					
Revaluations surpluses at the end of the previous period		8.01.04			
Movements during the period :					
. Recorded		8.01.051			
. Acquisitions from third parties		8.01.052			
. Cancelled	(-)	8.01.053		( )	( )
. Transfers from one heading to another	(+)(-)	8.01.054			
Revaluation surpluses at the end of the period		8.01.06			
c) DEPRECIATION AND AMOUNTS WRITTEN DOWN					
Depreciation and amounts written down at the end of prev.period		8.01.07	5.950.795	114.544.915	219.000.005
Movements during the period :					
. Recorded		8.01.081	3.394.237	7.370.871	
. Written back	(-)	8.01.082	( )	( )	(203.000.000)
. Acquisitions from third parties		8.01.083			
. Cancelled	(-)	8.01.084	( )	( )	( )
. Transfers from one heading to another	(+)(-)	8.01.085			
Depreciation and amounts written down at the end of period		8.01.09	9.345.032	121.915.786	16.000.005
d) UNCALLED AMOUNTS (art. 29, § 1.)					
Uncalled amounts at the end of the previous period		8.01.10			
Movements during the period	(+)(-)	8.01.11			
Uncalled amounts at the end of the period		8.01.12			
e) RESULTS FROM THE CONVERSION OF FOREIGN CURRENCY					
At the end of previous period	(+)(-)	8.01.13			
Movements during the period	(+)(-)	8.01.14			
At he end of the period	(+)(-)	8.01.15			
NET BOOK VALUE AT THE END OF THE PERIOD (a) + (b) - (c) - (d) +/- (e)		8.01.16		121.828.829	1.121.596.963

Nr. 1. Statement of the intangible assets, immovable assets for investment and securitie

NAME		Code	Relevant asset items: C.II.2. Debt securities and loans in affiliated undertakings	C.II.3. Shares in companies linked by participated interest	C.II.4. Debt securities and loans in companies linked by participated interests
			4	5	6
a) ACQUISITION VALUE					
At the end of the previous period		8.01.01		19.134.041	
Movements during the period					
. Acquisitions		8.01.021		10.000.004	
. New acquisition costs		8.01.022			
. Sales and disposals	(-)	8.01.023	(0)	(271.104)	(0)
. Transfers from one heading to another	(+)(-)	8.01.024			
. Other movements	(+)(-)	8.01.025			
Acquisition value at the end of the period		8.01.03	0	28.862.941	0
b) REVALUATION SURPLUSES					
Revaluations surpluses at the end of the previous period		8.01.04			
Movements during the period :					
. Recorded		8.01.051			
. Acquisitions from third parties		8.01.052			
. Cancelled	(-)	8.01.053		( )	
. Transfers from one heading to another	(+)(-)	8.01.054			
Revaluation surpluses at the end of the period		8.01.06			
c) DEPRECIATION AND AMOUNTS WRITTEN DOWN					
Depreciation and amounts written down at the end of prev.period		8.01.07		157.867	
Movements during the period :					
. Recorded		8.01.081			
. Written back	(-)	8.01.082	( )	( )	( )
. Acquisitions from third parties		8.01.083			
. Cancelled	(-)	8.01.084	( )	( )	( )
. Transfers from one heading to another	(+)(-)	8.01.085			
Depreciation and amounts written down at the end of period		8.01.09		157.867	
d) UNCALLED AMOUNTS (art. 29, § 1.)					
Uncalled amounts at the end of the previous period		8.01.10		6.004.000	
Movements during the period	(+)(-)	8.01.11		7.500.000	
Uncalled amounts at the end of the period		8.01.12		13.504.000	
e) RESULTS FROM THE CONVERSION OF FOREIGN CURRENCY					
At the end of previous period	(+)(-)	8.01.13			
Movements during the period	(+)(-)	8.01.14			
At he end of the period	(+)(-)	8.01.15			
NET BOOK VALUE AT THE END OF THE PERIOD (a) + (b) - (c) - (d) +/- (e)		8.01.16	0	15.201.074	0

Nr. 1. Statement of the intangible assets, immovable assets for investment and securitie

NAME		Code	Relevant asset items: C.III.1. Shares, participating interests and other var-yield securities.	C.III.2. Debt securities and other fixed-income
			7	8
a) ACQUISITION VALUE				
At the end of the previous period		8.01.01	795.108.702	14.807.616.058
Movements during the period				
. Acquisitions		8.01.021	501.741.388	1.988.183.583
. New acquisition costs		8.01.022		
. Sales and disposals	(-)	8.01.023	(234.771.372)	(2.268.557.595)
. Transfers from one heading to another	(+)(-)	8.01.024		
. Other movements	(+)(-)	8.01.025		-49.201.812
Acquisition value at the end of the period		8.01.03	1.062.078.718	14.478.040.234
b) REVALUATION SURPLUSES				
Revaluations surpluses at the end of the previous period		8.01.04		
Movements during the period :				
. Recorded		8.01.051		
. Acquisitions from third parties		8.01.052		
. Cancelled	(-)	8.01.053	( )	
. Transfers from one heading to another	(+)(-)	8.01.054		
Revaluation surpluses at the end of the period		8.01.06		
c) DEPRECIATION AND AMOUNTS WRITTEN DOWN				
Depreciation and amounts written down at the end of prev.period		8.01.07	34.542.901	2.150.804
Movements during the period :				
. Recorded		8.01.081	69.269.801	4.667
. Written back	(-)	8.01.082	(802.474)	(21.618)
. Acquisitions from third parties		8.01.083		
. Cancelled	(-)	8.01.084	( )	(1.571.828)
. Transfers from one heading to another	(+)(-)	8.01.085	-7.209.353	
Depreciation and amounts written down at the end of period		8.01.09	95.800.875	562.025
d) UNCALLED AMOUNTS (art. 29, § 1.)				
Uncalled amounts at the end of the previous period		8.01.10		
Movements during the period	(+)(-)	8.01.11		
Uncalled amounts at the end of the period		8.01.12		
e) RESULTS FROM THE CONVERSION OF FOREIGN CURRENCY				
At the end of previous period	(+)(-)	8.01.13		
Movements during the period	(+)(-)	8.01.14		-1.273.149
At he end of the period	(+)(-)	8.01.15		-1.273.149
NET BOOK VALUE AT THE END OF THE PERIOD (a) + (b) - (c) - (d) +/- (e)		8.01.16	966.277.843	14.476.205.060

Annex Nr. 2. Information relating to the share in the capital and other rights in other companies.

List of enterprises in which the enterprise holds a participating interest (as mentioned in royal decree of November 17, 1994) (recorded in the headings C.II.1. , C.II.3. , D.II.1.en D.II.3. of assets), and other enterprises in which the enterprise holds rights (recorded in the headings C.III.1. end D.III.1. of assets) in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE an for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held by			Information from the most recent period for which annual accounts are available			
	directly		Subsidiaries	Primary financial statement	Monetary unit (*)	Capital and reserves	Net result
	Number	%	%			(+) or (-) (in thousands of monetary units)	
ADD NV, INDUSTRIEWEG 1, 3001 HEVERLEE	10.000,00	100,00		2021	EUR	4.066,00	3.815,00
ASSURCARD NV, FONTEINSTRAAT 1A/301 , 3000 LEUVEN	900,00	20,00		2021	EUR	3.153,00	142,00
BUSINESS BREWERY, INTERLEUVENLAAN 62, 3001 LEUVEN	20,00	4,76		2021	EUR	1.446,00	-113,00
BEDR. CENTR. VILVOORDE NV, MECHELSESTEENWEG 277, 1800 VILVOORDE	300,00	8,26		2021	EUR	987,00	-52,00
BELGISCH GEMEENSCHAPPELIJK WAARBORGFONDS, LIEFDADIGHEIDSSTRAAT 3	1,00	2,56		2021	EUR	34,00	0,00
HUIS DER VERZEKERING CV, DE MEEUSPLANTSOEN 29, 1000 BRUSSEL	2.939,00	11,29		2021	EUR	2.814,00	14,00
BEM NV, LOMBARDSTRAAT 34-42, 1000 BRUSSEL	1.500,00	6,47		2021	EUR	3.557,00	-32,00
RENAISSANCE MAGISTER INVEST, AVENUE DU PORT 2, 1080 MOLENBEEK-SAINT-	35.820,00	100,00		2021	EUR	2.162,00	116,00
VLAAMSE ENERGIE HOLDING B CV, NOORDLAAN 9, 8820 TORHOUT	163,00	11,04		2022	EUR	268.459,00	50.589,00
SPORTCOMPLEX AALST NV, HAVENLAAN 2, 1080 BRUSSEL	1.000,00	100,00		2021	EUR	13.321,00	519,00
DZI INSURANCE, 89B VITOSHA BLVD., 'MILENIUM' BUSINESS CENTER, SOFIA 1463,	13.639.150,00	100,00		2021	BGN	328.114,00	47.357,00
KBC GROUP RE SA, 4 RUE DU FORT WALLIS, L-2714 LUXEMBOURG, LUXEMBURG	544,00	100,00		2021	EUR	84.229,00	28.386,00
K&H INSURANCE, LECHNER ODON FASOR 9, 1095 BUDAPEST, HONGARIJE	1.772,00	100,00		2021	HUF	21.777.000,00	6.508.000,00
DOUBLE U BUILDING BV, WATERMANWEG 92, 3067 GG ROTTERDAM, NEDERLAND	330.000,00	100,00		2021	EUR	43.531,00	4.460,00
RE-TAIL RETURN PARTNERS I, KLEISTRAAT 68, 1785 MERCHTEM	846.387,00	10,04		2021	EUR	11.629,00	132,00
IMEC.XPAND, KAPELDREEF 75, 3001 HEVERLEE	100.000,00	8,56		2021	EUR	47.804,00	-1.757,00
IMEC.XPAND II COMMV, KAPELDREEF 75, 3001 HEVERLEE	100.000,00	7,21			EUR		

Annex Nr. 2. Information relating to the share in the capital and other rights in other companies.

List of enterprises in which the enterprise holds a participating interest (as mentioned in royal decree of November 17, 1994) (recorded in the headings C.II.1. , C.II.3. , D.II.1.en D.II.3. of assets), and other enterprises in which the enterprise holds rights (recorded in the headings C.III.1. end D.III.1. of assets) in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE an for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held by			Information from the most recent period for which annual accounts are available			
	directly		Subsidiaries	Primary financial statement	Monetary unit (*)	Capital and reserves	Net result
	Number	%	%			(+) or (-) (in thousands of monetary units)	
CSOB POJIST'OVNA A.S. CLEN HOLDINGU CSOB, MASARYKOVO NAM. 1458, 532 18	339,00	99,71		2021	CZK	7.664.254,00	1.762.938,00
CSOB POIST'OVNA AS, ZIZKOVA 11, 811 020 BRATISLAVA, SLOVAKIJE	1.676,00	100,00		2021	EUR	63.937,00	8.093,00
GROEP VTB-VAB NV, PASTOOR COPLAAN 100, 2070 ZWIJNDRECHT	13.777,00	100,00		2021	EUR	17.319,00	2.166,00
SPORTCOMPLEX HEIST-OP-DEN-BERG NV, HAVENLAAN 2, 1080 BRUSSEL	1.060,00	100,00		2021	EUR	8.039,00	278,00
MAATSCHAPPIJ BRANDHERVERZEKERING CVBA, PROF. ROGER VAN OVERSTRAI	24.799,00	90,10		2021	EUR	8.326,00	155,00
OMNIA NV, MGR. LADEUZEPLEIN 15, 3000 LEUVEN	14.187,00	100,00		2021	EUR	2.441,00	636,00
AIA-POOL CVBA, CHAUSSEE DE JETTE 221, 1080 BRUSSEL	502,00	33,47		2021	EUR	375,00	-4,00

(*) according to the official codification

Nr. 3. Fair value of the investments (art. 38).

Assets	Codes	Amounts
C. Financial assets	8.03	17.755.396.556
I. Land and buildings.	8.03.221	231.368.998
II. Investments in affiliated undertakings and participations.	8.03.222	1.324.449.118
- Affiliated undertakings.	8.03.222.1	1.264.314.838
1. Shares	8.03.222.11	1.264.314.838
2. Debt securities, loans.	8.03.222.12	0
- Other companies linked by participating interests.	8.03.222.2	60.134.280
3. Shares	8.03.222.21	60.134.280
4. Debt securities, loans.	8.03.222.22	0
III. Other financial assets	8.03.223	16.199.042.365
1. Shares, participating interests and other variable-yield securities	8.03.223.1	1.094.307.673
2. Debt securities and other fixed-income securities.	8.03.223.2	12.992.499.006
3. Participation in joint investments.	8.03.223.3	14.406.557
4. Loans guaranteed by mortgages.	8.03.223.4	798.281.776
5. Other loans.	8.03.223.5	972.188.956
6. Term deposits with credit institutions.	8.03.223.6	326.771.348
7. Other.	8.03.223.7	587.049
IV. Deposits with ceding undertakings.	8.03.224	536.075

Nr.3bis Derivative financial instruments not measured on the basis of fair value

Estimate of fair value for each category derivative financial instruments not measured on the basis of fair value, specifying the scope and the nature of the instruments	Net book value	Fair value
Interest Rate Swap (nominal: 296.500.000)	-3.897.014	28.632.530
Currency Interest Rate Swap	-6.639.288	-7.301.367

B. Financial fixed assets, as mentioned in C.II. and C.III., with a net book value higher than their fair value	Net book value	Fair value
Affiliated undertakings.		
1. Shares	423.714.966	182.125.784

For each of the financial fixed assets referred to in B., or the appropriate groups of these separate assets referred to in B., which are taken into account at an amount greater than their fair value, the reasons must also be given why the book value has not been reduced, stating the nature of the evidence underlying the assumption that the carrying amount will be recoverable:

For the reasons why the book value of the participating interests mentioned in B. has not been reduced, we refer to disclosure no. 20 Valuation rules, more specifically the paragraph regarding the participating interests under point 2. Write-downs.

Annex nr.4 according the deferred charges and accrued income.

Breakdown of the assets G.III. if the amount is significant.	Amount
Revaluation result off-balance	1.380.750
Front-end fees	638.070
Deferred charges	492.589
Pro rata interest receivable	108.108

Annex nr.5 Statement of capital

	Codes	Amounts	Number of shares
A. AUTHORIZED CAPTAL			
1. Subscribed capital (A.I.1. of the liabilities)			
- Opening balance	8.05.111.101	65.156.172,00	xxxxxxxxxxxxxxxxxxxxxxx
- Variations during the year :			
			0
- At the end of the year	8.05.111.102	65.156.172,00	xxxxxxxxxxxxxxxxxxxxxxx
2.Composition of the capital			
2.1. Classes of shares according to company law			
		65.156.172	1.050.906
2.2. Registered shares or bearer shares			
Registered shares	8.05.1.21	xxxxxxxxxxxxxxxxxxxxxxx	1.050.906
Bearer shares	8.05.1.22	xxxxxxxxxxxxxxxxxxxxxxx	

	Codes	Uncalled amount (heading A.I.2. of liabilities)	Amount requested capital unpaid(heading E.I.V.)
B. UNPAID CAPITAL (art.51 - S.W.H.V.)			
Shareholders who have yet to pay			
TOTAL	8.05.2		

Nr.5. Statement of capital (continuation).

	Codes	Capital amount	Number of shares
C. SHARES OF THE COMPANY HELD BY			
- the company itself	8.05.3.1	3.031.118,00	48.889
- the subsidiaries	8.05.3.2		
D.COMMITMENTS TO ISSUE SHARES			
1.Following the exercising of CONVERSION RIGHTS			
. Amount of outstanding convertible loans	8.05.4.1		
. Amount of capital to be subscribed	8.05.4.2		
. Corresponding maximum number of shares to be issued	8.05.4.3		
2.Following the exercising of SUBSCRIPTION RIGHTS			
.Number of outstanding subscription rights	8.05.4.4		
.Amount of capital to be subscribed	8.05.4.5		
.Corresponding maximum number of shares to be issued	8.05.4.6		
3.Following the payment to a third party in shares			
.Amount of capital to be subscribed	8.05.4.7		
.Corresponding maximum number of shares to be issued	8.05.4.8		

Annex nr.5 Statement of capital (continuation)

	Codes	Amount
E.AUTHORIZED, UNISSUED CAPITAL	8.05.5	

	Codes	Number of shares	Associated voting rights
F.SHARED ISSUED, NOT REPRESENTING CAPITAL	8.05.6		
of which - held by the company itself	8.05.6.1		
- held by its subsidiaries	8.05.6.2		

Nr.5. Statement of capital (continuation and end).

G.STRUCTURE OF SHAREHOLDINGS OF THE COMPANY AT THE DATE
OF CLOSING END OF YEAR, as appears from the statements that the company
has received (art. 52quinquies and 52sexies - S.W.H.V.) :

KBC Group	1.002.017
KBC Insurance	48.889

Annex nr.6 according the provisions other than technical provisions - Other provisions.

	Amounts
Breakdown of the liabilities E.III. if the amount is significant.	
Provisions ongoing litigations	610.239
Other risks and charges	45.000

Annex nr. 7. according the technical provisions and liabilities

a) Breakdown of the liabilities (or part of the liabilities) of which the residual term is over 5 years.

Liabilities	Codes	Amounts
B. Subordinated liabilities	8.07.1.12	
I. Convertible loans	8.07.1.121	
II. Non-convertible loans	8.07.1.122	
G. Liabilities	8.07.1.42	
I. Amounts payable regarding insurance operations	8.07.1.421	
II. Amounts payable regarding reinsurance operations	8.07.1.422	
III. Non-subordinated bonds	8.07.1.423	
1.Convertible bonds.	8.07.1.423.1	
2.Non-convertible bonds.	8.07.1.423.2	
IV. Amounts owed to credit institutions	8.07.1.424	
V. Other liabilities	8.07.1.425	
TOTAL	8.07.1.5	

Annex nr.7 according the technical provisions and liabilities (continuation and end).

c)Taxes, wages and social liabilities

Liabilities	Codes	Amounts
1.Taxes (G.V.1.a) of the liabilities)		
a)Expired tax payable	8.07.3.425.11.1	
b)Non-expired tax payable	8.07.3.425.11.2	10.648.497
2.Wages and social security charges (G.V.1.b) of the liabilities)		
a) Expired amounts due to the National Social Security	8.07.3.425.12.1	
b)Other liabilities according the wages and social security charges	8.07.3.425.12.2	23.081.155

Annex nr. 7 according the technical provisions and liabilities (continuation).

b)Liabilities (or parts of the liabilities) and technical provisions (or parts of the technical provisions) guaranteed by real securities asked or irrevocably promised on the company's assets.

Related items according the liabilities		Amounts
B. Subordinated liabilities.	8.07.2.12	
I. Convertible loans	8.07.2.121	
II. Non-convertible loans	8.07.2.122	
C. Technical provisions	8.07.2.14	
D. Technical provisions for unit-funds	8.07.2.15	
G. Liabilities	8.07.2.42	643.913.360
I. Amounts payable regarding insurance operations.	8.07.2.421	
II. Amounts payable regarding reinsurance operations.	8.07.2.422	
III. Non subordinated bonds	8.07.2.423	
1.Convertible bonds	8.07.2.423.1	
2.Non-convertible bonds	8.07.2.423.2	
IV. Amounts owed to credit institutions	8.07.2.424	643.913.360
V. Other liabilities	8.07.2.425	
- liabilities regarding taxes, wages and social security charges	8.07.2.425.1	
a)taxes	8.07.2.425.11	
b)wages and social security charges	8.07.2.425.12	
- debts of rent financing and similar	8.07.2.425.26	
- other	8.07.2.425.3	
TOTAL	8.07.2.5	643.913.360

Annex nr.8. according the accrued charges and deferred income of the liabilities.

	Amounts
Breakdown of the liabilities recorded in the heading H if the amount is significant.	
Front-end fees	1.186.191
Pro rata interests to be paid	5.011.966
Management fees	2.467.680
Back-end fees	6.363.358
Pro rata guarantee Vastgoed NL	8.165.000
Accrued costs	686.759

Nr. 9. Components of assets and liabilities concerning the management for one's own account in favour of a third party of the pension funds (art. 40bis.).

Concerned items and sub items of the assets (*)	Current year	Concerned items and sub items of the liabilities (*)	Current year
TOTAL		TOTAL	

(*) With mentioning of the figures and letters concerning the content of the concerned items and sub items of the balance sheet (for instance : C.III.2. debt securities and other fixed-income securities).

Nr. 10. Information concerning the technical accounts

I. Non-Life Insurance

Content	Codes	DIRECT BUSINESS					DIRECT BUSINESS					DIRECT BUSINESS		REINSURAN-CE RECEIVED
		Total	Total	Accidents and disease (branches 1 and 2)	Motor Civil Liability (branch 10)	Motor Other Branches (branches 3 and 7)	Shipping Aviation Transport (branches 4,5, 6,7,11 and 12)	Fire and other damage to goods (branches 8 and 9	General Civil Liability (branch 13)	Credit and Suretyship (branches 14 and 15	Various pecuniary losses (branch 16)	Legal assistance (branch 17)	Assistance (branch 18)	
		0	1	2	3	4	5	6	7	8	9	10	11	12
1)Gross premium.	8.10.01.710.1	1.298.976.433	1.291.701.293	198.934.738	241.025.803	173.154.918	1.484.535	466.143.958	91.776.389		22.942.441	65.637.076	30.601.435	7.275.140
2)Gross earned premium	8.10.02	1.285.532.193	1.278.237.232	198.126.294	241.084.348	171.487.456	1.451.461	456.937.431	91.497.027		22.428.682	65.183.716	30.040.817	7.294.961
3)Gross claims	8.10.03	795.093.932	787.115.789	130.892.935	164.300.282	111.237.016	125.544	274.250.372	36.454.732	159	10.364.954	46.068.977	13.420.818	7.978.143
4)Gross operating expenses	8.10.04	380.087.632	377.755.791	41.901.203	63.346.655	50.538.158	379.468	158.310.817	29.714.865		6.632.885	16.755.013	10.176.727	2.331.841
5)Reinsurance balance	8.10.05	33.816.472	33.943.853	-1.383.349	-1.485.334	547.290		41.368.166	-4.429.988		9.366	-299.463	-382.835	-127.381
6)Commission (art. 37)	8.10.06		252.618.075											

Nr.10. Information concerning the technical accounts (continuation and end)

II. Life Insurance

Content	Codes	Amounts
A.Direct business		
1)Gross premiums :	8.10.07.720.1	1.746.782.614
a) 1. Individual premiums :	8.10.08	1.434.993.364
2. Premiums regarding group insurance contracts:	8.10.09	311.789.249
b) 1. Periodic premiums :	8.10.10	925.373.299
2. Single premiums :	8.10.11	821.409.314
c) 1. Premiums regarding non-bonus contracts :	8.10.12	332.009.113
2. Premiums regarding bonus contracts :	8.10.13	539.569.665
3. Premiums for unit-linked contracts :	8.10.14	875.203.836
2) Reinsurance balance :	8.10.15	-2.319.100
3) Commissions (art. 37):	8.10.16	58.215.356
B. Reinsurance received		
Gross premiums :	8.10.17.720.1	2.593
III. Non-Life insurance and Life-Insurance, direct business		
Gross premiums :		
- in Belgium :	8.10.18	3.033.682.346
- in other Member States of E.E.C:	8.10.19	4.801.561
- in other countries :	8.10.20	

Nr11. Statement of the persons employed.

A. Data for the current year and for the previous year concerning the employees recorded in the general personnel register and connected with the enterprise by nature of the employment contract or otherwise

Description		Codes	Current year	Previous year
a)	total at the closing data of the period	8.11.10	1.162	1.175
b)	the average number of employees employed by the company during the current year and during the previous	8.11.11	1.041	1.071
	- Management staff	8.11.11.1	9	10
	- Employees	8.11.11.2	1.032	1.061
	- Workers	8.11.11.3		
	- Others	8.11.11.4		
c)	number of working hours	8.11.12	1.375.622	1.473.076

B. Data for the current year and the previous year concerning hired temporary staff and personnel placed at the enterprise's disposal

Description		Codes	Current year	Previous year
a)	total at the closing data of the period	8.11.20	16	20
b)	the average in number in full-time equivalents calculated as recorded in	8.11.21	17	12
c)	number of working hours	8.11.22	32.863	23.068

Nr.12.Statement concerning the general administration expenses, divided by nature.

(A star (*) at the right side of an item or sub item indicates the existence of a definition or an explanatory note in chapter III of the annex)

Name	Codes	Amounts
I. Staff expenses*	8.12.1	101.996.213
1. a)Salaries	8.12.111	73.012.777
b)Pension costs	8.12.112	
c)Other direct social benefits	8.12.113	
2.Employer's contribution for social security	8.12.12	19.239.669
3.Employer's contribution and premiums for extra-statutory insurance	8.12.13	5.844.073
4.Other personal charges	8.12.14	2.338.364
5.Provisions for pension costs, salaries and social charges	8.12.15	-230.849
a)Allowances (+)	8.12.15.1	21.642.938
b)Decrease (-)	8.12.15.2	(21.873.787)
[6. Temporary personnel or persons at the disposal of the enterprise	8.12.16]	1.792.179
II. Services and other goods*	8.12.2	180.964.638
III. Depreciations and amounts written down on intangible fixed assets and tangible fixed assets, other than investments*	8.12.3	1.429.846
IV. Provisions for other liabilities and charges*	8.12.4	5.936
1.Allowances (+)	8.12.41	5.936
2.Decrease (-)	8.12.42	( )
V.Other current expenses*	8.12.5	14.345.594
1.Fiscal operating expenses*	8.12.51	8.565.842
a)Property taxes	8.12.511	631.366
b)Other	8.12.512	7.934.476
2.Contributions payed to public entities*	8.12.52	5.254.582
3.Theoretical costs*	8.12.53	
4.Other	8.12.54	525.170
VI. Recovered administration expenses and other current revenues (-)	8.12.6	(19.620.766)
1.Recovered administration expenses	8.12.61	19.033.373
a)Received renumerations for performances of management of collective pension funds on behalf of third parties	8.12.611	
b)Other*	8.12.612	19.033.373
2.Other current revenues.	8.12.62	587.393
TOTAL	8.12.7	279.121.461

As amended by article 10, § 2 of the Royal Decree of the 4th of August 1996.

Nr.13. Other operating income, other operating expenses.

	Amounts
A. Breakdown of the OTHER OPERATING INCOME (7. of the non technical account), if the amount is significant.	
Reversal of impairment bad debts	1.200.059
Fee concerning bond lending	1.586.836
Capital gains on realisation intermediaries	618.665
B. Breakdown of the OTHER OPERATING EXPENSES (8. of the non technical account), if the amount is significant.	
Bad debt impairments	1.421.450
Intangible asset impairments	2.028.208
Interests on subordinated loans	10.083.306
Interests on bank accounts	1.042.124

Nr.14. Extraordinary result.

	Amounts
A. Breakdown of the EXTRAORDINARY INCOME (11. of the non technical account), if the amount is significant.	
B. Breakdown of the OTHER EXTRADORDINARY COSTS (12. of the non technical account), if the amount is significant.	

Nr.15. Income taxes

	Codes	Amounts
A. BREAKDOWN OF 15 a) 'Income taxes':	8.15.1.634	76.222.598
1.Income taxes on the result of the current period:	8.15.1.634.1	76.222.598
a. Advance payments and refundable prepayments	8.15.1.634.11	74.916.228
b. Other deductible components	8.15.1.634.12	2.582.554
c. Surplus of the advance payments and/or of the refundable prepayments (-)	8.15.1.634.13	(1.276.184)
d. Estimated additional charges for income taxes (included in liabilities item G.V.1.a))	8.15.1.634.14	
2.Income taxes on the result of the previous periods :	8.15.1.634.2	
a) Additional taxes payed or payable :	8.15.1.634.21	
b) Estimated additional charges for income taxes (included in liabilities item G.V.1.a)) or for which provision has ben established (included in liabilities item E.II.2))	8.15.1.634.22	

Nr. 15. Income taxes.

B. MAIN SOURCES OF DIFFERENCES BETWEEN THE PROFITS BEFORE TAXES, as stated in the financial statements, AND THE ESTIMATED TAXABLE PROFITS, with special mention of timing differences between adopting the book profit on realisation and the fiscal profit (if the income taxes of the current period are materially influenced by such differences).

	Amounts
Change taxable reserves and provisions	50.305.914
Capital gains on shares to a specific tax regime, exemption reversal impairments, rejected impairments and realised losses on equity	-355.908.725
Non-taxable items DBI (after deductions made by the newly introduced bank and insurance tax)	-148.723.476
Non-deductible expenses (other than realised gains and depreciations on shares and corporation taxation)	8.804.272

C. EFFECT OF EXTRAORDINARY RESULTS ON THE AMOUNT OF INCOME TAXES ON THE CURRENT PERIOD

Nr. 15. Income taxes (continuation and end).

	Codes	Amounts
D.STATUS OF FUTURE TAXATION (if it is important for the purpose of evaluating the reporting institution's financial position).		
1. Future tax allowance	8.15.4.1	
- Cumulated fiscal losses deductible from future taxable profits	8.15.4.11	
2. Future tax liabilities	8.15.4.2	

Nr.16. Other taxes and taxes supported by third parties.

	Codes	Amounts of the current year	Amounts of the previous year
A. Taxes :			
1.Taxes regarding insurance contracts supported by third parties	8.16.11	123.219.753	119.298.242
2.Other taxes of the company itself	8.16.12	10.820.039	14.189.065
B. The deducted amounts supported by third parties by means of :			
1.Payroll withholding taxes	8.16.21	51.636.649	45.742.065
2.Withholding taxes on Investment Income (on dividends)	8.16.22		

Nr.17. Commitments and contingencies (art. 14).

(A star (*) at the right side of a post or sub post indicates the existence of a definition or an explanatory note in chapter III of the annex with the conclusion of 17/11/1994)

	Codes	Amounts
A. Security given by third parties or irrevocably promised for account of the company* :	8.17.00	
B. Personal security given by the company or irrevocably promised for account of third parties*	8.17.01	315.988.364
C. Collateral security on own equity given by the company or irrevocably promised as security of the rights and obligations* :		
a) of the company :	8.17.020	2.984.119.445
b) of third parties :	8.17.021	
D. Collateral received* (other than cash) :		
a) participations and values of reinsurers (CFR. Chapter III, Description and enclosure : assets C.III.1 and 2 and liabilities F :	8.17.030	
b) other :	8.17.031	4.204.075.975
E. Term transactions* :		
a)Transactions on participations (purchases) :	8.17.040	
b)Transactions on participations (sales) :	8.17.041	
c)Transactions on foreign currency (to receive) :	8.17.042	38.883.094
d)Transactions on foreign currency (to deliver) :	8.17.043	37.502.344
e)Transactions on interest (purchases, ...) :	8.17.044	296.500.000
f)Transactions on interest (sales, ...) :	8.17.045	296.500.000
g)Other transactions (purchases, ...) :	8.17.046	
h)Other transactions (sales, ...) :	8.17.047	
F. Third party goods and values held by the company* :	8.17.05	

Nr.17. Commitments and contingencies (art. 14).

(A star (*) at the right side of a post or sub post indicates the existence of a definition or an explanatory note in chapter III of the annex with the conclusion of 17/11/1994)

	Codes	Amounts
G. Nature and business purpose of the regulations not registered in the balance, their financial consequences, if the risks or advantages as a result of these regulations are of any importance and as far the disclosure of these risks or advantages are necessary to judge the financial position of the company. :	8.17.06	
H. Other (to be determined) :	8.17.07	2.022.830.000
Bondlending		2.000.000.000
Cash collateral		22.830.000

Nr.18. Relationships with affiliated undertakings and enterprises linked by participating interests

Assets	Codes	Affiliated undertakings		Enterprises linked by participating interests	
		Current year	Previous year	Current year	Previous year
- C II.Investments in affiliated undertakings and participations	8.18.222	1.121.596.963	878.840.386	15.201.074	12.972.175
1 + 3 Participations	8.18.222.01	1.121.596.963	878.840.386	15.201.074	12.972.175
2 + 4 Debt securities, loans	8.18.222.02				
- subordinated	8.18.222.021				
- other	8.18.222.022				
- D. II.Investments in affiliated undertakings and participations	8.18.232				
1 + 3 Participations	8.18.232.01				
2 + 4 Debt securities, loans	8.18.232.02				
- subordinated	8.18.232.021				
- other	8.18.232.022				
- E. Receivables	8.18.41	29.509.437	36.820.293	400.717	426.181
I. Direct insurance receivables	8.18.411	4.790.387	1.389.499		
II. Reinsurance receivables	8.18.412	22.155.484	15.457.876	400.717	426.181

Nr.18. Relationships with affiliated undertakings and enterprises linked by participating interests

Assets	Codes	Affiliated undertakings		Enterprises linked by participating interests	
		Current year	Previous year	Current year	Previous year
III. Other receivables	8.18.413	2.563.566	19.972.918		
- B. Subordinated liabilities	8.18.12	500.000.000	500.000.000		
- G. Liabilities	8.18.42	979.509.030	896.764.698	1.000.983	499.253
I. Amounts payable regarding insurance operations	8.18.421	5.710.421	5.103.145		
II. Amounts payable regarding reinsurance operations	8.18.422	333.127	1.896.753	1.000.983	499.253
III. Non subordinated bonds	8.18.423				
IV. Amounts owed to credit institutions	8.18.424	643.913.360	342.766.901		
V. Other liabilities	8.18.425	329.552.122	546.997.899		

Nr.18. Relationships with affiliated undertakings and enterprises linked by participating interests (continuation and end)

	Codes	Affiliated undertakings	
		Current year	Previous year
- By the reporting institution given or irrevocably promised as PERSONAL AND COLLATERAL SECURITY to secure the affiliated enterprises' debts and commitments	8.18.50	159.291.582	161.549.283
- By affiliated enterprises given or irrevocably promised as PERSONAL AND COLLATERAL SECURITY to secure the reporting institution's debts and commitments	8.18.51		
- Other meaningful financial obligations	8.18.52		
- Income generated by land and buildings	8.18.53	894.568	630.114
- Other investment income	8.18.54	135.455.591	71.445.675

Nr.19. Financial relations with :

A.Directors and managers;

B.Individuals or corporate bodies who control the institution directly or indirectly without being related to it

C.Other companies controlled directly or indirectly by people mentioned under B

	Codes	Amounts
1.Amounts receivable from these persons	8.19.1	
2.Guarantees granted on their behalf	8.19.2	
3.Other significant commitments undertaken in their favour	8.19.3	
4.Direct and indirect remunerations charged to the annual account and granted:		
- to directors and managers	8.19.41	362.500
- to former directors and managers	8.19.42	

- Main conditions concerning the above mentioned numbers 1., 2. and 3.

Nr.19bis. Financial relations with :

The auditor(s) and the people he (she) is (are) related to

	Codes	Amounts
1. Remuneration of the auditor(s)	8.19.5	800982
2. Fees for exceptional services or special services provided to the company by the auditor(s)	8.19.6	20332
- Other audit services	8.19.61	20332
- Tax advisory services	8.19.62	
- Other non-audit services	8.19.63	
3. Fees for exceptional services or special services provided to the company by persons with whom the auditor(s) is (are) related	8.19.7	
- Other audit services	8.19.71	
- tax advisory services	8.19.72	
- Other non-audit services	8.19.73	

Statements in accordance with Article 133, §6 of the Company Code

Nr.20. Valuation rules.

(This statement aimed in articles : 12bis, § 5 ; 15 ; 19, 3th paragraph ; 22bis, 3th paragraph;
24, 2nd paragraph ; 27, 1°, last paragraph and 2°, last paragraph ; 27bis, § 4, last paragraph ; 28, § 2,
1st and last paragraph ; 34, 2nd paragraph ; 34quinquies, 1st paragraph ; 34sexies, 6°, last paragraph ; 34septies,
§ 2 and by Chapter III. 'Description and notes', Section II, post 'Theoretical rent'.)

A.Rules governing the validation of the inventories (with exception of the financial assets as stated under D of the assets)

1.Formation and adjustment of the depreciations

In conformity with Article 3 of the above-mentioned Royal Decree, the annual accounts are drawn up according to the principle of a true and fair view. A transparent, clear and consistent financial reporting is important for KBC Bank as a financial institution.
As such, KBC aims to align as much as possible, within the possibilities of the Belgian accounting law and the systems, with the international accounting standards IFRS, as applied for the consolidated annual accounts.
Depreciation is recorded against intangible and tangible fixed assets whose useful life is limited in order to spread the costs of acquisition (as these may be revalued from time to time) over their probable useful life. Depreciation are charged on a straight-line basis from the moment the assets are available for use.
Formation expenses are charged directly to the profit and loss account unless the Board of Directors decides otherwise.
Intangible fixed assets whose useful lifetime is limited are depreciated over five years unless the Board of Directors decides otherwise.
Systems software is depreciated at the same rate as hardware and is therefore depreciated over a period of three years. Software other than systems software is depreciated over five years. Core systems with a longer useful life are depreciated straight line over an eight-year period.
Core systems are types of standard software, including back-end data applications, for processing operations during the day and updates of the general ledger balances on the mainframe.
All tangible fixed assets are recognized at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT etc.).
The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis from the time they are available for use. The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

2.Write-downs

Assets not susceptible to depreciation are impaired, if this is necessary, to take account of losses in value, whether definitive or otherwise.

This impairment charge may not be upheld if, at the end of the financial year, it exceeds a current assessment of the drop in value for which it was constituted.

Intangible and tangible fixed assets whose useful life is not limited are written down in the event of a lasting diminution in value or impairment.

Participating interests and shares that are considered financial fixed assets are recognized at acquisition costs. Write downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospectus of the company concerned.

Impairment charges are written back immediately the stock market price rises, albeit to no more than the acquisition value.

Listed shares are impaired if the stock market price is sustainably (> 1 year) or significantly (> 30%) lower than the book value, showing that the impairment is sufficiently lasting in nature. The impairment charge is then equal to the difference between the carrying value and the stock market price. Impairment charges are written back immediately the stock market price rises, albeit to no more than the acquisition value.

Unlisted shares are written down in the event of a lasting diminution in value or impairment justified by the state, profitability or prospects of the company in which the holdings, shares or profit-share certificates are held.

Receivables including fixed-income securities that are recorded under ‘investments in associates and holdings’ are written down in the event that there is uncertainty as to whether all or part of the receivable will be paid when due.

Fixed-income securities and receivables reported under ‘other financial investments’ and assets reported under ‘receivables’ and ‘loans’ are impaired according to the principles that apply for the valuation of granted loans. When market value are declining below acquisition value, an impairment is recognized when there is uncertainty as to whether all or part of the receivable or security will be paid when due.

Fixed-income treasury securities (under ‘other financial investments’) serving to support liquidity are impaired if their market value is lower than the book value.

Impairment is booked on real estate certificates if their market value is less than their acquisition cost (LOCOM). These impairment charges are written back where the market value rises, up to a maximum of the acquisition cost of the underlying security.

Dated commercial credit are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs to be paid by the customers. Loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis in order to cover the losses which are considered certain or likely to ensue on the outstanding loans.

Investments under assets heading D (class 23) are recognized in the balance sheet at their carrying value in accordance with the statutory provisions.

3.Provisions for risks and charges

Provisions for liabilities and charges are intended to cover losses or charges, the nature of which is clearly defined and which at balance sheet date are either likely or certain to be incurred, but the amount of which is uncertain.

4.Technical provisions

The technical provisions must at all times be sufficient to guarantee that all insurance contract obligations can be met. For direct business, the provision for unearned premiums is in principle calculated according to the accruals method on a daily basis for each contract separately and based on gross premiums, net of commission.

For reinsurance contracts issued, the provision for unearned premiums is calculated for each contract separately based on information supplied by the ceding party, supplemented where necessary by the company's own past experience regarding the evolution of risks over time.

Provisions for the group of life insurance activities are measured according to prevailing actuarial principles.

The technical provisions for traditional class-21 life (non-unit linked) products and provisions for extra-legal benefits to employees in respect of accruing interest are calculated according to prospective actuarial formulas based on the contracts' technical bases. However, traditional class-21 (non-unit-linked) life products, which offer a guaranteed 4.75%, are discounted at a rate of 4% (instead of the 4.75% based on the underwriting assumptions of the contract).

The technical provisions for modern class-21 and class-26 (non-unit-linked) life products and provisions for extra-legal benefits to employees in respect of new, supplementary deposits are calculated according to retrospective formulas based on the contracts' technical bases.

Additionally, supplementary provisions are constituted in accordance with the 'flashing light'.

As of 1 January 2016, KBC Insurance uses the exemption to further increase the 'flashing light', after the formal approval of the National Bank of Belgium, under the condition that KBC Insurance respects the Solvency II rules without application of the so called transitional measures.

The technical provisions for class-23 (unit-linked) life products are determined by multiplying the number of units per fund by the price per unit of the fund in question.

The provision for claims outstanding is calculated per claim or per contract based on known elements in the file and is supplemented by the requisite fixed and statutory provisions such as those for internal claims-handling costs or for claims incurred but not (enough) reported (IBNR and IBNER).

All amounts in the equalization and catastrophe provision are allocated to offsetting non-recurring underwriting losses in the years ahead, equalizing fluctuations in the loss ratio and covering special risks.

The shares of reinsurers in the technical provisions (recorded under assets) are calculated or estimated based on the stipulations set out in reinsurance contracts, supplemented where necessary by the company's own judgements and experience. Write-downs may be applied in the event of actual or probable default on the part of the reinsurer.

5.Revaluations

Property and equipment, participating interests, shares and profit-share certificates recognized on the balance sheet under assets heading C ('investments') may be revalued if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

6.Other

If securities are sold, the carrying value of each one is determined on a case-by-case basis. All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate on the balance sheet date. The balance of the positive and negative differences arising from the translation of the technical provisions denominated in foreign currency are recognized as a 'change to the technical provisions' headings in the profit and loss account. The balances arising from the translation of the technical non-life reinsurance provisions denominated in foreign currency are included under the corresponding 'other technical charges' heading in the technical account for the non-life business.
The balance of the positive and negative differences arising from the translation of monetary items, other than the technical provisions, is taken to the profit and loss account as financial income or a financial expense. Differences are netted per currency
Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.. Expenses and income expressed in foreign currency are recognized in the profit and loss account at the spot rate prevailing when they are incurred (in some cases, at the spot rate at the end of the preceding month), or at a rate close to it.

B.Rules governing the validation of inventories concerning financial assets as stated under D of the assets.

1.Financial assets other than land and buildings

Investments under assets heading D are recognized in the balance sheet at their carrying value in accordance with the statutory provisions.

2.Land and buildings

3.Other

The technical provisions for class-23 (unit-linked) life insurance are computed by multiplying the number of units per fund by the price per unit of the fund in question.

Nr.21. Changes in valuation rules (art. 16) (art. 17).

A.Mentioning of the changes and their accountabilities.

B.Difference in estimation as a result of the changes (to mention the first time with the annual report of the year in which changes were performed).

Concerned items and sub items (*)	Amounts	Concerned items and sub items (*)	Amounts

(*) With mentioning of the figures and letters concerning the content of the concerned items and sub items of the balance sheet (for instance : C.III.2. Debt securities and other fixed-income securities).

Nr.22. Declaration on consolidated accounts.

A.To be completed by all companies.

- The institution has drawn up and has published, accordance with the Royal Decree on consolidated accounts of insurance and reinsurance undertakings, a consolidated annual report.

yes /~~no~~ (*) : Yes

- The institution does not draw up consolidated annual accounts nor a consolidated annual report because she is exempted due to following reasons (*) :

  * The institution does not, solely nor jointly, control one or more subsidiaries governed by Belgian or foreign law

~~yes~~ /no (*) : No

  * The institution is a subsidiary of a parent company that draws up and publishes consolidated accounts.

~~yes~~ /no (*) : No

. Justification of compliance with the conditions set out in Article 8 sections 2 and 3 of the Royal Decree of March 6th 1990:

. Name and full address of the registered office and, for institutions governed by Belgian law, the company number of the parent company publishing the consolidated accounts by virtue of which the exemption is granted.

* Delete where appropriate

Nr.22. Declaration on consolidated accounts (sequel and end).

B. To be completed by institutions which are jointly-held subsidiaries.

. Name and full address of the registered office and, for companies governed by Belgian law,

the company number of the parent company or companies preparing and publishing the consolidated accounts in which the accounts of the reporting institution are consolidated (**):

. If the parent company or companies are governed by foreign law, state the place where the above-mentioned consolidated accounts may be obtained (**) :

(**) If the accounts are consolidated at several levels, give details of the largest and smallest aggregate to which the reporting institution belongs as a subsidiary and for which consolidated accounts are prepared and published.

Nr. 23. Additional information required by Royal Decree of 17/11/94.

The company, where applicable, enumerate the additional information, as required :

- by articles :

  2bis. ; 4, 2nd paragraph ; 10, 2nd paragraph ; 11, 3th paragraph ; 19, 4th paragraph ; 22; 27bis, § 3, last paragraph ; 33, 2nd paragraph ;

  34sexies, § 1, 4° ; 39.

- in Chapter III, Section I. of the disclosure :

  for item of the assets C.II.1., C.II.3., C.III.7.c) and F.IV.

  and

  for item of the liabilities C.I.b) and C.IV.

  The company KBC Insurances is a member of a VAT group

  Exemption from the obligation to add to the additional provisions:

  In accordance with the Annual Accounts Article 34quinquies §4, KBC Insurance has submitted a request to the National Bank of Belgium for exemption from the obligation to add to the additional provisions.

  The regulatory capital requirements in application of the Law of 13 March 2016 on the status and supervision of KBC Insurance's insurance or reinsurance companies are sufficiently covered, without having to resort to the transitional measures of Articles 668 and 669 of the aforementioned law. After carrying out the stress tests requested by the National Bank of Belgium in accordance with Article 322 of the Law on the status and supervision of insurance or reinsurance companies regarding the exposure to the interest rate risk, KBC Insurance complies with the own funds requirements. On the basis of these elements, the National Bank of Belgium exempted KBC Insurance from the obligation to add to the additional provisions.

  The accumulated amount of the dotation to the additional provisions where the company is exempt from equals 250.458.024 euro at balance sheet date.

Nr. 24 Transactions entered into with related parties by the company, under conditions other than those of the market

The company discloses transactions which it has entered into with related parties, including the amount of such transactions, the nature of the related-party relationship and all other information about the transactions necessary for a better understanding of the financial position of the company, if such transactions are material and have not been concluded under normal market conditions.

The above information may be aggregated according to its nature except where separate information is necessary for a understanding of the effects of related-party transactions on the financial position of the company.

The above information does not have to be disclosed for transactions entered into between two or more members of a group provided that subsidiaries which are party to the transaction are wholly owned by such a member.

Related party' has the same meaning as in international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002.

Nr 25. Thematic population loans

Description		Codes	Current year	Previous year
1.	Funds raised under the law of XXX	8.25.001	0	0
2.	Use of the funds raised under the law of XXX	8.25.002	0	0
	- 2.a. Appropriate projects (art.9 of the law)	8.25.002.001	0	0
	- 2.b. Other investments	8.25.002.001	0	0

Nr.	0403552563		1

4. SOCIAL REPORT

Numbers of joint industrial committees which are competent for the enterprise

306	-----------	-----------	-----------

STATEMENT OF THE PERSONS EMPLOYED

EMPLOYEES FOR WHOM THE COMPANY HAS SUBMITTED A DIMONA DECLARATION OR ARE RECORDED IN THE GENERAL PERSONNEL REGISTER.

During the period	Codes	**Total**	**1. Men**	**2. Women**
Average number of employees				
Full-time	1001	632,00	346,00	286,00
Part-time	1002	524,00	94,00	430,00
Total of full-time equivalents (FTE)	1003	1.032,00	417,00	615,00
Number of hours-actually worked				
Full-time	1011	872.097,00	490.236,00	381.861,00
Part-time	1012	503.524,00	88.749,00	414.775,00
Total	1013	1.375.622,00	578.986,00	796.636,00
Personnel costs				
Full-time	1021	62.688.217,00	36.421.821,00	26.266.396,00
Part-time	1022	35.417.657,00	7.024.319,00	28.393.338,00
Total	1023	98.105.874,00	43.446.140,00	54.659.734,00
Advantages in addition to wages	1033	1.862.223,00	824.685,00	1.037.538,00

During the previous period	Codes	**P. Totaal**	**1P. Mannen**	**2P. Vrouwen**
Average number of employees	1003	1.071,00	425,00	646,00
Number of hours actually worked	1013	1.473.076,00	602.017,00	871.059,00
Personnel costs	1023	95.805.812,00	42.362.341,00	53.443.471,00
Advantages in addition to wages	1033	1.998.210,00	883.546,00	1.114.664,00

EMPLOYEES FOR WHOM THE COMPANY HAS SUBMITTED A DIMONA DECLARATION OR ARE RECORDED IN THE GENERAL PERSONNEL REGISTER (continuation)

At the closing data of the period	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees	105	652,00	510,00	1.041,00
By nature of the employment contract				
Contract for an indefinite period	110	643,00	510,00	1.032,00
Contract for a definite period	111	9,00	0,00	9,00
Contract for the execution of a specifically assigned work	112			
Replacement contract	113			
According to the gender and by level of education				
Male	120	353,00	94,00	424,00
primary education	1200			
secondary education	1201	26,00	13,00	35,00
higher education (non-university)	1202	183,00	61,00	230,00
university education	1203	144,00	20,00	159,00
Female	121	299,00	416,00	618,00
primary education	1210			
secondary education	1211	24,00	61,00	67,00
higher education (non-university)	1212	162,00	285,00	382,00
university education	1213	113,00	70,00	169,00
By professional category				
Management staff	130	9,00	0,00	9,00
Employees	134	643,00	510,00	1.032,00
Workers	132			
Other	133			

HIRED TEMPORARY STAFF AND PERSONNEL PLACED AT THE ENTERPRISE'S DISPOSAL

During the period	Codes	1. Temporary personnel	2. Persons placed at the disposal of the enterprise
Average number of employees	150	17	
Number of hours actually worked	151	32.863	
Charges of the enterprise	152	1.544.407	

TABEL OF PERSONNEL CHANGES DURING THE PERIOD

ENTRIES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
The number of employees for whom the company has submitted a DIMONA declaration or are recorded in the personnel register during the financial year in the general personnel register	205	86,00	23,00	104,00
By nature of the employment contract				
Contract for an indefinite period	210	77,00	23,00	95,00
Contract for a definite period	211	9,00	0,00	9,00
Contract for the execution of a specifically assigned work	212			
Replacement contract	213			

DEPARTURES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
The number of employees with a in the DIMONA declaration indicated or in the general personnel register listed data of termination of the contract during the financial year	305	59,00	63,00	105,00
By nature of the employment contract				
Contract for an indefinite period	310	56,00	63,00	102,00
Contract for a definite period	311	3,00	0,00	3,00
Contract for the execution of a specifically assigned work	312			
Replacement contract	313			
According to the reason for termination of the employment contract				
Retirement	340	9,00	26,00	26,00
Unemployment with company allowance	341			
Dismissal	342	1,00	6,00	6,00
Other reason	343	49,00	31,00	73,00
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	350			

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE PERIOD

	Codes	Male	Codes	Female
Total number of official advanced professional training projects at company's expense				
Number of participating employees	5801	401,00	5811	634,00
Number of training hours	5802	3.879,00	5812	4.711,00
Costs for the company	5803	438.751,00	5813	693.686,00
of which gross costs directly linked to the training	58031	401.361,00	58131	634.570,00
of which paid contributions and deposits in collective funds	58032	37.390,00	58132	59.116,00
of which received subsidies (to be deducted)	58033		58133	
Total number of less official and unofficial advance professional training projects at company expense				
Number of participating employees	5821	445,00	5831	696,00
Number of training hours	5822	5.755,00	5832	8.446,00
Costs for the company	5823	442.731,00	5833	692.452,00
Total number of initial professional training projects at company expense				
Number of participating employees	5841		5851	
Number of training hours	5842		5852	
Costs for the company	5843		5853	

Review of the company annual accounts of KBC Insurance NV at 31 December 2022

The company annual accounts have been prepared according to Belgian accounting standards (B-GAAP).

1. Balance sheet

KBC Insurance NV (x 1.000 EUR)	31/12/2022	31/12/2021	Difference	% difference
ASSETS	**32 005 348**	**33 811 128**	**-1 805 780**	**-5,3%**
Intangible assets	0	3 394	-3 394	-100,0%
Financial Assets	19 011 081	19 071 844	-60 763	-0,3%
Assets held for unit-linked funds	11 998 416	13 634 234	-1 635 817	-12,0%
Reinsurers' share in technical provisions	151 534	145 388	6 145	4,2%
Receivables	235 964	241 666	-5 702	-2,4%
Other assets	426 039	525 175	-99 136	-18,9%
Deferred charges and accrued income	182 315	189 427	-7 112	-3,8%
LIABILITIES	**32 005 348**	**33 811 128**	**-1 805 780**	**-5,3%**
Equity	1 368 155	1 368 498	-344	0,0%
Result for the period	0	0	0	-
Subordinated liabilities	500 000	500 000	0	-
Fund for future allocations	231 579	181 579	50 000	27,5%
Technical provisions	16 405 274	16 594 072	-188 798	-1,1%
Technical provisions for unit-linked funds	11 998 416	13 634 234	-1 635 817	-12,0%
Provisions other than technical provisions	5 127	7 316	-2 189	-29,9%
Deposits received from reinsurers	140 608	119 310	21 297	17,9%
Other liabilities	1 331 190	1 396 082	-64 892	-4,6%
Accrued charges and deferred income	24 999	10 037	14 962	149,1%

The balance sheet total decreased by -1 806 million euros, with the decrease in unit-linked investments (-1 636 million euros) and other asset items including current accounts (-99 million euros) being the main factors on the assets side. The main factor on the liabilities side was the decrease in technical provisions including for unit-linked investments (-1 825 million euros).

1.1 Assets

Intangible assets

(x 1.000 EUR)		31/12/2022	31/12/2021	Difference	% difference
212.2	**Other intangible assets**	**0**	**3 394**	**-3 394**	**-100,0%**
	Intangible assets - acquisition value	9 041	9 041	0	0,0%
	Intangible assets - depreciation	-4 885	-3 519	-1 366	38,8%
	Intangible assets - impairments	-4 156	-2 128	-2 028	95,3%

The above-mentioned items related to the capitalised Newgrange project (i.e. Irish insurance business). In 2021 the decision was made to terminate this business, and the recording of depreciation and impairments was accelerated. The remaining amounts were fully derecognised in 2022.

Investments

(x 1.000 EUR)		31/12/2022	31/12/2021	Difference	% difference	
22-23	**Investments**	**31 009 497**	**32 706 078**	**-1 696 581**	**-5,2%**	
222	Investments in affiliated companies and participating interests	1 136 798	891 813	244 985	27,5%	(1)
223.1	Shares	966 278	760 566	205 712	27,0%	(2)
223.2	Bonds and other fixed-income securities	14 476 205	14 805 465	-329 260	-2,2%	(3)
223.21	*- Bonds and other long-term investments*	14 476 205	14 792 465	-316 260	-2,1%	
223.22	*- Commercial paper*	0	13 000	-13 000	-100,0%	
23	Unit-linked	11 998 416	13 634 234	-1 635 817	-12,0%	(4)
223.4	Mortgage loans	908 747	970 797	-62 050	-6,4%	(5)
223.61	Deposits at credit institutions > 1 year (L&R deposits)	305 000	397 000	-92 000	-23,2%	(6)
223.62	Deposits at credit institutions < 1 year	0	0	0	0,0%	
221	Real estate	121 829	127 787	-5 958	-4,7%	(7)
223.52-53	Other loans	910 765	950 289	-39 523	-4,2%	(8)
223-224	Other loans	185 458	168 128	17 330	10,3%	(9)

(1) 'Investments in affiliated companies and participating interests' increased by +245 million euros, relating mainly to:

- the full reversal of impairment charges for DZI Life insurance JSC (+203 million euros);
- the purchase of the company Renaissance magister invest (+52 million euros);
- the capital reduction at and sale of KBC Verzekeringen Vastgoed Nederland I BV (total impact of -45 million euros);
- the capital increase at K&H Biztosito zrt (+32 million euros);
- the capital increase at IMEC.XPAND CVA (+2 million euros);
- the first capital contribution to IMEC.XPANDII Com. NV (+0.5 million euros).

(2) 'Shares' were up +206 million euros (or +27%) from year-end 2021, primarily on account of the pursuit of an IFRS target volume of 1 billion euros, which is a reason to make additional purchases in times of an unfavourable stock market climate, as was the case in 2022.

(3) 'Bonds and other fixed-income securities' decreased by -329 million euros from year-end 2021.

(x 1.000 EUR)	Bonds	Commercial paper	Real estates certificates
Bonds (including real estate certificates)	**-316 184**	**-13 000**	**-76**
Expired, called and sold	-1 683 414	-12 998	0
Newly purchased	1 377 562	0	0
Evolution pari	-1 640	-2	0
Repayments	-7 420	0	-1 665
Impairments (-) / Reversal (+)	0	0	1 589
Exchange rate differences	-1 273	0	0

Bonds with a nominal value of 582 million euros were sold in 2022:

- KBC IFIMA, a bond with a nominal value of 250 million euros, sold to KBC Bank (realised result of +1.2 million euros);
- Raiffeisenbank Bulgaria, a bond with a nominal value of 120 million euro;
- two low-yielding government bonds with a total nominal value of 130 million euros (realised loss of -23 million euros);

- four corporate bonds with a total nominal value of 69.5 million euros on the KBC Blacklist (realised loss of -3 million euros);
- a few bonds after a partial early repayment by the debtor according to contract (realised loss of -0.4 million euros).

(4) For unit-linked investments, see the liabilities side.

(5) 'Mortgage loans' fell by -62 million euros. In 2020, the coronavirus pandemic and an updated treasury policy prompted a decision to stop transferring mortgage loans between KBC Insurance and KBC Bank. The policy was adjusted in 2022, leading to a decision to temporarily resume these internal transfers. As the transferred loans with a value of +50 million euros do not offset the full phase-out, we still see a decline.

(6) 'Deposits at more than one year' fell by -92 million euros, -82 million euros of which resulted from the early discontinuation of several deposits (albeit just before their maturity date in May 2022) that were not renewed and -10 million euros of which concerned deposits that matured in October 2022.

(7) 'Real estate' fell by -6 million euros, with the largest movement relating to the depreciation recognised in the amount of -7 million euros.

(8) The 'Other loans' item (secured and unsecured loans) fell by -40 million euros. As no new loans were permitted, the decrease ensued from loans being paid off according to contract.

(9) Other investments rose by +17 million euros, largely as a result of the increase in advances on life insurance contracts (+21 million euros).

Other asset items

'Reinsurers' share in technical provisions' rose by +6 million euros.

(x 1.000 EUR)		31/12/2022	31/12/2021	Difference	% difference	
24	**Reinsurers' share in technical provisions**	**151 534**	**145 388**	**6 146**	**4,2%**	
243	Provisions for claims outstanding	135 570	133 206	2 364	1,8%	(1)
241	Provisions for unearned premiums and provision for unexpired risk	3 126	2 599	527	20,3%	(2)
242	Life assurance provisions	12 691	9 520	3 171	33,3%	(3)
245	Other technical provisions	147	63	84	133,3%	

This is the reinsurers' share in technical provisions (including claims incurred in the non-life and life business, the premium reserve, etc.).

(1) It includes the amounts still to be recovered: the difference between the claims provisions associated with claims made in the primary business and hedged by reinsurance business (including IBNR) and amounts already recovered and received from the reinsurer (amounts received for claims incurred result in a lower reserve).
(2) Premium reserve: i.e. the proportionate allocation to the reinsurer of insurance premiums paid.
(3) The movement in the 'Life insurance provision' mainly relates to the reserves in the 'De Hoop', 'Long term Care' (healthcare class), KB69 and guaranteed income contracts.

'Amounts receivable' fell by -6 million euros, owing to a decrease in debtors arising out of reinsurance operations (-4 million euros) and other receivables (-11 million euros), partly offset by an increase in debtors arising out of direct insurance operations (+9 million euros).

'Other asset items' went down by -99 million euros to 426 million euros (a snapshot and this item is very volatile).

The outstanding balance of deferred charges and accrued income (180 million euros) consisted chiefly of accrued interest income from bonds, term investments, secured and unsecured loans, mortgage loans, swaps and repo transactions.

1.2 Liabilities

Equity

(x 1.000 EUR)		31/12/2022	31/12/2021	Difference	% difference
11	**Equity**	**1 368 154**	**1 368 498**	**-344**	**0,0%**
111	Issued capital	65 156	65 156	0	0,0%
112	Share premium	1 085 606	1 085 606	0	0,0%
114	Reserves	217 352	217 719	-367	-0,2%
115	Profit (loss) carried forward	40	17	23	135,3%

Subordinated liabilities

Under the capital optimisation exercise, a non-convertible subordinated loan of 500 million euros was taken out with KBC Group in March 2015.

Fund for future appropriation

(x 1.000 EUR)		31/12/2022	31/12/2021	Difference	% difference
13	**Fund for future appropriation**	**231 579**	**181 579**	**50 000**	**27,5%**

At year-end 2022, +50 million euros had been allocated to the fund, bringing the balance sheet total to 232 million euros.

Technical provisions

(x 1.000 EUR)		31/12/2022	31/12/2021	Difference	% difference	
	Total technical provisions (incl. unit-linked insurance)	**28 403 690**	**30 228 306**	**-1 824 616**	**-6,0%**	
15	**Unit-linked insurance**	**11 998 416**	**13 634 234**	**-1 635 818**	**-12,0%**	(7)
	Total technical provisions (excl. unit-linked insurance)	**16 405 274**	**16 594 072**	**-188 798**	**-1,1%**	
141	Provisions for unearned premiums and provision for unexpired risk	277 563	264 119	13 444	5,1%	(1)
142	Life assurance provision	12 891 135	13 243 775	-352 640	-2,7%	(2)
143	Provision for claims outstanding	2 589 759	2 478 284	111 475	4,5%	(3)
144	Provision for profit sharing and rebates	38 528	31 477	7 051	22,4%	(4)
145	Provision for equalization and catastrophe risks	348 865	324 969	23 896	7,4%	(5)
146	Other technical provisions	259 424	251 449	7 975	3,2%	(6)
	- Indexation reserve	*36 517*	*33 936*	*2 581*	*7,6%*	
	- Ageing reserve	*163 739*	*158 128*	*5 611*	*3,5%*	
	- Pension for white-collar workers (KB69)	*1 098*	*1 314*	*-216*	*-16,4%*	
	- Premium deficiency reserve	*58 070*	*58 070*	*0*	*0,0%*	

(1) The ‘Provision for unearned premiums and unexpired risk’ was up +13 million euros on its year-earlier level, which related to the premium reserve and commission reserve for the non-life insurance business. The provision for unearned premiums rose by +19 million euros; the commission reserve was up -4 million euros (the commission reserve is deducted from the provision). The gross written premium was higher in January (contracts taking effect on 1 January and with one-off premium payment), which also resulted in a high recognised premium reserve. The premium reserve gradually declined in the subsequent months. Furthermore, a commission reserve was only recorded at year-end for commission

allocated in advance for tax purposes. This commission reserve amounted to -9 million euros at year-end 2021, as opposed to -10 million euros at year-end 2022, i.e. an increase of -1 million euros.

(2) Life provisions:
The 'Life insurance provision' was down -353 million euros on its year-earlier level, owing primarily to the 'modern portfolio' having a net outflow of -508 million euros due to internal transfers to unit-linked products and benefits paid, surrendered contracts, death benefits and matured contracts. The drop was cushioned by +172 million euros for 'uprenting' costs and +15 million euros for profit-sharing. The 'classic portfolio' declined by -45 million euros.

(3) The 'Provision for claims outstanding' – which relates to both the non-life and the life insurance business – increased by +111 million euros in 2022, of which +118 million euros related to the non-life insurance business and -7 million euros (a decrease in the provision) to the life insurance business.

(4) The 'Provision for profit sharing and rebates' was up +7 million euros on its year-earlier figure.
Profit allocation of -16 million euros was recorded (interest under profit-sharing) and -1 million euros (death benefits under profit-sharing), as was a transfer for 2022 of +24 million euros (interest) and +1 million euros (death benefits). The experience rating provision dropped by -1 million euros.

(5) The 'Provision for equalisation and catastrophe risks' was up +24 million euros on its year-earlier level, mainly on account of a net transfer to the provision under the 'Flood' (+25 million euros), 'Civil liability' (+3 million euros) and 'Attacks' (+1 million euros) classes, partly offset by a net transfer from it under the 'Storm' (-3 million euros), 'Harvest' (-1 million euros) and 'Acceptance' (-1 million euros) classes.

(6) Other technical provisions
The +8-million-euro increase related primarily to the growth of the ageing reserve (+6 million euros) and the indexation provision (+2 million euros).

(7) The provisions for unit-linked life insurance (individual and group) were down -1 636 million euros on the year-earlier figure. This was accounted for by the negative trend in share prices of -1 893 million euros (-1 870 million euros for individual and -23 million euros for group) and a net increase (+257 million euros) in purchases (premiums, internal transfers) relative to sales (payments) (+251 million euros for individual and +5 million euros for group).

Other liability items

The 'Provision for other liabilities and charges' was down -2 million euros on account of lower provisions for pensions and similar obligations (-1 million euros) and a lower provision for interest and fines (-1 million euros) due to a dispute with the National Institute for Health and Disability Insurance (NIHDI) regarding the application of a 3.55% contribution to the NIHDI to be deducted from policies under the Voluntary Supplementary Pension Scheme for the Self-Employed.

'Amounts payable' fell by -65 million euros, due mainly to a drop in unit-linked amounts payable (-49 million euros), a decrease in amounts payable for reinsurance operations (-7 million euros), an increase in amounts payable to credit institutions (+200 million euros) and a decrease in other liabilities (-223 million euros). The increase in amounts payable to credit institutions is attributable to an increase in the repo position entered into with KBC Bank (+286 million euros), settlement of an amount payable for an outstanding cash exchange with KBC Bank (-100 million euros) and the increase in cash collateral received from KBC Bank (+14 million euros). 'Other liabilities' dropped on account of dividend to be paid, which was substantially lower in 2022 (308 million euros) than in 2021 (525 million euros).

1. Income statement

Profit and loss reporting 31/12/2022				
(x 1.000 EUR)	**31/12/2022**	**31/12/2021**	**Difference**	**% difference**
Non life				
Net earned premiums	1 243 441	1 182 153	61 288	5,2%
Net claims	-776 502	-686 357	-90 146	13,1%
Net technical result	466 938	495 796	-28 858	-5,8%
Investment income & expense	106 174	79 362	26 812	33,8%
Net operating expenses	-378 119	-353 934	-24 185	6,8%
Result of the technical account Non-Life	**194 993**	**221 224**	**-26 231**	**-11,9%**
Net loss ratio non-life	60,7%	60,2%		
Net cost ratio non-life	30,1%	29,9%		
Combined ratio non-life	90,8%	90,1%		
Life				
Class 21 and 26				
Net earned premiums	842 360	874 567	-32 207	-3,7%
Net claims	-929 927	-971 046	41 119	-4,2%
Net technical result	-87 567	-96 479	8 912	-9,2%
Investment income & expense	394 174	355 082	39 092	11,0%
Net operating expenses	-103 890	-105 126	1 236	-1,2%
Fund for future appropriations	-50 000	-24 000	-26 000	108,3%
Result class 21 and 26	152 717	129 476	23 241	17,9%
Class 23 : net result	41 139	39 978	1 161	2,9%
Result of the technical account Life	**193 856**	**169 454**	**24 402**	**14,4%**
Non - technical				
Net investment income	358 242	99 501	258 740	260,0%
Other income and expenses	-10 306	-6 874	-3 432	-49,9%
Extraordinary result	0	0	0,00	-
Result non-technical	**347 936**	**92 627**	**255 309**	**275,6%**
Result before taxes	**736 785**	**483 305**	**253 480**	**52,4%**
Taxes	-75 469	-75 977	508	-0,7%
Movement of tax free reserves	367	367	0	0,0%
Result for the period available for appropriation	**661 682**	**407 695**	**253 988**	**62,3%**

Total				
Net earned premiums	2 085 801	2 056 720	29 081	1,4%
Net technical charges	-1 706 429	-1 657 403	-49 027	3,0%
Net technical result	379 371	399 317	-19 946	-5,0%
Class 23 : net result	41 139	39 978	1 161	2,9%
Net investment income	858 589	533 944	324 645	60,8%
Other income and expenses	-10 306	-6 874	-3 432	49,9%
Net operating expenses	-482 009	-459 060	-22 949	5,0%
Fund for future appropriations	-50 000	-24 000	-26 000	108,3%
Extraordinary result	0	0	0,00	-
Taxes and movement of tax free reserves	-75 102	-75 610	508	-0,7%
Result for the period available for appropriation	**661 682**	**407 695**	**253 988**	**62,3%**

The result for the financial year was +254 million euros higher than a year earlier (662 million euros compared with 408 million euros at year-end 2021). This increase was accounted for by a decrease in the result for the non-life business (-26 million euros), an increase in the result for the life business, including unit-linked products (+24 million euros), an increase in the non-technical result (+255 million euros) and an increase in taxes (+1 million euros).

Non-life insurance

Net earned premiums in the non-life business were up +61 million euros on their level at year-end 2021. Gross earned premiums rose by +65 million euros, mainly due to a +29-million-euro increase in the 'Fire' class attributable to a premium increase that primarily resulted from the higher ABEX index. 'Motorcycle' increased by +12 million euros, 'Industrial accidents' increased by +5 million euros and other insurance, including travel insurance, increased by +13 million euros.
Ceded premiums were -4 million higher than last year, mostly on account of premium increases in existing reinsurance contracts.

Net claims incurred in the non-life business were -90 million euros higher than their level at year-end 2021.

- Standard claims were -71 million euros higher than last year. Higher claims were seen in all classes, except 'Industrial accidents'. The following classes had the largest impact:
  'Motorcycle' (-31 million euros): primarily due to higher charges for the current year (-36 million euros), but at the same level as in 2019 (before the coronavirus pandemic);
  'Fire' (-17 million euros): mainly on account of higher prior-year charges in 2022;
  Other (miscellaneous + assistance) (-22 million euros): higher charges for the current year (-17 million euros) as a result of severe summer drought and a recovering travel industry and prior years (-5 million euros);
  'Industrial accidents': +6 million euros.
- Very low number of large claims in 2022 (+60 million euros). The main movements were found in:
  'Motorcycle' (+13 million euros): the year 2022 saw 17 files with claims provisions dropping by a total amount of +36 million euros, whereas the year 2021 saw 40 files with declining claims provisions, but this involved a 'limited' amount of +25 million euros;
  'Civil liability' (+57 million euros): in 2022, 9 large files had a total impact of -13 million euros, whereas in 2021, 16 large files had a total impact of -39 million euros. Moreover, reversals in 2022 were +24 million euros higher than in 2021;
  'Industrial accidents' (-10 million euros): in 2022, reversals in 8 files had a total impact of +4 million euros, whereas in 2021, 20 files had a total impact of +11 million euros. Furthermore, the number of claims > -1 million euros was at the same level, but the increase in claims provisions was -4 million euros higher in 2022.
  Please note that both 2021 and 2022 were impacted by several large claims in the 'Fire' class.
- 'Storm', including IBNR (+28 million euros): both 2022 and 2021 were impacted by a single major weather event. In 2022, storm Eunice (February) accounted for -88 million euros in gross claims (excluding gross reinsurance business received); in 2021, the flood in mid-July accounted for -111 million euros in gross claims.
- Recourse (-5 million euros): in 2022, the transfer of roughly 170 claims from the 'certain' status to the correct 'uncertain' status had an impact as the recourse reserves declined.
- A major update of current reserves due to the high inflation had an impact of -47 million euros.
- Negative impact from the settlement of Maatschappij voor Brand Herverzekering including the impact of storm Eunice (-6 million euros).
- Lower provision for internal claims settlement costs (+4 million euros).
- IBNR TRIP fell by -4 million euros in the wake of the terrorist attack at Zaventem – Brussels Airport. Insurer Amlin exceeded the limits and was supported at its request.
- IBNR increase as a result of a growing portfolio (-3 million euros).
- An +8-million-euro increase as an IBNR was recognised in 2021 that was linked to a new interpretative act governing material damage resulting from subsidence (still outstanding).
- Reclaimed technical charges were up +4 million euros on 2021.

- Other items (-58 million euros): equalisation provision (-49 million euros), provision for internal close-out costs (-6 million euros), for indexation costs (-2 million euros) and for technological damage (-1 million euros).

'Net operating expenses' rose by -24 million euros, owing to a higher net amount in fees paid (-14 million euros), mainly linked to a higher level of premium income, higher administrative expenses (-7 million euros) and higher acquisition costs (-3 million euros).

Life insurance – guaranteed-interest (class 21) and capitalisation (class 26) products

Net earned premiums in the life business fell by -32 million euros.
The main movements were an increase in capitalisation products (+6 million euros) as these products were reopened, a decrease within regular life products (-39 million euros), higher premium income for guaranteed income (+4 million) and an increase in ceded reinsurance premiums (-3 million euros). The drop in regular life products was primarily attributable to lower contributions to the Individual Pension Scheme (-26 million euros) as a result of new tax legislation and a decrease in Life plan premiums (-20 million euros). We recorded a +9-million-euro increase for the Voluntary Supplementary Pension Scheme for the Self-Employed, whereas conventional group policies were down -3 million euros.

Net technical charges fell by +41 million euros, chiefly attributable to lower 'uprenting' costs (+15 million euros), the slightly higher level of technical charges for supplementary cover (-6 million euros), an increase in interest and death benefits under profit-sharing (-6 million euros), higher technical charges recovered from the reinsurer (+1 million euros) and a lower level of actuarial reserves (due to the decline in earned premiums).

Net operating expenses fell by +1 million euros, owing to higher acquisition costs (-2 million euros) and higher administrative expenses (-2 million euros), which were fully offset by higher profit-sharing related to reinsurance contracts (+5 million euros).

Unit-linked life insurance products (class 23)

The result for unit-linked products was up +1 million euros, primarily on account of lower administrative expenses in the Irish business (+3 million euros). Lower entry fees (-1 million euros), lower net management fees received (-2 million euros) and lower operating expenses (+1 million euros) put pressure on this result.

Investment income and charges

At 848 million euros, net investment income (excluding unit-linked products) was up +321 million euros on its 2021 level. The main movements were:

- more interest being paid on bonds (+10 million euros), mainly due to higher income from inflation-linked bonds (delta of approximately +30 million euros) as a result of rising inflation indices. The result from inflation-linked bonds was partly offset by significantly lower average returns on the rest of the portfolio due to a low interest-rate climate (delta of approximately -20 million euros);
- less interest being generated by mortgage loans (-2 million euros) owing to the run-down of the portfolio;
- less interest being paid on term loans and deposits (-4 million euros);
- interest paid on the purchase/repurchase of securities (-2 million euros);
- interest paid on subordinated loans (-2 million euros);

- an increase in internal dividend income (+64 million euros);

x 1.000.000 EUR	2022	2021	
KBC Group RE SA	33	29	
ADD	4	4	
Double U Building	1	0	
KBC V Vastgoed NL	5	0	
K&H	16	25	
CSOB SK	8	11	
CSOB CZ	58	0	
DZI	6	0	
Groep VAB NV	2	0	
	133	69	64

- an increase in external dividend income (+1 million euros);
- an increase in dividend from real estate certificates (+7 million euros), mainly as a result of ACPII's final liquidation dividend;
- impairment charges and reversal of impairment charges on bonds measured at FVPL (-11 million euros), almost fully related to the sale of the Awsa bond position in 2021. As the sale price exceeded the B-GAAP carrying value, in 2021 a partial reversal of the B-GAAP impairment was recorded in the amount of +11 million euros;
- a net realised gain on shares (+78 million euros);
- impairment (provisioning and reversals) on shares (-69 million euros);
- a reversal of the DZI impairment (+203 million euros) after repeatedly higher valuations in the impairment models, reinforced by further acquisitions in Bulgaria (Raiffeisenbank in particular);
- a net realised result on FVOCI bonds (-6 million euros);
- divestments (+71 million euros) resulting from the sale of subsidiary KBC Verzekeringen Vastgoed Nederland;
- a net realised loss on the sale of long-term low-yielding bonds (-23 million euros). In the future, this one-off loss will be more than offset by higher interest on the reinvestments;
- impairment charges for ADD in 2021 (+6 million euros).

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF KBC VERZEKERINGEN NV ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of KBC Verzekeringen NV (the "Company"). This report includes our report on the annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 27 April 2022, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the Company's annual accounts for seven consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the Company's annual accounts, which comprise the balance sheet as at 31 December 2022, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR32.005.347.852 and a profit and loss account showing a profit for the year of EUR 661.315.507.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2022, and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory Auditor's responsibilities for the audit of the annual accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the annual accounts of the current period. This matter was addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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Estimation uncertainty with respect to technical insurance provisions

Description of the Key Audit Matter

At year-end 31 December 2022 the technical insurance provisions (before reinsurance) amount to EUR 16.405 million. For detailed information regarding the valuation of the technical insurance provisions, please refer to Note 20 to the annual accounts (point 4 "technical provisions").

A liability adequacy test is performed by the Company in order to confirm that the level of technical insurance provisions is sufficient to cover the estimated future cashflows of the insurance contracts. The calculation of the cashflows arising from insurance contracts is complex, highly judgmental and is based on assumptions which are affected by future economic and political conditions and government regulations. The assumptions used for the projections of the said cash flows in the life insurance business relate, mainly, to mortality, longevity, lapse and expense. The assumptions used for the non-life insurance liability adequacy test mainly relate to the amount of the claim, the number of incurred but not yet reported claims and general expenses.

How our Audit addressed the Key Audit Matter

We used our internal actuarial experts to assist us in performing our audit procedures. We performed procedures on the design and operating effectiveness of the Company's controls to ascertain that the data used in the valuation of the technical provisions arising from insurance contracts are adequate and complete. These procedures include data analysis based on business rules and follow-up procedures on exceptions.

We performed testing of the Company's procedures to determine the aforementioned assumptions, testing of the assumptions based on market observable data and actuarial analysis through backtesting of the assumptions used.

For the non-life insurance business, we have independently recalculated the level of adequacy of the claims reserves based on recognized actuarial techniques. We then compared our results with the results of the Company and obtained the necessary underlying documentation to justify material differences observed, if any.

For the life insurance business, we reviewed the analysis prepared by management of the movements of technical provisions for life insurance and, if necessary, examined the elements of the reconciliation. On a sample basis, we have also verified the accuracy of the (incoming and outgoing) cash flows used in the liability adequacy test.

We discussed the outcome of the actuarial analysis with the actuarial function holder of the Company. Our procedures have allowed us to assess the valuation and the setting of the technical insurance provisions.

Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the annual accounts in Belgium. A statutory audit does not provide any assurance as to the Company's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report, of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' and Associations' Code and the Company's articles of association.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report. certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and of certain requirements of the Companies' and Associations' Code, and to report on these matters.

Aspects related to the directors' report

In our opinion, after having performed specific procedures in relation to the directors' report, the directors' report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 3:5 and 3:6 of the Companies' and Associations' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Regarding non-financial information, as mentioned in the directors' report, the information is provided at the level of the highest Belgian consolidating entity, KBC Group NV, in the directors' report on the consolidated accounts.

Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 3:12, §1, 8° of the Companies' and Associations' Code, includes, both in terms of form and content, the information required under this Code, including, but not limited to, in relation to salaries and education, and does not present any material inconsistencies with the information we have at our disposition in our engagement.

Statements related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the annual accounts and our registered audit firm remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the annual accounts.

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Other statements

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' and Associations' Code that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.
- We have evaluated the property effects resulting from the decision of the board of directors dated 17 March 2022 as described in section "Conflict of interest that fell within the scope of article 7:115, 7:116 or 7:117 of the CAC" of the directors' report and we have no remarks to make in this respect.
- By virtue of article 7:213, during the year an interim dividend has been distributed in relation to which we have prepared the attached report, in accordance with the legal requirements.

Diegem, 31 March 2023

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave Accredited auditor	Kurt Cappoen Accredited auditor

Appendix: Statutory auditor's report on 7 November 2022 to the board of directors of KBC Verzekeringen NV on the statement of assets and liabilities in connection with the distribution of an interim dividend

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KBC VERZEKERINGEN NV

Statutory auditor's review report on the statement of assets and liabilities in connection with the distribution of an interim dividend (art. 7:213 CAC)

7 November 2022

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To the attention of the Board of Directors of KBC Verzekeringen NV

STATUTORY AUDITOR'S REVIEW REPORT OF KBC VERZEKERINGEN NV ON THE STATEMENT OF ASSETS AND LIABILITIES IN CONNECTION WITH THE DISTRIBUTION OF AN INTERIM DIVIDEND (art. 7:213 CAC)

In our capacity of statutory auditor, we issue our review report on the statement of assets and liabilities as of 30 September 2022 to the Board of Directors of KBC Verzekeringen NV (hereafter "Company"), in accordance with article 7:213 of the Companies' and Associations' Code (hereafter "CAC") and the Company's articles of association.

We have performed the review of the accompanying statement of assets and liabilities of the Company as of 30 September 2022 prepared in accordance with the financial reporting framework applicable in Belgium.

Responsibility of the board of directors for the preparation of the statement of assets and liabilities

The board of directors is responsible for the preparation of this statement of assets and liabilities of the Company as of 30 September 2022 in accordance with the financial reporting framework applicable in Belgium and with the principles of article 3:1, §1, 1° CAC, and for the compliance with the requirements of article 7:213, 2° of the Companies' and Associations' Code.

Responsibility of the statutory auditor

We are responsible for formulating a conclusion on the statement of assets and liabilities based on our review. We conducted our review in accordance with ISRE 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". Such review of the Statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, a review does not enable us to obtain assurance that we would become aware of all material matters that might be identified in an audit.

As a result, we do not express an audit opinion on this statement of assets and liabilities.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Company's accompanying statement of assets and liabilities as of 30 September 2022, showing a balance sheet total of EUR 31.824.937.960 and a result of the current period of 9 months of EUR 417.823.148, has not been prepared, in all material respects, in accordance with the financial reporting framework applicable in Belgium.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
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Limitation of use of our report

This report is prepared solely to address the requirements of article 7:213 CAC, and may not be used for any other purpose.

Diegem, 7 November 2022

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Kurt Cappoen Bedrijfsrevisor	Damien Walgrave Bedrijfsrevisor

Appendix: Statement of assets and liabilities as of 30 September 2022

KBC Verzekeringen NV

Statement of assets and liabilities as at 30-09-2022

*Amounts in units

Assets			Code	09-2022
A.		-		0,00
B.		Intangible assets (annex no. 1)	21	0,00
	I.	Formation expenses	211	0,00
	II.	Intangible assets	212	0,00
	1.	**Goodwill**	**212.1**	**0,00**
	2.	**Other intangible assets**	**212.2**	**0,00**
	3.	**Prepayments**	**212.3**	**0,00**
C.		Financial Assets (annex no. 1, 2 and 3)	22	18.720.533.672,84
	I.	Land and buildings (annex no. 1)	221	122.978.398,62
	1.	**Property of own use**	**221.1**	**0,00**
	2.	**Other**	**221.2**	**122.978.398,62**
	II.	Investments in affiliated undertakings and participations (annex no. 1, 2 and 18)	222	880.432.713,51
	-	**Affiliated undertakings**	**222.1**	**866.231.639,27**
	1.	Shares	222.11	866.231.639,27
	2.	Debt securities, loans	222.12	0,00
	-	**Other companies linked by participating interests**	**222.2**	**14.201.074,24**
	3.	Shares	222.21	14.201.074,24
	4.	Debt securities, loans	222.22	0,00
	III.	Other financial assets	223	17.716.554.580,80
	1.	**Shares, participating interests and other variable-yield securities (annex no 1)**	**223.1**	**912.556.564,85**
	2.	**Debt securities and other fixed-income securities (annex no.1)**	**223.2**	**14.453.043.123,69**
	3.	**Participation in investment pools**	**223.3**	**15.278.463,27**
	4.	**Loans guaranteed by mortages**	**223.4**	**935.520.505,72**
	5.	**Other loans**	**223.5**	**1.084.487.178,88**
	6.	**Term deposits with credit institutions**	**223.6**	**315.000.000,00**
	7.	**Other investments**	**223.7**	**668.744,39**
	IV.	Deposits with ceding undertakings	224	567.979,91
D.		Assets held for unit-linked funds	23	11.979.818.086,76

Liabilities			Code	09-2022
A.		Equity (annex no 5)	11	1.368.223.255,76
	I.	Subscribed capital or equivalent fund under deduction of the non-uncalled capital	111	65.156.172,00
	1.	**Subscribed capital**	**111.1**	**65.156.172,00**
	2.	**Uncalled capital (-)**	**111.2**	**0,00**
	II.	Share premium	112	1.085.606.052,77
	III.	Revaluation reserves	113	0,00
	IV.	Reserves	114	217.443.945,37
	1.	**Legal reserves**	**114.1**	**6.515.617,20**
	2.	**Reserves not available for distribution**	**114.2**	**203.833.638,27**
	a)	own shares	114.21	203.184.639,56
	b)	other	114.22	648.998,71
	3.	**Untaxed reserves**	**114.3**	**7.094.689,90**
	4.	**Reserves available for distribution**	**114.4**	**0,00**
	V.	Result brought forward	115	17.085,62
	1.	**Profit from previous years**	**115.1**	**17.085,62**
	2.	**Loss from previous years**	**115.2**	**0,00**
	VI.	-	.	0,00
A'		Profit of the year		417.823.147,51
B.		Subordinated liabilities (annex no. 7 and 18)	12	500.000.000,00
Bbis.		Fund for future allocations	13	181.578.707,87
C.		Technical provisions (annex no. 7)	14	16.392.308.988,56
	I.	Provision for unearned premiums and provision for unexpired risk	141	324.276.435,80
	II.	Life assurance provision	142	12.893.130.634,90
	III.	Provision for claims outstanding	143	2.559.736.960,18
	IV.	Provision for bonuses and rebates	144	29.683.739,00
	V.	Equalisation and catastrophe provision	145	329.724.080,33
	VI.	Other technical provisions	146	255.757.138,35
D.		Technical provisions for unit-linked funds (annex no. 7)	15	11.979.818.086,76

Assets		Code	09-2022
Dbis.	Reinsurers' share in technical provisions	24	176.267.007,13
I.	Provision for unearned premiums and provisions for unexpired risk	241	4.517.647,65
II.	Life assurance provision	242	12.423.224,45
III.	Provision for claims outstanding	243	159.179.602,67
IV.	Provision for bonusses and rebates	244	0,00
V.	Other technical provisions	245	146.532,36
VI.	Technical provisions for unit-linked funds	246	0,00
E.	Receivables (annex no. 18 and 19)	41	264.924.202,12
I.	Direct insurance receivables	411	107.559.560,96
1.	**Receivables from policyholders**	**411.1**	**29.788.031,03**
2.	**Receivables from insurance intermediaries**	**411.2**	**20.963.707,30**
3.	**Other**	**411.3**	**56.807.822,63**
II.	Reinsurance receivables	412	93.473.495,44
III.	Other receivables	413	63.891.145,72
IV.	Called capital as yet unpaid	414	0,00
F.	Other assets	25	515.798.244,69
I.	Tangible assets	251	270.943,92
II.	Cash	252	312.342.661,21
III.	Own shares	253	203.184.639,56
IV.	Other	254	0,00
G.	Deferred charges and accrued income (annex no 4)	431/433	167.596.746,80
I.	Accrued interest and rent	431	165.726.729,01
II.	Activated acquisition costs	432	0,00
1.	**Insurance transactions non-life**	**432.1**	**0,00**
2.	**Insurance transactions life**	**432.2**	**0,00**
III.	Other	433	1.870.017,79
G'	-		0,00
Total		**21/43**	**31.824.937.960,34**

Liabilities		Code	09-2022
E.	Provisions other than technical provisions	16	5.703.838,69
I.	Provisions for pensions and other obligatory similar obligations	161	2.410.524,60
II.	Provisions for deferred income tax	162	2.365.011,09
III.	Other provisions (annex no 6)	163	928.303,00
F.	Deposits received from reinsurers	17	134.552.667,43
G.	Liabilities (annex no. 7 and 18)	42	817.030.778,60
I.	Amounts payable regarding direct insurance operations	421	243.078.488,32
II.	Amounts payable regarding reinsurance operations	422	24.227.254,49
III.	Non subordinated bonds	423	0,00
1.	**Convertible bonds**	**423.1**	**0,00**
2.	**Non convertible bonds**	**423.2**	**0,00**
IV.	Amounts owed to credit institutions	424	465.533.342,24
V.	Other liabilities	425	84.191.693,55
1.	**Liabilities regarding taxes, wages and social security charges**	**425.1**	**40.291.254,75**
a)	taxes	425.11	17.832.874,91
b)	wages and social security charges	425.12	22.458.379,84
2.	**Other**	**425.2**	**43.900.438,80**
H.	Accrued charges and deferred income (annex no 8)	434/436	27.898.489,16
H'	-		0,00
Total		**11/43**	**31.824.937.960,34**

Commitments and contingencies

	Codes	Bedragen
A. Security given by third parties or irrevocably promised for account of the company:	8.17.00	
B. Personal security given by the company or irrevocably promised for account of third parties:	8.17.01	230.597.929
C. Collateral security on own equity given by the company or irrevocably promised as security of the rights and obligations:		
a) of the company:	8.17.020	2.629.646.369
b) of third parties:	8.17.021	
D. Collateral received (other than cash):		
a) participations and values of reinsurers (CFR. Chapter III, Description and enclosure : assets C.III.1 and 2 and liabilities F:	8.17.030	
b) other:	8.17.031	4.028.626.091
E. Term transactions:		
a)Transactions on participations (purchases):	8.17.040	
b)Transactions on participations (sales):	8.17.041	
c)Transactions on foreign currency (to receive):	8.17.042	38.883.094
d)Transactions on foreign currency (to deliver):	8.17.043	41.034.058
e)Transactions on interest (purchases, ...):	8.17.044	296.500.000
f)Transactions on interest (sales, ...):	8.17.045	296.500.000
g)Other transactions (purchases, ...):	8.17.046	
h)Other transactions (sales, ...):	8.17.047	
F. Third party goods and values held by the company:	8.17.05	
G. Nature and business purpose of the regulations not registered in the balance, their financial consequences, if the risks or advantages as a result of these regulations are of any importance and as far the disclosure of these risks or advantages are necessary to judge the financial position of the company:	8.17.06	
Gbis. Nature and financial consequences of material events occurring after the balance sheet date that are not reflected in the income statement or balance sheet:	8.17.06B	
H. Other (to be determined):	8.17.07	4.132.089.171
IBS bondlending commitment		2.132.089.171
IBS forward rev repo (deriv) betw tr and settle		1.000.000.000
IBS Debit amounts borrowed to be receiv. - repo		1.000.000.000

A. Rules applying to the measurement of assets and liabilities (other than investments under assets heading D)

0. General

In conformity with Article 3 of the above-mentioned Royal Decree, the annual accounts are drawn up according to the principle of a true and fair view. A transparent, clear and consistent financial reporting is important for KBC Bank as a financial institution.

As such, KBC aims to align as much as possible, within the possibilities of the Belgian accounting law and the systems, with the international accounting standards IFRS, as applied for the consolidated annual accounts~~.~~

1. Depreciation rules

Depreciation is recorded against intangible and tangible fixed assets whose useful life is limited in order to spread the costs of acquisition (as these may be revalued from time to time) over their probable useful life. Depreciation are charged on a straight-line basis from the moment the assets are available for use.

Formation expenses are charged directly to the profit and loss account unless the Board of Directors decides otherwise.

Intangible fixed assets whose useful lifetime is limited are depreciated over five years unless the Board of Directors decides otherwise. Systems software is depreciated at the same rate as hardware and is therefore depreciated over a period of three years. Software other than systems software is depreciated over five years. Core systems with a longer useful life are depreciated straight line over an eight-year period. Core systems are types of standard software, including back-end data applications, for processing operations during the day and updates of the general ledger balances on the mainframe.

All tangible fixed assets are recognised at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT etc.)

The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis from the time they are available for use. The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

2. Impairment

Assets not susceptible to depreciation are impaired, if this is necessary, to take account of losses in value, whether definitive or otherwise. This impairment charge may not be upheld if, at the end of the financial year, it exceeds a current assessment of the drop in value for which it was constituted.

Intangible and tangible fixed assets whose useful life is not limited are written down in the event of a lasting diminution in value or impairment.

Participating interests and shares that are considered financial fixed assets are recognised at acquisition costs. Write downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospectus of the company concerned.

Impairment charges are written back immediately the stock market price rises, albeit to no more than the acquisition value.

Listed shares are impaired if the stock market price is sustainably (> 1 year) or significantly (> 30%) lower than the book value, showing that the impairment is sufficiently lasting in nature. The impairment charge is then equal to the difference between the carrying value and the stock market price. Impairment charges are written back immediately the stock market price rises, albeit to no more than the acquisition value.

Unlisted shares are written down in the event of a lasting diminution in value or impairment justified by the state, profitability or prospects of the company in which the holdings, shares or profit-share certificates are held.

Receivables including fixed-income securities that are recorded under 'investments in associates and holdings' are written down in the event that there is uncertainty as to whether all or part of the receivable will be paid when due.

Fixed-income securities and receivables reported under 'other financial investments' and assets reported under 'receivables' and 'loans' are impaired according to the principles that apply for the valuation of granted loans. When market value are declining below acquisition value, an impairment is recognised when there is uncertainty as to whether all or part of the receivable or security will be paid when due.

Fixed-income treasury securities (under 'other financial investments') serving to support liquidity are impaired if their market value is lower than the book value.

Impairment is booked on real estate certificates if their market value is less than their acquisition cost (LOCOM). These impairment charges are written back where the market value rises, up to a maximum of the acquisition cost of the underlying security.

Dated commercial credit are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs to be paid by the customers. Loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis in order to cover the losses which are considered certain or likely to ensue on the outstanding loans.

Investments under assets heading D (Branch 23) are recognised in the balance sheet at their carrying value in accordance with the statutory provisions.

3. Provisions for liabilities and charges

Provisions for liabilities and charges are intended to cover losses or charges, the nature of which is clearly defined and which at balance sheet date are either likely or certain to be incurred, but the amount of which is uncertain.

4. Technical provisions

The technical provisions must at all times be sufficient to guarantee that all insurance contract obligations can be met. For direct business, the provision for unearned premiums is in principle calculated according to the accruals method on a daily basis for each contract separately and based on gross premiums, net of commission.

For reinsurance contracts issued, the provision for unearned premiums is calculated for each contract separately based on information supplied by the ceding party, supplemented where necessary by the company's own past experience regarding the evolution of risks over time.

Provisions for the group of life insurance activities are measured according to prevailing actuarial principles.

The technical provisions for traditional class-21 life (non-unit linked) products and provisions for extra-legal benefits to employees in respect of accruing interest are calculated according to prospective actuarial formulas based on the contracts' technical bases. However, traditional class-21 (non-unit-linked) life products, which offer a guaranteed 4.75%, are discounted at a rate of 4% (instead of the 4.75% based on the underwriting assumptions of the contract).

The technical provisions for modern class-21 and class-26 (non-unit-linked) life products and provisions for extra-legal benefits to employees in respect of new, supplementary deposits are calculated according to retrospective formulas based on the contracts' technical bases. Additionally, supplementary provisions are constituted in accordance with the 'flashing light'.

As of 1 January 2016, KBC Insurance uses the exemption to further increase the 'flashing light', after the formal approval of the National Bank of Belgium, under the condition that KBC Insurance respects the Solvency II rules without application of the so called transitional measures. The National Bank of Bank can set additional requirements when applying for the exemption when specific market circumstances force them to do so.

The technical provisions for branch-23 (unit-linked) life products are determined by multiplying the number of units per fund by the price per unit of the fund in question.

The provision for claims outstanding is calculated per claim or per contract based on known elements in the file and is supplemented by the requisite fixed and statutory provisions such as those for internal claims-handling costs or for claims incurred but not (enough) reported (IBNR and IBNER).

All amounts in the equalisation and catastrophe provision are allocated to offsetting non-recurring underwriting losses in the years ahead, equalising fluctuations in the loss ratio and covering special risks.

The shares of reinsurers in the technical provisions (recorded under assets) are calculated or estimated based on the stipulations set out in reinsurance contracts, supplemented where necessary by the company's own judgements and experience. Write-downs may be applied in the event of actual or probable default on the part of the reinsurer.

5. Revaluations

Property and equipment, participating interests, shares and profit-share certificates recognised on the balance sheet under assets heading C ('investments') may be revalued if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

6. Other

If securities are sold, the carrying value of each one is determined on a case-by-case basis. All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate on the balance sheet date. The balance of the positive and negative differences arising from the translation of the technical provisions denominated in foreign currency are recognised as a ‘change to the technical provisions’ headings in the profit and loss account. The balances arising from the translation of the technical non-life reinsurance provisions denominated in foreign currency are included under the corresponding ‘other technical charges’ heading in the technical account for the non-life business. The balance of the positive and negative differences arising from the translation of monetary items, other than the technical provisions, is taken to the profit and loss account as financial income or a financial expense. Differences are netted per currency.

Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.. Expenses and income expressed in foreign currency are recognised in the profit and loss account at the spot rate prevailing when they are incurred (in some cases, at the spot rate at the end of the preceding month), or at a rate close to it.

B. Rules applying to the measurement of stocks as regards investments under assets heading D.

1. Investments other than land and buildings

Investments under assets heading D are recognised in the balance sheet at their carrying value in accordance with the statutory provisions.

2. Land and buildings

3. Other

The technical provisions for branch-23 (unit-linked) life insurance are computed by multiplying the number of units per fund by the price per unit of the fund in question.

C. Changes of valuation rules

Additional information

Ratios used

Combined ratio (non-life insurance)

Gives an insight into the technical profitability (i.e. after eliminating investment returns, among other items) of the non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio takes ceded reinsurance into account.

Calculation (in millions of EUR or %)	Reference	2022	2021
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	1 147	1 081
/			
Earned insurance premiums (B)	Note 3.7.1	1 976	1 841
+			
Operating expenses (C)	Note 3.7.1	625	565
/			
Written insurance premiums (D)	Note 3.7.1	2 025	1 875
= (A/B)+(C/D)		88,9%	88,9%

In 2H 2021, the technical insurance charges were severely negatively impacted by several floods in Belgium (estimated impact -87 million euros after reinsurance).

Solvency ratio

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

(In millions of EUR)	31-12-2022	31-12-2021
Available capital	3 721	4 075
Solvency Capital Requirement (SCR)	1 833	2 029
Solvency II ratio	203%	201%
Solvency surplus	1 888	2 046

Management certification

‘I, Luc Popelier, Chief Financial Officer of KBC Insurance, certify on behalf of the Executive Committee of KBC Insurance NV that, to the best of my knowledge, the financial statements, which are based on the relevant standards for annual accounts, fairly present in all material respects the assets, the financial condition and results of KBC Insurance NV and its consolidated subsidiaries, and that the annual report provides a fair overview of the development, results and the situation of KBC Insurance NV and its consolidated subsidiaries, as well as an overview of the main risks and uncertainties to which they are exposed.’