Annual report KBC Insurance

2023

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 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.

Contact

Kurt De Baenst (General Manager, Investor Relations Office)
IR4U@kbc.be
KBC Global Services NV, Investor Relations Office, Havenlaan 2, 1080 Brussels, Belgium

Viviane Huybrecht (General Manager, Corporate Communication/Company Spokesperson)
pressofficekbc@kbc.be
KBC Global Services NV, Corporate Communication, Havenlaan 2, 1080 Brussels, Belgium

Filip Ferrante (General Manager, Corporate Sustainability)
csr.feedback@kbc.be
KBC Global Services NV, Corporate Sustainability, Havenlaan 2, 1080 Brussels, Belgium

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.

Publisher:

KBC Groep NV, Havenlaan 2, 1080 Brussels, Belgium – VAT BE 0403 227 515 – RPR Brussel
– bank account 734-0051374-70.

Table of contents

Report of the Board of Directors

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)	6,6 million
Number of staff (2022 average in FTEs)	4 067
Insurance network	292 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 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. Since 2022, we have further expanded the scope of our Sustainable Finance Programme to other environmental aspects, such as biodiversity and circularity.

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

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

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

What differentiates us from our peers?

Our integrated bank-insurance model

1

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

2

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

Our strong geographical focus and local responsiveness

3

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

4

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

Our shareholder structure

5

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

Our strengths and challenges

Strengths

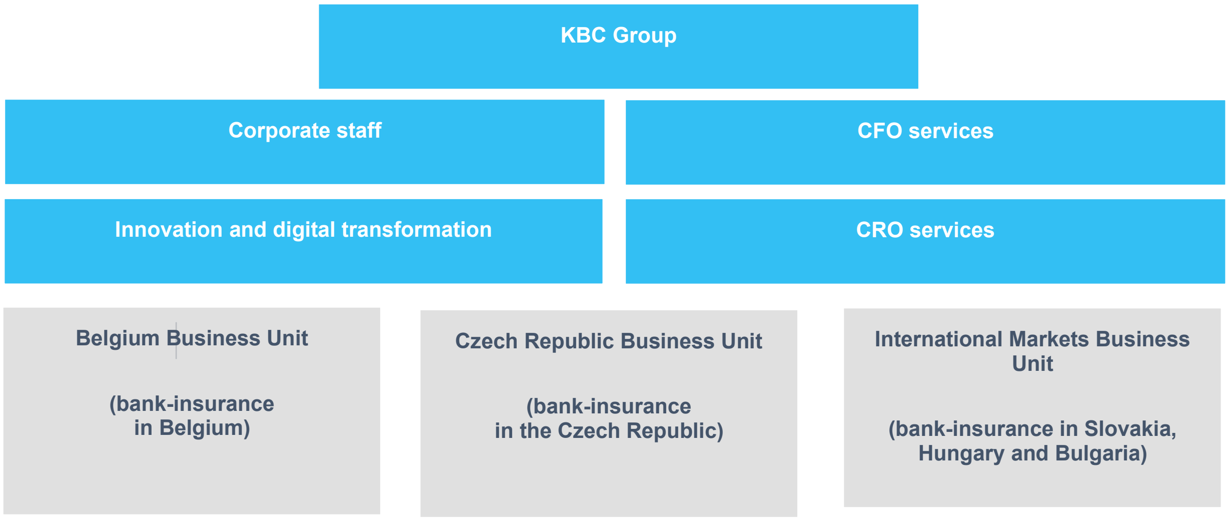
Unique bank-insurance model and innovative, data-driven digital strategy, which enables us to respond immediately to our clients' needs	Strong commercial banking and insurance franchises in all our business units	Successful track record of underlying business results	Solid capital position and strong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

Challenges

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

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

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



In what environment do we operate? (KBC Group)

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

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

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

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

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

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

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

Market conditions in our most important countries in 2023 (KBC Insurance)

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria
Market environment in 2023					
Change in GDP (real)	1.5%	-0.4%	1.2%	-0.6%	1.9%
Inflation (average annual increase in consumer prices)	2.3%	12.1%	11.0%	17.0%	8.6%
Unemployment rate (% of the labour force at year-end; Eurostat definition (excluding Ireland)	5.7%	2.8%	5.8%	4.4%	4.3%
Government budget balance (% of GDP)	-4.6%	-3.8%	-6.1%	-6.0%	-3.0%
Public debt (% of GDP)	105.8%	43.9%	57.5%	72.5%	22.0%
Forecast growth in real GDP in years ahead					
2024	1.1%	1.4%	2.2%	2.8%	2.3%
2025	1.1%	3.1%	3.3%	3.6%	3.0%
KBC Insurance's position in each core country					
Main brands	KBC & CBC & KBC Brussels	ČSOB	ČSOB	K&H	UBB & DZI
Network	292 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 (2021-2023)	-	-	-	-	Acquisition of NN's Bulgarian pension and life insurance business (2021).
Insurance clients (millions, estimate)	1.7	2.0	0.5	1.1	1.3
Market share (estimate) - life insurance - non-life insurance	12% 9%	7% 10%	2% 5%	3% 7%	32% 12%

What are our main challenges? (KBC Group)

Climate change, global health risks and geopolitical challenges

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

How are we addressing them?

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

Shifting client behaviour and competition

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

How are we addressing them?

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

Regulation

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

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

How are we addressing them?

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

Cyber risks and data protection

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

How are we addressing them?

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

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

Our employees

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

Main challenges

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

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

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

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

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

We keep close track of our employees’ opinions by means of a group-wide ‘Shape Your Future Survey’. We conducted two surveys in 2023, with a global response rate of 80% in the second half of the year. In Belgium, the survey response rate was 81% in March and 80% in October. Group-wide, 72% of our employees reported feeling engaged with KBC (Belgium 77%, Czech Republic 75%, Slovakia 65%, Hungary 65%, Bulgaria 64%). Employee engagement is defined as pride in working for the company, motivation to be in the current role, and a sense of connection with KBC. In 2023, it was precisely this sense of connection that rose to 79% in Belgium and remained unchanged at 72% at group level, as employees are proud of the stability of KBC as a company and of its innovative approach. Apart from engagement, the Shape Your Future Survey also gauges the support for and impact of the KBC strategy among our employees, as well as other aspects of PEARL+, such as a sense of autonomy and empowerment. The outcome of the survey reveals, for example, that 75% of our employees recognise how their job helps to put the KBC strategy into practice. The surveys have also resulted in a number of measures, including initiatives to support managers in their coaching roles. Managers can access their results and choose to implement specific measures as necessary.

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

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

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

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

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

Our capital

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

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 2023'.
Our social and relationship capital comprises all relationships with our clients, shareholders, government, regulators and other stakeholders, enabling us to remain socially relevant and to operate as a socially responsible business. This theme is dealt with in depth under 'Our role in society' in the 'Our strategy' section.

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.

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)

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

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

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

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

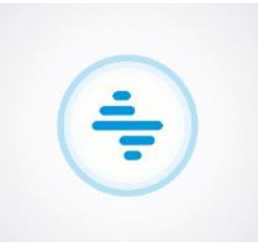
This is why we are transitioning from an omnichannel distribution model towards a digital-first distribution model. The human factor remains important in both models and our staff and branches are at the disposal of our clients. In a digital-first distribution model, digital interaction with clients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

Discai wins a place in the top RegTech100 innovators worldwide

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

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

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



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

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

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

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

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

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

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

More information about our data protection policy can be found in the ‘Corporate governance statement’ section in this report.

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

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

Main challenges

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

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

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

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

In addition to operating as a single business, we pursue a digital-first, lead-driven and AI-led organisation. This means fully integrated front and back-end applications designed according to the 'digital first' principle. We are firmly committed to becoming data and AI-led in all our core countries, at their own pace. Kate (see previous section) is the key element within a data-led organisation of this kind. Our experts naturally remain available at our branches and call centres to answer complex questions or provide advice at key life moments.

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

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

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

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

> “ *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 most important Key Performance Indicators (KPIs) relating to sustainable and profitable growth are set out in the KBC Group annual report.

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

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

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 online training course to clarify the importance of responsible behaviour and provide a framework to help our employees take difficult decisions when faced with dilemmas. The online training course has also been incorporated into the onboarding programme for new staff. In 2023, a new initiative in the form of a mandatory webinar was launched to raise awareness of responsible behaviour.

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

Aiming to enhance our positive impact on society

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

Environmental awareness

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

Financial literacy

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

Entrepreneurship

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

Longevity and health

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

Limiting any negative impact we might have on society

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

Important KBC sustainability policies

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

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

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

Sustainability governance

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

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

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

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

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

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

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

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

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

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

Focus on the climate (KBC Group)

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

The climate and the environment in our business model

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

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

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

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

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

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

Climate and environmental governance

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

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

The most important environmental and climate aspects of our sustainability policy

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

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

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

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

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

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

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

We meet our responsibility through various international organisations and initiatives:

- We endorsed the TCFD recommendations in December 2017. At the end of 2023, we also committed to reporting on our nature-related approach in compliance with the TNFD recommendations as from financial year 2025.
- We follow and implement the different actions ensuing from the EU Action Plan for Sustainable Finance.
- We are a member of the UN Environment Programme Finance Initiative (UNEP FI) and a Founding Signatory of the UNEP FI Principles for Responsible Banking (PRBs). We also endorse the Collective Commitment to Climate Action (CCCA).
- We endorse the UNEP FI Principles for Sustainable Insurance and the Principles for Responsible Investment.
- As a board member of the International Capital Markets Association, we are playing our part in developing green bonds in the EU.
- We have been a signatory to the Equator Principles since 2004 and have integrated them in our lending policy.

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

In August 2022, KBC became the first financial institution in Belgium to issue a 750-million-euro social bond, which is used to finance or refinance projects in the hospital sector. A second 750-million-euro social bond followed in June 2023, which is used in the education and healthcare sectors.
We offer a diverse range of responsible investment funds, including ECO-thematic funds and Impact Investing funds. Thorough screening is applied to determine which companies and countries belong to the investment universe for responsible investment solutions. Moreover, all companies that can be linked to fossil fuels have been excluded from all our responsible investment funds.
We are actively involved in financing renewable energy projects in all core countries and in our neighbouring countries. Last year, Project Finance Team funded renewable energy with an installed capacity of 97.1 MWp. We concluded successful transactions in onshore and offshore wind energy in France, the Netherlands and the United Kingdom.
We offer several products to financially support the most energy-efficient homes and energy renovation, and to encourage this development. For example, KBC offers rate discounts on the basis of the energy efficiency of homes (based on the EPC) or on loans intended specifically for energy-efficient renovations, and offers clients the Flemish renovation loan with an interest rate discount. We support the transition to energy-efficient homes in our other core countries, too, by providing mortgage loans and renovation loans under favourable conditions. In addition to giving financial incentives, KBC wants to provide practical support to clients seeking to make home energy upgrades, for example through its investment in start-up Setle. Setle enables clients to draw up a renovation plan in the simplest possible way, including an estimate of the cost of renovation and any available allowances and grants. In collaboration with third parties, KBC also offers clients the option to have solar panels installed (with or without a home battery) or to have their homes insulated.
Around 39% of the new vehicles in the KBC Autolease fleet are currently all-electric vehicles. Having 30 500 bicycles in its portfolio, KBC Autolease is also a market leader in bicycle leasing. We have partnered with the Flemish government to offer its employees bicycle leasing as a sustainable mobility alternative. In Slovakia, ČSOB Leasing works with its partners to actively promote the use of no-emission and low-emission vehicles.
In Belgium and Slovakia, our car insurance offers comprehensive cover and adequate support for electric and hybrid vehicles. For clients installing their own charging stations, this is automatically included in the home insurance policy in Belgium, which also covers other green investments such as solar panels and home batteries. We also offer our own multi-risk climate insurance for farmers and growers cultivating open-air crops, including fruit growers and arable farmers, to protect them from crop damage caused by extreme and rough weather conditions such as storm, hail, frost, ice, precipitation and drought.
KBC Asset Management lives up to its responsibility to represent clients who invest in companies via our equity funds at shareholders' meetings. For quite some time, KBC Asset Management has been a signatory to Climate Action 100+, an investors' initiative intended to ensure that the world's largest companies that emit greenhouse gases take the action needed to combat climate change. In late 2023, KBC Asset Management also joined the Nature Action 100 initiative, which aims to urge companies to step up their ambitions and efforts towards addressing the impact of their activities on nature and biodiversity degradation.
KBC is promoting sustainable financial solutions amongst its corporate clients in all core countries, including by means of green and sustainability bonds and green and sustainability-linked loans. We also operate in the syndicated market of sustainability-linked loans and frequently arranged such loans on a bilateral basis last year. KBC also acts as a sustainability coordinator, assisting companies in integrating sustainability features into their long-term bank credit facilities.

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

Our benchmarks, data and targets

Our indirect impact

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

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

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.

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

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

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

Own direct impact

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

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

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

How do we intend to achieve our targets?

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

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

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

Agriculture: We inform, inspire and support our clients in reducing their emission of greenhouse gases (methane, nitrous oxide and CO2). We encourage efficiency improvements and investments in renewable energy, and in Bulgaria and Hungary, for instance, we offer a carbon footprint calculator to give clients insight into their emissions.

Cement, steel, aluminium: For these sectors, we expect new clients to have transition plans in place for CO2 reduction that meet the 2030 targets KBC has set. We will also actively monitor our clients' progress with their decarbonisation strategies.

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

Own CO2e emissions: The main sources of our direct CO2 emissions are our direct energy consumption and transport. Examples of initiatives intended to reduce our own environmental footprint are the switch to 100% electricity from renewable sources, the installation of photovoltaic panels on our own buildings, and the reorientation of the mobility policy for our employees towards public transport, bicycles and electric vehicles.

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

Sustainability integrated into our remuneration policy

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

Our climate risk management

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

EU Taxonomy

The Taxonomy Regulation establishes an EU-wide framework according to which investors and businesses can assess whether certain economic activities are environmentally sustainable. 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 on Responsible Business Conduct and (v) the UK Modern Slavery Act, to which end KBC has published a Modern Slavery Statement since 2017. In addition, we have been UN Global Compact signatories since 2006 and have incorporated the ten principles on human rights, labour, environment and anti-corruption in our policies, so that they are applied throughout our activities. We publish reports in order to be transparent about the progress we have made in implementing these principles. This information is available on the UN Global Compact website. It goes without saying that we comply with local laws, rules and regulations in the countries where we operate and respect the 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 the World-Check list and apply a standard questionnaire (on human rights, labour, environment and anti-corruption) when screening key suppliers. Suppliers that meet our expectations receive a positive evaluation and sign the KBC Sustainability Code of Conduct for Suppliers. If any infringements are detected within the contract period that cannot be put right fundamentally within an appropriate amount of time, we terminate the agreement.

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

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

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

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

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

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

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

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

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

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’.
- All KBC Insurance shares are owned directly by KBC Group. In the fourth quarter of 2023, KBC Insurance paid KBC Group an interim dividend of 200 million euros.
- The income statement, the balance sheet and a few ratios have been changed and/or redefined as a result of the introduction of IFRS 17 in 2023. All changes have been applied with retrospective effect to 2022, as required by IFRS 17. See the press release of 18 April 2023 at www.kbc.com and Note 1.5 in the ‘Consolidated financial statements’ section.

Consolidated income statement

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

(in millions of EUR)	Note	2023	2022
Net interest income	3.1	392	442
Interest income	*3.1*	*544*	*468*
Interest expense	*3.1*	*- 152*	*- 26*
Insurance revenues before reinsurance	3.6	2 690	2 431
Non-life	3.6	*2 290*	*2 059*
Life	3.6	*400*	*373*
Dividend income	3.2	40	39
Net result from financial instruments at fair value through profit or loss	3.3	106	- 63
Net fee and commission income	3.4	90	80
Fee and commission income	3.4	*166*	*156*
Fee and commission expense	3.4	*- 76*	*- 76*
Insurance finance income and expense (for insurance contracts issued)	3.6	- 313	- 96
Net other income	3.5	78	56
TOTAL INCOME		3 082	2 890
Operating expenses (excluding directly attributable from insurance)	3.7	- 188	- 149
Total Opex without insurance tax	3.7	*- 541*	*- 483*
Total insurance tax	3.7	*- 30*	*- 26*
Minus: Opex allocated to insurance service expenses	3.7	*382*	*361*
Insurance service expenses before reinsurance	3.6	-2 123	-1 909
Insurance commissions paid	*3.6*	*- 463*	*- 421*
Non-Life	3.6	*-1 872*	*-1 735*
Of which Non-life - Claim related expenses	3.6	*-1 159*	*-1 079*
Life	3.6	*- 251*	*- 174*
Net result from reinsurance contracts held	3.6	- 90	- 20
Impairment	3.9	- 2	3
on FA at amortised cost and at FVOCI	3.9	*- 2*	*1*
on goodwill	3.9	*0*	*0*
other	3.9	*- 1*	*2*
Share in results of associated companies and joint ventures	3.10	0	0
RESULT BEFORE TAX		679	814
Income tax expense	3.11	- 152	- 179
Net post-tax result from discontinued operations		0	0
RESULT AFTER TAX		527	635
attributable to minority interests		0	0
attributable to equity holders of the parent		**527**	**635**

Net result

The consolidated result of the KBC Insurance group came to 527 million euros in 2023, a decline of -17% (-108 million euros) compared to last year, primarily due to:

- A 45-million-euro increase in the insurance service result thanks to an increase in insurance revenues that exceeded the increase in insurance service expenses. More details, see ‘Review of the technical and non-technical results’.
- A 10-million-euro increase in net fee and commission income, due in part to higher fee and commission income from investment-linked insurance contracts in Belgium (unit-linked products measured under IFRS 9) and an increase in fee and commission income from non-insurance subsidiaries ADD, VAB and UBB Pension Insurance Company.
- A decrease in the net reinsurance result of -69 million euros, largely due to a decrease in amounts recoverable from the reinsurer (substantial claims relating to storms in 2022) and reinforced by an increase in reinsurance premiums payable.
- An increase in the insurance finance expense, attributable to an increase in interest accretion of -55 million euros owing to rising average yield curves.
- A drop in investment income due to lower net interest income and higher impairment, which were partly offset by an increase in other net income and an increase in the net result from financial instruments at fair value through profit or loss.
- Please note that the increases in the fair value of investments related to investment-linked insurance contracts (measured using the Variable Fee Approach under IFRS 17) are not taken into account here as, at the level of the income statement, they are fully neutralised by increases in the fair value of insurance liabilities related to the relevant investment-linked insurance contracts.
- Higher operating expenses, partly due to wage indexation, higher marketing, ICT and facility expenses and higher bank and insurance tax.

This resulted in an increase in non-directly attributable operating expenses of -40 million euros.

Review of the technical and non-technical results

(in millions of EUR)	Life	of which life direct participating (VFA)	Non-life	Non-technical	Total
2023					
Insurance service result	**149**	***12***	***418***	**—**	**567**
Insurance revenues before reinsurance	*400*	*25*	*2 290*	—	*2 690*
Insurance service expenses	*- 251*	*- 12*	*- 1 872*	—	*- 2 123*
Of which Non-life - Claim related expenses	—	—	*- 1 159*	—	*- 1 159*
Investment result and insurance finance income and expenses	**151**	***0***	***63***	**—**	***233***
Investment result	**434**	***96***	***93***	***19***	***546***
Net interest income	*304*	*0*	*87*	*1*	*392*
Dividend income	*22*	*0*	*4*	*14*	*40*
Net result from financial instruments at fair value through P&L	*100*	*96*	*0*	*6*	*106*
Net other income	*10*	*0*	*2*	*- 3*	*10*
Impairment	*- 1*	*0*	*0*	*0*	*- 2*
Total insurance finance income and expenses before reinsurance	**- 283**	***- 96***	***- 30***	**—**	**- 313**
Interest accretion	*- 186*	—	*- 31*	—	*- 217*
Effect of changes in financial assumptions and foreign exchange differences	*- 1*	*0*	*1*	—	*- 1*
Changes in fair value re. liabilities of IFRS 17 unit linked contracts	*- 96*	*- 96*	—	—	*- 96*
Net insurance and investment result before reinsurance	**300**	***12***	***481***	**19**	**800**
Net result from reinsurance contracts held	**- 3**	**—**	**- 87**	**—**	**- 90**
Premiums paid to the reinsurer	*- 30*	—	*- 95*	—	*- 125*
Commissions received	*7*	—	*10*	—	*17*
Amounts recoverable from reinsurer	*21*	—	*0*	—	*21*
Total (ceded) reinsurance finance income and expense	*0*	—	*- 2*	—	*- 2*
Net insurance and investment result after reinsurance	**297**	***12***	**394**	**19**	**710**
Non-directly attributable income and expenses	**10**	***- 1***	**- 50**	**9**	**- 31**
Net fee and commission income	*67*	*0*	*- 2*	*24*	*90*
Net other income	*- 1*	—	—	*69*	*68*
Operating expenses (incl. insurance tax)	*- 56*	*- 1*	*- 48*	*- 83*	*- 188*
Impairment - Other	*0*	*0*	*0*	*0*	*- 1*
Share in results of assoc. comp & joint-ventures	—	—	—	*0*	*0*
Income tax	**—**	**—**	**—**	**- 152**	**- 152**
Result after tax	**307**	**11**	**344**	**- 124**	***527***
Attributable to minority interest	—	—	—	—	*0*
Attributable to equity holders of the parent	**—**	**—**	**—**	**—**	***527***

(in millions of EUR)	Life	*of which life direct participating (VFA)*	Non-life	Non-technical	Total
2022					
Insurance service result	**198**	***9***	**324**	**—**	**522**
Insurance revenues before reinsurance	*373*	*23*	2 059	—	2 431
Insurance service expenses	*- 174*	*- 14*	*- 1 735*	—	*- 1 909*
Of which Non-life - Claim related expenses	—	—	*- 1 079*	—	*- 1 079*
Investment result and insurance finance income and expenses	**179**	***0***	***95***	**—**	***318***
Investment result on assets	**272**	***- 65***	**99**	**43**	**414**
Net interest income	*305*	*0*	110	27	442
Dividend income	*20*	*0*	4	15	39
Net result from financial instruments at fair value through P&L	*- 65*	*- 65*	5	- 2	- 63
Net other income	*12*	*0*	- 20	1	- 8
Impairment	*0*	*0*	0	3	3
Total insurance finance income and expenses before reinsurance	**- 92**	***66***	**- 4**	**—**	**- 96**
Interest accretion	*- 157*	—	- 4	—	- 161
Effect of changes in financial assumptions and foreign exchange differences	*- 1*	*0*	0	—	- 1
Changes in fair value re. liabilities of IFRS 17 unit linked contracts	*66*	*66*	—	—	66
Net insurance and investment result before reinsurance	**377**	***10***	**419**	**43**	**840**
Net result from reinsurance contracts held	**- 1**	**—**	**- 19**	**—**	**- 20**
Premiums paid to the reinsurer	*- 28*	—	- 81	—	- 109
Commissions received	*12*	—	9	—	21
Amounts recoverable from reinsurer	*15*	—	54	—	69
Total (ceded) reinsurance finance income and expenses	*0*	—	- 1	—	- 1
Net insurance and investment result after reinsurance	**376**	***10***	**400**	**43**	**819**
Non-directly attributable income and expenses	**20**	***- 1***	**- 37**	**12**	**- 5**
Net fee and commission income	*62*	*0*	- 2	19	80
Net other income	*0*	—	—	64	64
Operating expenses (incl. insurance tax)	*- 42*	*- 1*	- 35	- 71	- 149
Impairment - Other	*0*	*0*	0	0	0
Share in results of assoc. comp & joint-ventures	—	—	—	0	0
Income tax	**—**	**—**	**—**	**- 179**	**- 179**
Result after tax	**396**	**9**	**363**	**- 124**	**635**
Attributable to minority interest	—	—	—	—	0
Attributable to equity holders of the parent	**—**	**—**	**—**	**—**	**635**

Results from the non-life insurance business

The ‘Result before tax’ generated by the non-life insurance business for 2023 (344 million euros) was lower than in 2022 (363 million euros).

In 2023, ‘Insurance revenues before reinsurance’ totalled 2 290 million euros, an increase of 11% on the year-earlier figure. They grew by +9% in Belgium, by +15% in the Czech Republic, and by +15% in the three other Central and Eastern European markets combined. Sales of non-life insurance stood at 2 351 million euros and rose by 12% year-on-year, with growth in virtually all countries and classes of insurance due to a combination of volume and rate increases.

‘Insurance service expenses before reinsurance’ came to -1 872 million euros in 2023, an 8% increase on the year-earlier figure.

Of this amount, ‘Non-life claim-related expenses’ came to -1 159 million euros in 2023, a 7% increase on the year-earlier figure. This increase is visible in most markets and is driven partly by adjustments made to the parameters of the insurance models, higher claims and inflation.

The ‘Non-life non-claim-related expenses’ component rose partly due to higher commissions (related to the higher insurance revenues), higher costs and an additional insurance tax in Hungary.

The ‘Result from reinsurance contracts held’ in 2023 was -87 million euros, compared to -19 million euros in 2022. This decline is due to an increase in reinsurance premiums payable, as well as lower reinsurance amounts recovered.

‘Investment result and insurance finance income and expense’: see below.

Taking into account the higher ‘Insurance revenues’, the increase in ‘Insurance service expenses’ and the ‘Result from reinsurance contracts held’, the combined ratio came to a favourable 87.0% (a slight increase on the year-earlier level).

Non-life in%	2023	2022
Net claim ratio	55.7%	55.6%
Net cost ratio (vs written premium)	31.3%	31.0%
Net combined ratio	87.0%	86.6%

Results from the life insurance business

At 307 million euros, the ‘Result before tax’ generated by the life insurance business in 2023 was 22% lower than the figure for 2022 (396 million euros).

In 2022, the result was positively impacted by a reversal of a loss component for an amount of, on balance, 67 million euros (before tax) on mainly modern savings products in Belgium, driven by increased interest rates. This negative impact was offset partly by a release of the CSM in Belgium in 2023 in response to a change made to a parameter in the insurance models in relation to the coverage units.

‘Non-directly attributable income and expenses’ dropped by 52%, from +20 million euros in 2022 to 10 million euros in 2023, primarily due to an increase in operating expenses that are not directly attributable to insurance contracts because of the effect of inflation/wage indexation, combined with higher ICT, facility and marketing costs and a higher insurance tax in Hungary, partly offset by an increase in ‘Net fee and commission income’.

‘Investment result and insurance finance income and expense’: see below.

Sales of life insurance products amounted to 2 328 million euros, a 12% increase compared to 2022 thanks to higher sales of unit-linked products in Belgium in particular. The share of non-unit-linked and unit-linked products in our total sales of life insurance in 2023 stood at 42% and 52%, respectively, with the rest consisting of hybrid products (mainly in the Czech Republic).

Non-technical result

The non-technical result includes the results from non-insurance subsidiaries, such as VAB and ADD, as these subsidiaries of KBC Insurance cannot be assigned to either the Life or the Non-life business.
Furthermore, the non-technical result also includes the investment income from equity (mainly net interest income from bonds) and income tax.

The non-technical result after tax came to -124 million euros in 2023, the same as in 2022.

The non-technical result before tax dropped by -27 million euros, primarily due to lower net interest income (-25 million euros) and higher operating expenses (-12 million euros), which were offset only partly by higher net fee and commission income (5 million euros) and higher other net income (5 million euros).

Investment result

The investment result went up by 133 million euros compared to 2022.

If, however, this is adjusted for the increases in the fair value of investments related to investment-linked insurance contracts measured under IFRS 17 (offset under ‘Insurance finance income and expense’), the investment result dropped by -29 million euros.

We have identified the following developments underlying the investment result:

- A decline in ‘Net interest income’ of -50 million euros, caused primarily by lower income from inflation-linked bonds (an increase in inflation indices that was less pronounced in 2023 than it was in 2022) and higher costs on subordinated loans, which was offset only partly by increased interest income from bonds in most home markets.

- A slight increase in ‘Dividend income’ of 1 million euros.
- The 169-million-euro increase in ‘Net result from financial instruments at fair value through profit or loss’ was primarily due to the increase in the fair value (161 million euros) of investments related to investment-linked insurance contracts measured under IFRS 17, resulting from favourable stock market developments.
- The increase in ‘Other net income’ of 17 million euros was largely driven by the negative result in 2022 arising from realised losses on the sale of low-yielding bonds in 2022.
- A drop in the ‘Impairment’ result of -5 million euros, largely due to the reversal of 3 million euros in 2022.

Insurance finance income and expense

‘Insurance finance income and expense’ fell significantly compared to 2022 by -217 million euros.

If, however, we adjust this amount for changes in the fair value of insurance liabilities related to investment-linked insurance contracts measured under IFRS 17 (-161 million euros), we recorded a decline of -55 million euros. This net decline is fully attributable to an increase in ‘Interest accretion’ (Life -29 million euros / Non-life -27 million euros) as a result of higher average yield curves.

Income tax expense

The income tax expense for 2023 totalled -152 million euros, or 22% on average, similar to its year-earlier level.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2023	31-12-2022
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions	-	535	377
Financial assets	4.0	33 825	32 146
Amortised cost	*4.0*	*6 174*	*6 215*
Fair value through OCI	*4.0*	*13 238*	*13 064*
Fair value through profit or loss	*4.0*	*14 374*	*12 799*
of which held for trading	*4.0*	*21*	*26*
Hedging derivatives	*4.0*	*38*	*69*
Reinsurers' contract assets held	5.6	64	55
Profit/loss on positions in portfolios hedged for interest rate risk	-	0	0
Tax assets	5.2	80	97
Current tax assets	*5.2*	*42*	*50*
Deferred tax assets	*5.2*	*38*	*47*
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	308	302
Goodwill and other intangible assets	5.5	230	210
Other assets	5.1	297	259
TOTAL ASSETS		35 338	33 446
LIABILITIES AND EQUITY			
Financial liabilities	4.0	14 216	13 203
Amortised cost	*4.0*	*775*	*1 197*
Fair value through profit or loss	*4.0*	*13 434*	*11 999*
of which held for trading	*4.0*	*2*	*3*
Hedging derivatives	*4.0*	*7*	*7*
Insurance contract liabilities	5.6	16 786	16 184
Non-life	*5.6*	*2 924*	*2 740*
Life	*5.6*	*13 862*	*13 444*
Profit/loss on positions in portfolios hedged for interest rate risk	-	0	0
Tax liabilities	5.2	304	269
Current tax liabilities	*5.2*	*4*	*16*
Deferred tax liabilities	*5.2*	*300*	*253*
Liabilities associated with disposal groups	5.11	0	0
Provisions for risks and charges	5.7	3	2
Other liabilities	5.8	728	619
TOTAL LIABILITIES		32 037	30 277
Total equity	5.10	3 302	3 169
Parent shareholders' equity	5.10	3 302	3 169
Minority interests	-	0	0
TOTAL LIABILITIES AND EQUITY		35 338	33 446

At the end of 2023, the consolidated total assets of KBC Insurance came to 35 338 million euros, up 6% or 1 893 million euros year-on-year, due mainly to an increase in financial liabilities (including investments related to unit-linked products) and an increase in ‘Insurance contract liabilities’ and equity. There was an increase in the securities portfolio (including investments related to unit-linked products) on the assets side.

Investments related to unit-linked products and the securities portfolio (bonds and shares) made up almost 89% of the assets.

Securities portfolio (excluding investments related to unit-linked products and held for trading)

(In millions of EUR)	31-12-2023	31-12-2022
Amortised cost	3 884	3 862
OCI	13 238	13 064
Fair value through profit or loss (excluding trading)	4	0
Total	17 126	16 926
Shares	8.7%	8.1%
Bonds	91.3%	91.9%

The securities portfolio (excluding investments related to unit-linked products and held for trading) grew by 200 million euros on the year-earlier figure, primarily due to an increase in the market value of bonds and shares. Most of the securities portfolio remains invested in bonds.

Insurance liabilities and financial liabilities for unit-linked products

Total life insurance liabilities and financial liabilities for unit-linked products were up 7% (or 1 853 million euros), as a result of:

- An increase in life insurance liabilities measured under IFRS 17 of 3% (or 418 million euros), partly due to an increase in the contractual service margin and lower interest rates and partly offset by an outflow of single-premium products (Life Capital and LF8) in Belgium. Investment-linked insurance contracts measured under IFRS 17 also rose as a result of high-performing stock markets in Hungary and strong sales in Bulgaria.
- An increase in financial liabilities related to investment-linked insurance contracts in Belgium (unit-linked investment products measured under IFRS 9) of 12% (or 1 435 million euros) due to an increase in the market value of the portfolio and higher net production in Belgium.

Non-life insurance liabilities rose by almost 7% (or 184 million euros), reflecting the increase in non-life insurance premiums and a higher claims provision, partially offset by a decrease in liabilities for individual Guaranteed Income and Hospitalisation insurance contracts in Belgium.

(In millions of EUR)	31-12-2023	31-12-2022
Life insurance	27 323	25 470
Insurance contract liabilities (IFRS 17)	13 862	13 444
Liablities under investment contracts (IFRS 9)	13 461	12 026
Non-life insurance	2 924	2 740
Total insurance related liabilities (including investment contracts)	30 247	28 210

Equity

Consolidated equity increased by 133 million euros, with a number of items offsetting each other, as shown in the table below.

(In millions of EUR)	31-12-2023
Total	133
Share of the group in profit for the period	527
Dividends paid	- 509
Unrealized gains and losses	114

These items were:

- The group's share (+527 million euros) in the result for the financial year.
- A distribution of the final dividend of 309 million euros for the previous financial year and an interim dividend of 200 million euros for 2023.
- A 114-million-euro increase in the revaluation reserves, with the movements relating primarily to a decrease in 'Insurance finance income and expense in OCI' (-422 million euros), more than offset by an increase in the 'Revaluation reserve (FVOCI debt instruments)' (+392 million euros) and the 'Revaluation reserve (FVOCI equity instruments)' (+132 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)	31-12-2023	31-12-2022
Available capital	4 130	3 721
Solvency Capital Requirement (SCR)	2 005	1 833
Solvency II ratio	206%	203%
Solvency surplus	2 125	1 888

The solvency ratio stood at 206%, up 3% on the 2022 level.

The 409-million-euro increase in the amount of capital available exceeded the 172-million-euro increase in the amount of capital required, leading to an increase in the capital buffer of 237 million euros.

This was mainly the result of:

- A drop in interest rates for periods of up to roughly 15 years in the last quarter of 2023.
  This resulted in the fair value of assets rising more than liabilities (given that assets have a lower average maturity than liabilities) , which translated into an increase in the amount of capital available.
  This positive impact on the solvency ratio was reinforced by a decrease in the amount of capital required due to lower capital requirements related to interest rate risk and early termination risk.
- The above development was partly offset by higher stock markets (the MSCI World Index was up 18%). This increase led to more capital being available, as it resulted in a higher valuation of the shares held in portfolio. However, as the amount of capital required rose even more, relatively speaking (due to the mechanism of "symmetric adjustment" which increases the SII stress to be applied to equity), the rising stock markets brought the solvency ratio down in practice.

Appropriation of the results of KBC Insurance NV for 2023

The result available for appropriation came to +435 million euros for financial year 2023 (based on the company annual accounts). The Board of Directors will propose to the General Meeting that 433 million euros be paid out as dividend and 2 million euros be paid out as an employee profit-sharing bonus. An interim dividend of 200 million euros was already paid out in the fourth quarter of 2023.

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.

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. ESG risks and integrated risks occur when the beforementioned risks accumulate. 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 2024 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, incl. IFRS17 disclosures;
- 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 bonds' table;
- the 'Solvency KBC Insurance table (the audited parts are indicated in a footnote to the table).

Introduction

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

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

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

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

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

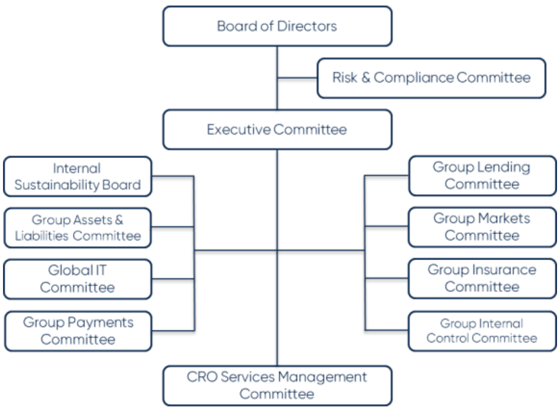
The strategy of the risk and compliance functions is based on three key pillars:

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

Risk governance

Our risk governance model includes the following main elements:

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



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

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

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

Components of a sound risk management

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

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

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

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

Risk identification

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

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

- The Risk Scan, which is a strategic group-wide exercise aimed at identifying and assessing the top risks for KBC, i.e. the financial and non-financial risks that are highly significant for our business model. The identified top risks are inputs for the yearly financial planning process and for several risk management exercises, including for defining the priorities of the risk function, risk appetite setting and stress testing.

- The New and Active Product Process (NAPP), which is a group-wide, formalised process to identify and mitigate product-related risks, both for KBC and for its clients. Within the group, no products, processes or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the group's risk profile.
- Risk signals, which are continuously collected at all levels of the organisation (group and local). The internal and external environments are constantly scanned, using all possible sources of information, to detect events or changes that can potentially impact the group, either directly or indirectly. Risk signal reporting provides management with a summary of the identified risks, their potential impact and possible remedial actions.

Risk measurement

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

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

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

Setting & cascading risk appetite

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

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

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

The risk appetite process is firmly embedded in the financial and strategic planning process (APC - Alignment of Planning Cycles) as it directs the focus and way of working of business and control functions and helps to set priorities accordingly. The Board of Directors annually approves the preliminary risk appetite as input into the APC. When the financial planning is approved by the Board, the final risk appetite is also determined, including its translation into concrete limits and targets that safeguard that the risk profile remains within the risk appetite when executing the financial plan.

Risk analysis, reporting & follow-up

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

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

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

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

Stress testing

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

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

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

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

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

Climate-related and other ESG risks

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

Since 2018, climate risk has been reconfirmed as a top risk for KBC in the annual Risk Scan exercise. In 2023, 'other environmental risks' were added to account for the increasing importance of the impacts of environmental degradation.

Although risk assessment methodologies are more advanced for climate risk compared to some other ESG risk areas, KBC is making continuous efforts to further improve the integration of climate and other ESG risks in the KBC Risk Management Framework and in its risk management processes.

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.

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

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

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

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

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

Integration of ESG in existing risk management governance

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

- The senior general managers of Group Risk and Group Credit Risk are members of the Sustainable Finance Programme Steering Committee as well as the Sustainable Finance Data & Metrics Steering Committee and the risk function is also represented on the Internal Sustainability Board.
- Risk is part of the core team of the Sustainable Finance Programme, which focuses on integrating climate-related matters throughout the group.
- As strong embeddedness in the local organisation is a key requirement, a similar governance is in place in each of KBC's core countries, with local general sustainability managers having been appointed and local risk functions taking active part in locally established sustainability committees.
- Within our Audit Framework, ESG risks are covered in multiple audit tracks.
- Sustainability has been integrated into the remuneration systems for our employees and especially our senior management.

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

Strong focus on risk identification and materiality assessment

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

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

Strengthening ESG risk measurement and stress testing

We make use of a series of methodologies to strengthen our ability to identify, measure and analyse climate-related risks by leveraging industry practices but also by using internally developed tools. These provide further insights into the impact of climate change on our business model, as well as the impact of our investment and insurance activities on the environment. Integrating these methodologies enables us to gradually improve underwriting and investment policies, and supports us in engaging with our clients. More information about the ESG risk measurement tools can be found in the Risk Report.

> *KBC is committed to embedding ESG considerations into its decision-making, risk management processes, client and 3rd party interactions, with the aim of contributing positively to society and safeguarding KBC's long-term sustainability.*

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

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

ESG risk is embedded in the risk appetite process

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

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

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

Risk analysis, monitoring and follow-up

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

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

Technical insurance risk

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

Managing technical insurance risk

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

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

The building blocks for managing technical insurance risk

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

ESG in technical insurance risk management

The management of ESG risks is integrally embedded in the abovementioned Technical Insurance Risk Management Framework

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

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

To support stability in earnings and capital for our insurance business, appropriate risk mitigation is implemented by reinsurance programmes protecting against the impact of large claims or accumulation of losses due to climate change effects and by a diversified exposure across all core markets.

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

Reinsurance

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

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

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

The independent insurance risk function is responsible for:

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

Actuarial function

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

The main tasks of the actuarial function are to:

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

Sensitivity to parameters underlying the IFRS 17 valuation of insurance liabilities

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

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

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

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

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

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

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

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

Non-life claims development

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

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

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

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.

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

ESG in credit risk management

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

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

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

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

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

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

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

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

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

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

[1] Based on internal ratings.

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

Market risk in non-trading activities

Managing market non trading risk

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

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

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

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

- **Risk identification**: To identify market risks in the non-trading portfolios a number of tools are used, including the New and Active Products Process (NAPP), the Environmental Risk Impact Map, the risk scan, and early warning processes triggered by recurrent monitoring. Risk signals are an important tool as well. For this purpose, both the internal and external environment is scanned for events and developments that could have an impact on our non-trading books. Relevant risk signals are reported to management, if possible, including a proposal for remedial actions. New and upcoming regulation is followed up at group or local level to ensure that these are implemented in KBC's policies and instructions.
- **Risk measurements**: a common rulebook, which supplements the framework for technical aspects, and a shared group measurement tool ensure that these risks are measured consistently throughout the group through, among others:
    - Basis-Point-Value (BPV) for interest rate risk;
    - gap analysis for interest rate risk, related to repricing mismatches between assets and liabilities, complemented by an assessment for prepayment risk in the mortgage portfolio.
    - economic sensitivities for currency risk, equity price risk and real estate price risk;
- **Setting and cascading risk appetite**: limits cover all material market risks faced by the ALM function: limits covering interest rate risk, equity risk, real estate risk and foreign exchange risk for the consolidated entities are approved by the Board of Directors and limits for each local entity are approved by the Executive Committee.
- **Risk analysis, reporting and follow-up**: besides regulatory reporting, structural reporting to the ALCO is performed. The reporting process includes a sign-off process to ensure data accuracy.

ESG in market risk (non-trading) management

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

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

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

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

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

Interest rate risk and gap risk

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

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

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

Impact on value[2] (in millions of EUR)	2023	2022
Total	11	4

[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 pay-out patterns for claims, based on extensive actuarial analysis.

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

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

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

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

Credit spread risk

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

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

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

	At amortised cost	At fair value through other comprehensive income (FVOCI)	Held for trading	Total	For comparison purposes: total at year-end 2022[3]	Economic impact of +100 basis points[1]
Sovereign	2 036	8 352	9	10 397	*10 626*	-681
Of which[2]:						
Belgium	261	3 461		3 722	*3 587*	-286
France	332	1 585		1 917	*1 977*	-122
Czech Republic	322	679		1 000	*1 042*	-68
Slovakia	172	91	7	270	*479*	-34
Italy	29	436		465	*460*	-16
Non-sovereign	1 847	3 409	4	5 260	*5 341*	-179

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

[2]Top 5 largest sovereign portfolio's.

[3]Total at Year-end 2022 after IFRS17 restatement.

Equity risk

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

Equity portfolio of the KBC Insurance	31-12-2023	31-12-2022
In billions of EUR	1.39	1.33
of which unlisted	0.18	0.14

Impact of a 25% drop in equity prices, impact on value (in millions of EUR)	2023	2022
Total	-348	-333

Non-trading equity exposure (in millions of EUR)	Net realised gains [1] (in income statement) 31-12-2023	Net realised gains [1] (in income statement) 31-12-2022	Net unrealised gains [1] on year-end exposure (in equity) 31-12-2023	Net unrealised gains [1] on year-end exposure (in equity) 31-12-2022
Total	2	-1	212	80

[1] 2022 numbers have been restated following the transition to IFRS17

Real estate risk

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

Impact of a 25% drop in real estate prices, impact on value

(in millions of EUR)	2023	2022
Total	-107	-78

Inflation risk

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

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

Foreign exchange risk

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

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

Impact of a 10% decrease in currency value*

(in millions of EUR)	31-12-2023	31-12-2022
CZK	-31	-31
HUF	-9	-7
BGN	-22	-17
USD	-52	-47

[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.

Risk categories applying to hedge accounting

Interest rates

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

Interest rate derivatives can be designated as:

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

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

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

Foreign exchange

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

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

Hedge effectiveness

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

Effectiveness testing

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

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

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

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

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

Sources of hedge ineffectiveness

Ineffectiveness for interest rate swaps may occur due to:

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

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

Discontinuation of hedge accounting

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

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.

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

The building blocks for managing operational risks

- **Risk identification**: KBC identifies its operational risks based on various sources like following up on legislation, using the output of the New and Active Products Process (NAPP), performing risk scans, analysing key risk indicators and performing independent control monitoring activities and root cause analysis of operational incidents, near misses and losses. A structured repository of operational risks and related mitigating controls is in place, with a review process ensuring that the repository remains in line with new or emerging operational risk sub-types. Risk self-assessments on the operational business lines are performed by the first line of defence with the aim of identifying additional local risks and possible operational control gaps. Dynamic trigger-based risk assessments are executed based on the continuous screening of both internal and external risk events. On top of that, regular proactive scanning of the environment is performed in order to identify external or internal (cyber) trends which could negatively impact our company in a direct or indirect way. These are also known as risk signals and are reported via the Integrated Risk Report.
- **Risk measurement**: unified group metrics and scales are in place to determine individual (inherent and residual) operational risk levels in the business lines and to underpin the risk profile of an entity in a comprehensive and integrated way across operational risk sub-types and across KBC group and its entities.

  In addition, a group-wide uniform scale is used to express the internal control state of business lines and KBC entities. The data-driven risk evaluation of the control environment results in Internal Control Statement (ICS) scores based on the indicators derived from the group-wide tool, such as:

  - The control maturity reflecting the effectiveness of the controls;
  - The number of outstanding action plans and audit recommendations;
  - Risk acceptances;
  - Operational losses (and legal claims);
  - Near misses.

  Metrics are defined to underpin control effectiveness with facts and figures. Examples include, but are not limited to, asset management statistics, employee phishing campaign click rates, website vulnerability patching speeds and other metrics related to threats to KBC clients and companies, the number of errors that are measured ex-post via the accounting reconciliation, and the number of processing errors.
- **Setting and cascading risk appetite**: for operational risk, a risk appetite is set at the overarching level as well as at the level of each operational risk sub-type. The risk profile measures to what extent KBC Group and its entities are currently exposed to each risk. The current operational risk profile in relation to the operational risk appetite is discussed quarterly as part of the Operational and Compliance Core Report to the GICC.
- **Risk analysis, reporting and follow-up**: operational risk analysis and reporting aim to give management a transparent and comprehensive, forward-looking and ex-post view on the development of the risk profile and the context in which KBC operates. Structural reporting to the GICC via the Operational and Compliance Risk Report and the Integrated Risk Report – on a quarterly basis – and to the Global IT Committee (GITCO) – on a monthly basis – is in place. The GITCO serves as the governance structure to ensure alignment on Information Security and IT strategy across the group. The maturity of the internal control environment is reported to KBC's senior management once a year via the annual Internal Control Statement, to the Executive Committee/RCC/Board and to the NBB, the FSMA and the ECB.
- **Stress testing**: the Competence Centre for Operational Risk delivers scenarios with a potential negative impact on KBC's (financial) position in order to prepare the KBC entities for (extreme) crisis situations. These scenarios describe specific operational risk events ranging from plausible to exceptional or even extreme and/or movements in operational risk loss impacts according to the baseline and the adverse scenario. Stress testing, for example, enables KBC entities to deal with local cyber crises and handle major incidents. To ensure that Information Security and Information Technology risks are effectively mitigated, a number of challenges are performed throughout the group on a regular basis, such as ethical hacking exercises, technical Cyber Resilience & Readiness Testing, detailed investigations, employee phishing tests, crisis simulations and other incident drills.

In 2023, specific attention was paid to.

Information risk management

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

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

Outsourcing risk management

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

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

Key control objectives are in place to adequately mitigate risks arising from either external or internal outsourcing during the full life cycle of a service provider: from selection and pre-contractual stages to renewal, termination and exit strategies. Qualitative risk governance of KBC outsourced activities is ensured by regular risk assessments (including a set of mandatory sub-risks: Process, IT, Information Security, ESG, Model, Fraud, Legal, Concentration, Offshoring and Step-in), their frequency being defined by the criticality of the outsourced activity.

Model risk management

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

KBC's model risk management standards establish a framework for identifying, understanding and efficiently managing model risk, similar to any other risk type.

Business continuity management including Crisis management

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

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

Compliance risk

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

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

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

To manage compliance risks, KBC aims to comply with laws and regulations in the compliance domains as determined by KBC's Compliance Charter. The Compliance function's role in managing these risks is twofold: on the one hand, it provides advice from an independent viewpoint on the interpretation of laws and regulations pertaining to the domains it covers. This preventive role is put into practice by Group Compliance Rules that define minimum requirements for the entire group, the provision of procedures and instructions, tailored training courses, daily advice and independent opinions in the New and Active Products Process, information on new regulatory developments to the governance bodies in support of the group strategy and the implementation of legal and regulatory requirements by the various businesses concerned.

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

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

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

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

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

Conformity with GDPR and data protection obligations is a central hallmark of any sustainable and client-centric organisation. In the context of KBC's data-driven strategy, it is crucial to pay attention to all upcoming regulatory developments in the data protection domain, as there are many. Continued vigilance with regard to the data protection domain is essential to ensure future-proof, reliable and trustworthy bank-insurance activities.

Since 2020, Kate, the personal assistant, has gained maturity and can increasingly facilitate the everyday lives of our clients. The study of the potential use of generative AI models is closely followed to ensure that risks are duly identified.

Reputational risk

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

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

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

ESG in non-financial risk management

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

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

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

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

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

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

Managing liquidity risk

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

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

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

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 both regulatory metrics such as the EIOPA Liquidity Assessment, and internal templates and metrics to – a.o. - analyse whether there are sufficiently large liquid assets to cover the net outflow in a mass lapse scenario.
- **Setting and cascading risk appetite**: the ALCO monitors the development of the liquidity risk profile in relation to the limits.
- **Risk analysis, reporting and follow-up**: to mitigate day-to-day liquidity risk, group-wide trends in funding liquidity and funding needs are monitored continuously by the Group Treasury function. A Liquidity Contingency Plan drafted by the Group Treasury function is in place to address possible liquidity crisis situations and is tested at least annually.
- **Stress testing**: liquidity stress tests assess KBC's liquidity contingency risk by measuring how the liquidity buffer of the group's bank and insurance entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows and liquidity inflows resulting from actions to increase liquidity. The liquidity buffer has to be sufficient to cover liquidity needs over (i) a period that is required to restore market confidence in the group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. This information is fed into the Liquidity Contingency Plan.

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

ESG in liquidity risk management

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

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

Corporate governance statement

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

Name	Position	Period served on the Board in 2023	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 2023				13					8	11
DEBACKERE Koenraad	Chairman	Full year	2027	13	■					
DEPICKERE Franky	Deputy Chairman of the Board	Full year	2027	13	■	■				11 (c)
THIJS Johan	President of the Executive Committee / Executive Director	Full year	2025	13				■(c)		
ANDRONOV Peter	Executive Director	8 months	2025	12				■		
BLAŽEK Aleš	Executive Director	Full year	2026	12				■		
LUTS Erik	Executive Director	Full year	2025	10				■		
MOUCHERON David	Executive Director	Full year	2025	12				■		
POPELIER Luc	Executive Director	Full year	2025	13				■		
VAN RIJSSEGHEM Christine	Executive Director	Full year	2026	12				■		
BOSTOEN Alain	Non-Executive Director	Full year	2024	13	■	■				
CLINCK Erik	Non-Executive Director	Full year	2024	13	■	■				
DE BECKER Sonja	Non-Executive Director	Full year	2024	12	■	■				
DE CEUSTER Marc	Non-Executive Director	8 months	2027	8	■	■			4 (c)	
DONCK Frank	Non-Executive Director	Full year	2024	13	■	■				
HERMANN Peter	Independent Director	Full year	2025	12	■		■		7	11
LANGFORD Andrew	Independent Director	Full year	2026	13	■		■		8	11
OKKERSE Liesbet	Non-Executive Director	Full year	2024	13	■	■				
ROUSSIS Theodoros	Non-Executive Director	Full year	2024	13	■	■				
SELS Raf	Non-Executive Director	Full year	2027	8	■	■				
VLERICK Philippe	Non-Executive Director	Full year	2024	13	■	■				

Katelijn Callewaert and Marc Wittemans, who were directors until 26 April 2023, attended 5 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

Marc De Ceuster has attended every meeting of the AC since his appointment.

Changes in the composition of the Board in 2023

- Marc De Ceuster and Raf Sels were appointed as directors for a four-year term of office, replacing Katelijn Callewaert and Marc Wittemans, respectively.
- Koenraad Debackere and Franky Depickere were re-appointed as directors for a new four-year term of office.

Changes in the composition of the committees of the Board in 2023

Marc De Ceuster was appointed as member and Chairman of the Audit Committee (replacing Marc Wittemans).

Proposed changes in the composition of the Board in 2023

On the advice of the Nomination Committee, Alain Bostoen, Erik Clinck, Sonja De Becker, Frank Donck and Liesbet Okkerse are nominated for reappointment as directors for a new term of office, expiring after the general meeting in 2027, and Theodoros Roussis is nominated for reappointment as director for a new term of office, expiring after the general meeting in 2025.

Composition of the EC (as at 31-12-2023)

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 2023, 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 08 February 2023, the relevant minutes of which are provided below:

  The Board discusses upon the proposal of the Remuneration Committee as to the individual performance score of the ExCo members (except the CEO). The Board agrees.

  The CEO then leaves the meeting and the Board discusses and agrees upon the proposal of the Remuneration Committee as to the individual performance score of the CEO.

  The Chair further explains that the Remuneration Committee discussed the (collective) ExCo KPI's for 2022 and came to a global score of 97.79% (compared to 96.4% in 2021). As for the CRO the risk & control parameters count double and the business parameters are not taken into account (due to regulatory requirements), the final score for the CRO is 97.46%.

  During financial year 2023, the Board's decision to grant discharge to the Executive Committee members – in implementation of Article 7:109, §3 of the CAC – required the application of Article 7:115 of the CAC. The proposal was discussed at the Board meeting of 16 March 2023, the relevant minutes of which are provided below:

  It is explained that KBC 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 2023.
- At year-end 2023, the AC comprised the following members:
  - Marc De Ceuster (non-executive director), who holds a Doctor's degree in Applied Economics (UFSIA Antwerp) and a Master's Degree in Law (UIA Antwerp). He is Professor of Financial Economics at the University of Antwerp, Chairman

of KBC Ancora NV and Executive Director of Cera Beheersmaatschappij NV and of Almancora Beheersmaatschappij NV.

- 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 2023, 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 NBB_2022_19 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.

A list of the external offices held by the non-executive members of KBC Insurance NV as at 31 December 2023 is provided at www.kbc.com, under https://www.kbc.com/en/corporate-governance/leadership/externe-mandaten.html.

Consolidated financial statements

Abbreviations used

- AC = amortised cost
- BBA = building block approach
- CSM = contractual service margin
- FVO = fair value option (designated upon initial recognition at fair value through profit or loss)
- FVOCI = fair value through other comprehensive income
- FVPL = fair value through profit or loss
- HFT = held for trading
- IFIE = Insurance finance income and expense
- MFVPL = mandatorily measured at fair value through profit or loss
- OCI = other comprehensive income
- PAA = premium allocation approach
- POCI = purchased or originated credit impaired assets
- VFA = variable fee approach
- P&L = profit or loss

On 1 January 2023, IFRS 17 replaced the former IFRS 4 (Insurance Contracts); see Note 1.5

Consolidated income statement

(in millions of EUR)	Note	2023	2022
Net interest income	3.1	392	442
Interest income	*3.1*	*544*	*468*
Interest expense	*3.1*	*- 152*	*- 26*
Insurance revenues before reinsurance	3.6	2 690	2 431
Non-life	3.6	*2 290*	*2 059*
Life	3.6	*400*	*373*
Dividend income	3.2	40	39
Net result from financial instruments at fair value through profit or loss	3.3	106	- 63
Net fee and commission income	3.4	90	80
Fee and commission income	3.4	*166*	*156*
Fee and commission expense	3.4	*- 76*	*- 76*
Insurance finance income and expense (for insurance contracts issued)	3.6	- 313	- 96
Net other income	3.5	78	56
TOTAL INCOME		3 082	2 890
Operating expenses (excluding directly attributable from insurance)	3.7	- 188	- 149
Total Opex without insurance tax	3.7	*- 541*	*- 483*
Total insurance tax	3.7	*- 30*	*- 26*
Minus: Opex allocated to insurance service expenses	3.7	*382*	*361*
Insurance service expenses before reinsurance	3.6	-2 123	-1 909
Insurance commissions paid	*3.6*	*- 463*	*- 421*
Non-Life	3.6	*-1 872*	*-1 735*
Of which Non-life - Claim related expenses	3.6	*-1 159*	*-1 079*
Life	3.6	*- 251*	*- 174*
Net result from reinsurance contracts held	3.6	- 90	- 20
Impairment	3.9	- 2	3
on FA at amortised cost and at FVOCI	3.9	*- 2*	*1*
on goodwill	3.9	*0*	*0*
other	3.9	*- 1*	*2*
Share in results of associated companies and joint ventures	3.10	0	0
RESULT BEFORE TAX		679	814
Income tax expense	3.11	- 152	- 179
Net post-tax result from discontinued operations		0	0
RESULT AFTER TAX		527	635
attributable to minority interests		0	0
attributable to equity holders of the parent		**527**	**635**

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.

Consolidated statement of comprehensive income

(in millions of EUR)	2023	2022
RESULT AFTER TAX	**527**	**635**
Attributable to minority interests	0	0
Attributable to equity holders of the parent	527	635
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**- 39**	**335**
Net change in revaluation reserve (FVOCI debt instruments)	392	- 1 941
Fair value adjustments before tax	505	- 2 636
Deferred tax on fair value changes	- 118	647
Transfer from reserve to net result	5	48
Impairment	*1*	*- 1*
Net gains/losses on disposal	*5*	*63*
Deferred taxes on income	*0*	*- 13*
Net change in hedging reserve (cashflow hedges)	2	- 1
Fair value adjustments before tax	2	- 2
Deferred tax on fair value changes	- 1	0
Transfer from reserve to net result	0	0
Gross amount	*0*	*0*
Deferred taxes on income	*0*	*0*
Net change in translation differences	- 12	6
Gross amount	- 12	6
Deferred taxes on income	0	0
Hedge of net investments in foreign operations	0	0
Net insurance finance income and expense from (re)insurance contracts issued	- 428	2 288
Current value adjustments before tax	- 561	3 039
Deferred taxes on CV changes	134	- 751
Transfer from reserve to net result	0	0
Gross amount	*0*	*0*
Deferred taxes on income	*0*	*0*
Net insurance finance income and expense from reinsurance contracts held	6	- 19
Gross amount	*7*	*- 25*
Deferred taxes on income	*- 2*	*6*
Net change in respect of associated companies and joint ventures	0	0
Gross amount	0	0
Deferred taxes on income	0	0
Other movements	1	2
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**154**	**- 243**
Net change in revaluation reserve (FVOCI equity instruments)	155	- 266
Fair value adjustments before tax	156	- 271
Deferred tax on fair value changes	- 1	5
Net change in defined benefit plans	- 1	22
Remeasurements	0	30
Deferred tax on remeasurements	- 1	- 7
Net change in own credit risk	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	**642**	**726**
Attributable to minority interests	0	0
Attributable to equity holders of the parent	642	726

- Revaluation reserves in 2023:
  - The net change in the ‘revaluation reserve (FVOCI debt instruments)’ came to +392 million euros, which was mainly accounted for by the lower interest rates and the unwinding effect of the negative outstanding revaluation reserve.
  - The net change in the ‘revaluation reserve (FVOCI equity instruments)’ came to +155 million euros, which was largely attributable to positive changes in fair value driven by higher stock markets.
  - The net change in translation differences of -12 million euros was caused primarily by the depreciation of the Czech koruna against the euro, partly offset by the appreciation of the Hungarian forint against the euro.
  - The net change in insurance finance income and expense for (re)insurance contracts issued and held (-422 million euros) was mainly accounted for by the lower interest rates and the unwinding effect of the outstanding positive Insurance finance income and expense through OCI.
- Revaluation reserves in 2022:
  - The net change in the ‘revaluation reserve (FVOCI debt instruments)’ came to -1 941 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)’ of -266 million euros was primarily attributable to negative changes in fair value due to lower stock markets.
  - The net change in insurance finance income and expense for (re)insurance contracts issued and held (+2 288 million euros) was mainly accounted for by higher interest rates.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2023	31-12-2022
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions	-	535	377
Financial assets	4.0	33 825	32 146
Amortised cost	*4.0*	*6 174*	*6 215*
Fair value through OCI	*4.0*	*13 238*	*13 064*
Fair value through profit or loss	*4.0*	*14 374*	*12 799*
of which held for trading	*4.0*	*21*	*26*
Hedging derivatives	*4.0*	*38*	*69*
Reinsurers' contract assets held	5.6	64	55
Profit/loss on positions in portfolios hedged for interest rate risk	-	0	0
Tax assets	5.2	80	97
Current tax assets	*5.2*	*42*	*50*
Deferred tax assets	*5.2*	*38*	*47*
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	308	302
Goodwill and other intangible assets	5.5	230	210
Other assets	5.1	297	259
TOTAL ASSETS		35 338	33 446
LIABILITIES AND EQUITY			
Financial liabilities	4.0	14 216	13 203
Amortised cost	*4.0*	*775*	*1 197*
Fair value through profit or loss	*4.0*	*13 434*	*11 999*
of which held for trading	*4.0*	*2*	*3*
Hedging derivatives	*4.0*	*7*	*7*
Insurance contract liabilities	5.6	16 786	16 184
Non-life	*5.6*	*2 924*	*2 740*
Life	*5.6*	*13 862*	*13 444*
Profit/loss on positions in portfolios hedged for interest rate risk	-	0	0
Tax liabilities	5.2	304	269
Current tax liabilities	*5.2*	*4*	*16*
Deferred tax liabilities	*5.2*	*300*	*253*
Liabilities associated with disposal groups	5.11	0	0
Provisions for risks and charges	5.7	3	2
Other liabilities	5.8	728	619
TOTAL LIABILITIES		32 037	30 277
Total equity	5.10	3 302	3 169
Parent shareholders' equity	5.10	3 302	3 169
Minority interests	-	0	0
TOTAL LIABILITIES AND EQUITY		35 338	33 446

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Minority interests	Total equity
2023								
Balance at the beginning of the period	65	1 086	- 203	801	1 420	3 169	0	3 169
Net result for the period	0	0	0	527	0	527	0	527
Other comprehensive income for the period	0	0	0	1	114	114	0	114
Subtotal	0	0	0	528	114	642	0	642
Dividends	0	0	0	- 509	0	- 509	0	- 509
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	24	- 24	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0
Total change	0	0	0	43	90	133	0	133
Balance at the end of the period	65	1 086	- 203	844	1 510	3 302	0	3 302
2022								
Balance at the beginning of the period	65	1 086	- 203	906	1 464	3 317	0	3 317
Net result for the period	0	0	0	635	0	635	0	635
Other comprehensive income for the period	0	0	0	2	89	91	0	91
Subtotal	0	0	0	637	89	726	0	726
Dividends	0	0	0	- 875	0	- 875	0	- 875
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	133	- 133	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0
Total change	0	0	0	- 105	- 44	- 149	0	- 149
Balance at the end of the period	65	1 086	- 203	801	1 420	3 169	0	3 169

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

- 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. The ‘Dividends’ item in 2023 (509 million euros) includes a gross final dividend for 2022 (308 million euros) as well as the payment of an interim-dividend of 200 million euros. We propose to the General Meeting of Shareholders of 24 April 2024 a gross final dividend for financial year 2023 of 233 million euros, bringing the total gross dividend to 433 million euros.

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	31-12-2023	31-12-2022	31-12-2021
Total	1 510	1 420	1 464
Revaluation reserve (FVOCI debt instruments)	- 553	- 946	996
Revaluation reserve (FVOCI equity instruments)	208	76	475
Hedging reserve (cashflow hedges)	0	- 2	0
Translation differences	11	24	18
Hedge of net investments in foreign operations	1	1	1
Remeasurement of defined benefit plans	45	46	24
Own credit risk through OCI	0	0	0
Insurance finance income and expense after reinsurance	1 799	2 221	- 48

Consolidated cashflow statement

(in millions of EUR)	Note[1]	2023	2022
OPERATING ACTIVITIES			
Result before tax	Cons. income stat.	679	814
Adjustments for non-cash items in profit & loss		- 27	- 888
Result before tax from discontinued operations	*Consolidated income statement*	*0*	*0*
Depreciation, impairment and amortisation of property, plant and equipment, intangible fixed assets, investment property and securities	*3.9, 4.2, 5.4, 5.5*	*43*	*35*
Profit/Loss on the disposal of investments	—	*- 12*	*- 74*
Change in impairment on loans and advances	*3.9*	*1*	*0*
Change in insurance contract liabilities (before reinsurance)	*5.6*	*- 254*	*- 426*
Change in reinsurance contract assets held	*5.6*	*90*	*20*
Change in other provisions	*5.7*	*0*	*0*
Other unrealised gains/losses	—	*106*	*- 443*
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	—	652	- 74
Changes in operating assets (excluding cash and cash equivalents)		-1 314	2 363
Financial assets at amortised cost (excluding debt securities)	*4.1*	*53*	*171*
Financial assets at fair value through OCI	*4.1*	*83*	*440*
Financial assets at fair value through profit or loss	*4.1*	*-1 577*	*1 850*
of which financial assets held for trading	*4.1*	*4*	*4*
Hedging derivatives	*4.1*	*30*	*- 47*
Reinsurance assets	—	*60*	*- 13*
Operating assets associated with disposal groups, and other assets	—	*38*	*- 37*
Changes in operating liabilities (excluding cash and cash equivalents)		1 736	-1 694
Financial liabilities at amortised cost	*4.1*	*- 420*	*198*
Financial liabilities at fair value through profit or loss	*4.1*	*1 435*	*-1 637*
of which financial liabilities held for trading	*4.1*	*- 1*	*- 2*
Hedging derivatives	*4.1*	*1*	*- 9*
Insurance contracts liabilities	*5.6*	*609*	*- 298*
Operating liabilities associated with disposal groups and other liabilities	—	*111*	*52*
Income taxes paid		- 82	- 112
Net cash from or used in operating activities		992	482
INVESTING ACTIVITIES			
Purchase of debt securities at amortised cost	4.1	-1 485	- 796
Proceeds from the repayment of debt securities at amortised cost	4.1	1 206	1 040
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)	6.6	0	- 52
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)	—	0	111
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	—	- 31	- 15
Proceeds from the sale of investment property	—	11	2
Purchase of intangible fixed assets (excluding goodwill)	—	- 26	- 19
Proceeds from the sale of intangible fixed assets (excluding goodwill)	—	2	2
Purchase of property, plant and equipment	—	- 15	- 6
Proceeds from the sale of property, plant and equipment	—	5	4
Net cash from or used in investing activities		- 333	271

(in millions of EUR)	Note[1]	2023	2022
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Cons. stat. 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. stat. of changes in equity	0	0
Dividends paid	Cons. stat. of changes in equity	- 509	- 875
Net cash from or used in financing activities		- 509	- 875
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		149	- 122
Cash and cash equivalents at the beginning of the period		387	510
Effects of exchange rate changes on opening cash and cash equivalents		- 1	- 1
Cash and cash equivalents at the end of the period		536	387
ADDITIONAL INFORMATION			
Interest paid[2]	3.1	- 152	- 26
Interest received[2]	3.1	544	468
Dividends received (including equity method)	3.2, 5.3	40	39
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Cons. balance sheet	535	377
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1	10
Reverse repos with credit institutions and investment firms at not more than three months	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	—	536	387
of which not available	—	*0*	*0*

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

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

- KBC uses the indirect method to report on cashflows from operating activities.
- 'Net cash from or used in operating activities' in 2023 included positive cashflow from operating profit and a positive net change in operating assets and liabilities. In 2022, these items primarily included a net change in operating assets and liabilities.
- 'Net cash from or used in investing activities' in 2023 mainly included additional investments in debt securities at amortised cost (-279 million euros). In 2022, these items included a reduction in debt securities at amortised cost (+244 million euros) as well as -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.
- Net cash from financing activities in 2023 and 2022 related to the dividend payment (-509 million euros and -875 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 14 March 2024 by the Board of Directors. They have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS') and present one year of comparative information. All amounts are shown in millions of euros and rounded to the million (unless otherwise stated).

The following standards became effective on 1 January 2023:

- IFRS 17, with significant consequences for KBC (see Note 1.5).
- Amendments to IAS 1 Presentation of Financial Statements: the amended IAS 1 requires that companies provide information about material accounting policies rather than a list of their main accounting policies. The impact of these amendments was limited for KBC.
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules: the amended IAS 12 provides companies with a temporary exception to the recognition and disclosure requirements for deferred tax assets/liabilities related to Pillar Two income taxes and introduces specific disclosure requirements for companies affected by this tax reform (see Note 3.11).

The following IFRS standards were issued but not yet effective in 2023. KBC will apply these standards when they become mandatory.

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

Note 1.2: Summary of material accounting policies

General / Basic principle

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

Financial assets

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

Financial assets – recognition and derecognition

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

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

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

Classification of debt instruments and equity instruments

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

Classification and measurement – debt instruments

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

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

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

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

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

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and how those policies operate in practice (in particular, whether management's strategy focuses on earning contractual interest income, maintaining a specific interest rate profile, matching the duration of the financial assets to that of the liabilities that fund those assets, or realising cashflows through the sale of the assets);
- how the performance of the portfolio is evaluated and reported to KBC's Executive Committee and Board of Directors;
- the risks that affect the performance of the business model (and the financial assets held within that model) and how those risks are managed;
- how managers of the business are rewarded (for instance, whether remuneration is based on the fair value of the assets managed or the contractual cashflows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and KBC's expectations of future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how KBC's stated objective for managing the financial assets is achieved and how cashflows are realised.

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

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

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

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

Reclassifications

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

Classification and measurement – equity instruments

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

- Mandatorily measured at fair value through profit or loss (MFVPL) – only includes equity instruments held for trading (HFT);
- Equity instruments elected to be measured at fair value through other comprehensive income (FVOCI).

There is a rebuttable presumption that all equity instruments are to be regarded as FVOCI if held for neither trading nor a contingent consideration in a business combination to which IFRS 3 applies. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis, which is interpreted by KBC as a share-by-share basis. Equity instruments categorised as FVOCI are subsequently measured at fair value, with all value changes recognised in other comprehensive income and without any recycling to the income statement, even when the investment is disposed of. The only exception applies to dividend income, which is recognised in the income statement under 'Dividend income'.

Classification and measurement – derivatives (trading and hedging)

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

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

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

Hedging derivatives
Hedging derivatives are derivatives that are specifically designated in a hedging relationship. The process for accounting for such derivatives is detailed in 'Hedge accounting'.

Financial assets – impairment

Definition of default

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

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

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

Expected credit loss model (ECL model) – general

The ECL model is used to measure impairment of financial assets.

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

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

No ECLs are calculated for investments in equity instruments.

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

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

Significant increase in credit risk since initial recognition

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

Multi-tier approach (MTA) – bond portfolio

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

- Low-credit exception: 12-month ECL is always recognised for bonds if they have a low credit risk on the reporting date (i.e. 'Stage 1'). KBC uses this exception for investment grade bonds.
- Internal rating: [only applicable if the first-tier criterion is not met] this is a relative assessment that compares the probability of default (PD) upon initial recognition to that on the reporting date. KBC does the assessment at facility level for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.

- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first two tiers of the MTA. Examples of idiosyncratic events are unexpected developments in the macroeconomic environment (including due to the coronavirus crisis), uncertainties about geopolitical events and the secondary impact of material defaults (e.g., on the suppliers, clients and employees of a defaulted company).

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

Loan portfolio

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

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

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

Measurement of ECL

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

ECL is calculated to reflect:

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

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

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

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

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

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

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

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

Purchased or originated credit impaired (POCI) assets

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

Significant judgements and uncertainties

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

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

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

Financial liabilities

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

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

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

Financial liabilities – recognition and derecognition

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

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

Financial liabilities – classification and measurement

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

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

- Financial liabilities designated by the entity as liabilities at fair value through profit or loss upon initial recognition (FVO). Under IFRS 9, a financial liability or group of financial liabilities can be measured upon initial recognition at fair value, whereby fair value changes are recognised in the income statement except for fair value changes related to changes in own credit risk, which are presented separately in OCI. The fair value designation is used by KBC for the following reasons:
  - managed on an FV basis: KBC designates a financial liability or a group of financial liabilities at fair value where it is managed and its performance is evaluated on a fair value basis. It is used to account for (unbundled) deposit components (i.e. financial liabilities that do not include a discretionary participation feature);
  - Accounting mismatch: the fair value option can be used when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases;
  - Hybrid instruments: a financial instrument is regarded as hybrid when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely-related embedded derivative from the host contract, in which case the entire hybrid instrument can be designated at fair value. This means that both the embedded derivative and the host contract are measured at fair value. KBC uses this option when structured products contain non-closely-related embedded derivatives, in which case both the host contract and the embedded derivative is measured at fair value.
- Financial liabilities measured at amortised cost (AC). KBC classifies most of its financial liabilities under this category, including those used to fund trading activities where no trading intent is present in them (e.g., issued bonds). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently, they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued but not yet paid are recorded under accruals and deferrals.

Financial liabilities – own credit risk

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

Financial liabilities – financial guarantee contract

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

Reverse repos and repos

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

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

Offsetting

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

Fair value

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

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

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

Hedge accounting

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

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

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

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

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

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

Insurance contracts

General

KBC applies all the requirements of IFRS 17 as from 1 January 2023.

Scope

In order to qualify as an insurance contract, the associated insurance risk must be significant even if the insured event is extremely unlikely to occur, for example catastrophic events such as earthquakes. Whether insurance risk is significant is assessed on initial recognition of each individual contract on a present value basis.
In general, the following types of contracts within KBC are in scope of IFRS 17: Non-life insurance contracts, reinsurance contracts (accepted and held), Life insurance contracts being the non-unit-linked contracts, the unit-linked contracts, the hybrid products and investment contracts with discretionary participating features if issued by a KBC insurance entity.
In general, the following types of contracts are out of scope of IFRS 17: investment contracts without discretionary participating features (IFRS 9), most unit-linked contracts of KBC Insurance Belgium (IFRS 9) as these insurance contracts do not contain significant insurance risk, credit cards including certain cover issued by a KBC bank entity (IFRS 15), and roadside assistance contracts (IFRS 15).
Distinct non-insurance components are separated from the insurance components in the contract and thus accounted for in accordance with the appropriate IFRS.

Level of aggregation

IFRS 17 calculations are performed at an aggregated level, rather than contract by contract, taking into account the following four dimensions:

- IFRS 17 portfolio (aggregation of contracts subject to similar risks and managed together);
- Annual cohorts (the year in which the policy was taken out);
- Profitability of the group of contracts (onerous, profitable, doubtful; assessed at inception);
- Set of contracts (aggregation of contracts with a homogeneous profitability expectation).

Aggregation by IFRS 17 portfolio
IFRS 17 portfolios are country-specific and driven by the local product mix (similar risks) and the way in which the local insurance business is managed (managed together). As a minimum, the portfolios are broken down as follows:

- Life
    - Unit-linked
    - Non-unit-linked
    - Hybrid products
- Non-life insurance
    - Personal insurance
    - Liabilities – MTPL
    - Liabilities – other than MTPL
    - Property (including other) other than fully comprehensive
    - Fully comprehensive
    - Accepted reinsurance
- Reinsurance contracts held

Aggregation by annual cohort
KBC applies annual cohorts (a cohort is a time bucket of contracts issued in the same year), aligned with the start and end of the financial year of KBC. On 23 November 2021, the EU published a Regulation endorsing IFRS 17 Insurance Contracts, including the amendments to the original IFRS 17 and a solution for the annual cohort requirement for certain types of insurance contracts, for use in the European Union. KBC will not apply the European optional exemption from the annual cohort requirement.

Aggregation by group of contracts: onerous, profitable or doubtful

BBA and VFA – Expected profitability on initial recognition
For contracts measured according to the Building Block Approach (BBA, see below) and the Variable Fee Approach (VFA, see below), the allocation to the onerous, profitable or doubtful group of contracts (GoC) is determined based on the presence of a Contractual Service Margin (CSM is the unearned profit in the group of contracts at inception) under different risk adjustment levels (i.e. compensation for uncertainty in the amount and timing of future cashflows):

- If CSM < 0 when risk adjustment is calculated at a 75% confidence level, the onerous group of contracts;
- If CSM > 0 when risk adjustment is calculated at a 75% confidence level; AND
    - If CSM < 0 when the risk adjustment is calculated at a 90% confidence level, the doubtful group of contracts;
    - If CSM > 0 when risk adjustment is calculated at a 90% confidence level, the profitable group of contracts.

PAA – Expected profitability on initial recognition
For the Premium Allocation Approach (PAA), facts and circumstances indicating that the group of contracts can be onerous is assessed by the IFRS 17 expected economic combined ratio being more than 100%. This ratio differs from the externally published combined ratio. The IFRS 17 expected economic combined ratio is calculated for a set of contracts on an annual basis. Consequently, the new business of a year is assigned to one specific group of contracts under IFRS 17. In exceptional cases, when qualitative information reveals facts and circumstances indicating a negative trend in the IFRS 17 expected economic ratio, a recalculation is performed during the financial year.

Aggregation by set of contracts
A set of contracts is an aggregation of contracts with a homogeneous profitability expectation. A set of contracts (SoC) is defined such that the conclusion on the expected profitability of the SoC and the associated classification (i.e. profitable, doubtful or onerous) equals the conclusion that would have been reached if the expected profitability assessment had been carried out at the level of the individual contract.

Recognition – derecognition

KBC recognises a group of insurance contracts (and accepted reinsurance contracts) it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due;
- For a group of onerous contracts, when the group becomes onerous.

If there is no contractual due date, the first payment from the policyholder is deemed to be due when it is received.
As time progresses in the cohort, new business can be added to a group of contracts if it meets the initial recognition criteria.
KBC recognises a group of reinsurance contracts held from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held;
- The date the entity recognises an onerous group of underlying insurance contracts, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

KBC delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.
An insurance liability is derecognised from the balance sheet when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Valuation

IFRS 17 applies uniform measurement principles for insurance liabilities that take into account the insurance contract characteristics.

- The general model, the Building Block Approach (BBA), is applied to most Life products.
- The optional Premium Allocation Approach (PAA) is a simplified measurement model that can be used when meeting the PAA eligibility criteria and is applied to most Non-life products and reinsurance contracts.
- The Variable Fee Approach (VFA) is an adjusted Building Block Approach for Life insurance contracts where cashflows to be paid to the policyholder significantly depend on the return of the invested assets. This is a mandatory measurement model when fulfilling the VFA eligibility criteria and is applied to unit-linked products and some hybrid products of Central European entities.

Only one measurement model can be applied to each IFRS 17 portfolio.

The insurance liabilities represent all rights and obligations arising from insurance contracts issued and consist of two components, namely a Liability for Remaining Coverage (LRC) and a Liability for Incurred Claims (LIC).

Measurement of Life insurance liabilities

The Life insurance liabilities are mostly valued according to either the BBA or the VFA model:

- valuation according to the BBA is applied to calculate the liability for non-unit-linked life insurance contracts and for some hybrid products.

- Valuation according to the VFA is applied in Central European entities to calculate the liability for unit-linked contracts and some hybrid products where the cashflows to be paid to the policyholder depend significantly on the return of the invested assets.

Valuation according to the Building Block Approach (BBA)

The insurance liability consists of the following four blocks:
- Actuarially estimated value of expected future cashflows;
- Discounting to convert the estimation into a present value;
- Risk adjustment as compensation for the uncertainty in the amount and timing of the expected future cashflows;
- Contractual Service Margin (CSM), being the unearned profit that is released from the balance sheet in P&L over the term of the contract based on services provided, i.e. there are no day one gains.

Estimation of expected future cashflows

The basic principle is that Solvency II cashflows are used to ensure consistency with IFRS 17. The IFRS 17 estimation of future cashflows deviates from Solvency II on the following points:
- Under Solvency II all expenses are included in the Best Estimate. Under IFRS 17 expenses are divided into directly attributable costs and non-directly attributable costs. Directly attributable costs are expenses directly related to insurance contracts. Only these directly attributable costs are included in the estimation of expected future cashflows.
- Under Solvency II contracts where the insurer is at risk, tacit renewals and contracts where the coverage period starts in the future are within the Solvency II contract boundary. Under IFRS 17 cashflows are within the contract boundary if they arise from rights and obligations that exist during the reporting period
    - in which the entity can compel the policyholder to pay the premiums; or
    - in which the entity has a substantive obligation to provide services.

Contracts under which the insurer provides cover, i.e. under which the insurer is at risk, are within the IFRS 17 contract boundaries. Tacit renewals for Non-life insurance contracts and contracts with a coverage period starting in the future are outside the IFRS 17 contract boundaries.
Level of aggregation of projected cashflows: the Solvency II aggregation levels are Lines of Business (LoBs) and risk buckets. The IFRS 17 unit of account is based on portfolios, cohorts and expected profitability.

Discounting – time value of money

A discount rate is created per currency that is in line with the currency of the cashflows. The starting point for the creation of the curves are observable market prices of a set of assets with multiple durations.
The inflation assumptions for the nominal cashflows and the discount rates are consistent. Inflation is taken into account in the projection of the cashflows. Notwithstanding the reference to 'cashflows', the standard allows the same discount curve to be applied to all cashflows in the same contract. This simplification is applied at KBC.

For cashflows that vary with underlying items, the discount rate is determined by means of a top-down approach. Cashflows that vary with underlying items are typically cashflows such as interest-rate guarantees on future premiums that are not fixed at inception of the contract, future profit sharing, future lapses, etc. A top-down approach is achieved by using a risk-free rate adjusted with a spread based on a reference portfolio of assets. Such a portfolio is based on the current asset mix an entity holds. In addition, the discount curve must only reflect the characteristics of the insurance liabilities. The risk-taking curve is adjusted to exclude the part not related to the insurance liabilities.
Per currency, a Last Liquid Point (LLP) is set at the level of KBC that is consistent for all entities. The LLPs per currency are defined by taking the last available tenor for the risk-free rate in the relevant currency.

For long-term Life insurance contracts, the cashflows are modelled over a duration of 110 years. The Ultimate Forward Rate (UFR) is the rate of the 110-year tenor to which the discount curve must converge. This UFR is defined as the sum of an expected real rate and an expected inflation rate.

For cashflows that do not vary with underlying items, KBC chooses to apply the bottom-up approach. The bottom-up approach is determined by adding an illiquidity premium on top of a risk-free rate, so that the discount curve reflects the illiquidity characteristics of the insurance contract liabilities. This approach is used for Non-life liabilities for incurred claims. The illiquidity premium is the premium demanded by the policyholder because the insurance contract liabilities cannot be easily converted into cash at fair market value.

Risk adjustment of Life insurance liabilities

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cashflows that arises from non-financial risk. It is a buffer on top of the Best Estimate future cashflows which represents a 50% probability of being able to fulfil future obligations and thus also a 50% probability of not being able to meet future obligations for outstanding contracts.

Life insurance liabilities are characterised by (long-term) cashflows based on biometric parameters. The risk adjustment is defined as the difference between the Value at Risk (VaR) and the best estimate of future cashflows as part of the fulfilment cashflows. The VaR is calculated at a 75% confidence level. Non-financial risks included in the VaR model are mortality risk, longevity risk, morbidity/disability risk, lapse risk, expense risk and revision risk. The correlations between the different risk types are in line with the correlation matrix of Solvency II.

Contractual service margin

The contractual service margin (CSM) represents the unearned profit the insurer will recognise in P&L as services are provided under the insurance contracts. The CSM is recognised in the balance sheet as part of the insurance liability on initial recognition in order to avoid a day one gain. The CSM on the balance sheet is released gradually over time, on the basis of services provided in the period, and should be zero at the end of the coverage period for a group of contracts.
The CSM release pattern is based on coverage units in the GoC. The number of coverage units is the quantity of services provided by the insurer under the contracts in that GoC, determined by considering for each contract the quantity of the benefits provided to the policyholder under a contract and its expected coverage period. The CSM amount recognised in P&L is the amount of coverage units allocated to the current period for the insurance coverage provided in the current period. The number of coverage units is reassessed at the end of each reporting period to reflect the most up-to-date assumptions of the contract.
KBC has opted to reflect the time value of money on coverage units. By discounting the coverage units, a more stable allocation of the CSM to P&L is achieved. For contracts providing multiple services, i.e. insurance coverage, investment return services and investment management services, KBC works with so-called ‘multivariate coverage units’, taking the following into consideration:

- Coverage units are determined based on the individual benefit components separately;
- Weights are assigned to each component to reflect an appropriate level of service to be provided.

Such weightings appropriately reflect the release of CSM based on the quantity of the benefits provided for each service. Analogous to coverage units, these weights are also reassessed at the end of each reporting period.
Coverage units cannot be negative. They have a positive sign and are floored to zero. In case of zero coverage units in a given period, no CSM is allocated to P&L as no services have been provided in the period. This is possible in some cases, for instance where contracts provide for ‘waiting periods’. In such cases, the contract has been signed by the policyholder but there is a mandatory waiting period for the client to be able to benefit from insurance coverage.

Valuation according to the Variable Fee Approach (VFA)

Under the VFA, the CSM mainly reflects the fee that KBC expects to earn on the market value of the Assets under Management (AUM), also referred to as ‘underlying items’. The CSM is determined as the net of the fair value of the underlying items and the total entity obligation to the policyholder. The change in the variable fee that impacts the CSM is determined as the net of:

- the change in the fair value of the underlying items; and
- the change in the total entity obligation to the policyholder.

KBC applies the simplification of a combined amount rather than the different CSM unlocking adjustments separately.
Under the VFA, the difference in measurement from BBA lies in the subsequent measurement of direct participating contracts. All changes in fulfilment cashflows are absorbed by the CSM, until the CSM becomes negative and a loss is recognised in P&L.

In Belgium, the insurance company has discretion over the amount of profit sharing allocated to policyholders. The policyholder does not have an ‘enforceable right’ to participate in the returns of the insurance company, which means that the VFA eligibility criteria are not fulfilled and the BBA is applied.

Measurement of Non-life insurance liabilities

Valuation according to the PAA is applied for the liability for most Non-life products. The PAA Liability for Remaining Coverage (LRC) reflects the premium receipts and the acquisition cashflows adjusted for amounts recognised in the income statement on a pro rata temporis basis. When an insured claim arises, a Liability for Incurred Claims (LIC) is recognised, which is similar to the BBA LIC (see below). In the case of onerous contracts, an additional liability to cover expected future losses is added to the LRC on the balance sheet and a loss is recognised immediately in P&L.

Valuation according to the Premium Allocation Approach

The PAA LRC reflects only premiums received and acquisition cashflows. As such, to appropriately present the insurance liability on a cash basis, an adjustment is performed by netting insurance payables and receivables against the LRC value.
Under the PAA, KBC will not make use of the option to expense acquisition costs when incurred. At the end of each reporting period, acquisition cashflows are amortised (i.e. recorded as an insurance service expense) and some of the premium receipts are earned (i.e. recorded as insurance revenues). Both components of the LRC are allocated to P&L on the basis of passage of time or the expected timing of incurred claims and benefits, if that pattern better reflects the release from risk.

Measurement of the Liability for Incurred Claims (LIC) for claims outstanding

The Liability for Incurred Claims is measured separately. A discounted best estimate of future cash outflows subject to a risk adjustment as a safety margin is provisioned on the balance sheet. No CSM is included in the LIC as there is no future coverage in scope of the liabilities for incurred claims, i.e. it contains fulfilment cashflows related to past service.
A provision for the internal cost of settling claims is included, which is calculated as a percentage based on past experience. The risk adjustment for Non-life insurance liabilities is only calculated for claims incurred. Consequently, only reserve risk is taken into account. Comparable with Life insurance liabilities, a Value at Risk method (VaR) is used, but here it is calculated at a 90% confidence level.

Subsequent measurement

BBA/VFA – Liability for Remaining Coverage

At the end of each reporting period, subsequent to initial recognition, KBC updates its estimates and assumptions to reflect the most up-to-date situation. As a result of these updates, the carrying amount of fulfilment cashflows will vary from one period to another.
Subsequent measurement under BBA/VFA for the LRC is driven by:

- experience adjustments – either absorbed by the CSM (i.e. related to future service) or recorded in the insurance result (i.e. related to current or past service) – and portfolio rollforward;
- non-economic parameter updates to the fulfilment cashflows;
- economic parameter updates to the fulfilment cashflows;
- CSM release.

PAA – Liability for Remaining Coverage

Under the PAA, the LRC is unwound on a pro rata temporis basis to obtain the so-called ‘earned premiums’, i.e. the premium reserve and the deferred acquisition commission reserve. At the end of each reporting period, acquisition cashflows are amortised (i.e. recorded as an insurance service expense) and some of the premium receipts are earned (i.e. recorded as insurance revenues). Both components of the LRC are allocated to P&L on the basis of passage of time or the expected timing of incurred claims and benefits, if that pattern better reflects the release from risk.

BBA/VFA/PAA – Liability for Incurred Claims

Any changes to the Liability for Incurred Claims are recorded in the income statement. Depending on the driver of such changes, they are recorded in:

- Insurance service expenses. Main drivers: updates of fulfilment cashflows, i.e. higher or lower total expected claim payments, changes in the statistical percentage of internal claims handling expenses, etc.; or
- Insurance finance income and expense. Main drivers: a change in the discount rate, interest from deposits at the ceding company.

Other matters

KBC has opted for a year-to-date approach, i.e. a recalculation of previously reported quarters, with the impact of the recalculation being included in the current period.
KBC chooses to disaggregate insurance finance income and expense between P&L and OCI. This means recognising in P&L the interest expense on the insurance liability over the reporting period, with this interest expense being calculated using the locked-in rate (i.e. the rate curve applicable at the inception of the IFRS 17 contract) and recognising in OCI the impact of changes in the market interest rate over the reporting period.

The liability position of insurance contracts and the asset position of reinsurance contracts is presented in the balance sheet on a received basis. Reinsurance contracts held are required to be accounted for and presented separately from the underlying contracts to which they relate.
Upon the acquisition of another insurance company or a portfolio transfer, the consideration received or paid partly consists of the Value of Business In-force (VBI). Insurance contracts acquired in a business combination are measured in the same way as insurance contracts issued by the entity except that the fulfilment cashflows are recognised at the acquisition date.

Leasing

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

Equity

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

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

KBC can buy back its own shares within the legal framework. These treasury shares (ordinary shares) are initially recognised on the balance sheet on the transaction date under the 'treasury shares' heading. The acquisition price (including transaction costs) is deducted from equity. The dividend income from 'treasury shares' is recognised in equity.

Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

Net fee and commission income

Most net fee and commission income falls under the scope of IFRS 15 (Revenue from Contracts with Customers), as it relates to the services that KBC provides to its clients and is outside the scope of other IFRS standards. For the recognition of revenue,

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

Levies

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

Income tax

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

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

Current tax assets/liabilities

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

Deferred tax assets/liabilities

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

Property and equipment

Property and equipment are recognised initially at cost (including directly allocable acquisition costs). KBC subsequently measures property and equipment at the initial cost less accumulated depreciation and impairment. The rates of depreciation are determined on the basis of the estimated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use. Property and equipment are derecognised upon disposal or when the relevant asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses upon derecognition are recognised in the income statement in the period in which derecognition occurs.
Property and equipment are subject to impairment testing when there is an indication that the asset might have been impaired.

Depreciation charges, impairment losses and gains or losses on disposal are recognised under 'Operating expenses' in the income statement, with the exception of assets that are leased under operating leases (KBC as a lessor), for which the costs are recognised in 'Other net income'. Where a disposal falls within the definition of a discontinued operation, the net results are reported in a single line in the income statement (see 'Discontinued operations' below).

Investment property

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

Intangible assets

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

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

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

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

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

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

Impairment of non-financial assets

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

Consolidated financial statements / interim financial statements

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

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

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

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

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

Business combinations and goodwill

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

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. In order to complete the acquisition accounting and determine the goodwill item, KBC applies a measurement period of 12 months. The classification of the financial assets acquired

and financial liabilities assumed in the business combination is based on the facts and circumstances existing at the acquisition date (except for lease and insurance contracts, which are classified on the basis of the contractual terms and other factors at the inception of the relevant contract).
Goodwill is presented under 'Goodwill and other intangible assets' and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or when there is objective evidence (external or internal) that it should be impaired. If the acquisition accounting is not complete because the 12-month measurement period has not elapsed, the goodwill is not considered as final and is only tested if there is objective evidence that the provisional goodwill is impaired.
For the purpose of testing goodwill for impairment, it is allocated to each of KBC's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units. An impairment loss is recognised if the carrying value of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed.

Effects of changes in foreign exchange rates

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

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

Related-party transactions

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

Note 1.3: Critical estimates and significant judgements

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

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are found in, but not limited to, notes 1.4, 1.5, 3.3, 3.6, 3.9, 3.11, 4.2, 4.4–4.8, 5.2, 5.5–5.7, 5.9 and 6.1.

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

Note 1.4: Climate-related information

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', 'Focus on the climate' and 'Additional information' under 'EU Taxonomy – detailed tables' 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 3.6: Insurance results
- Note 3.9: Impairment
- Note 4.1: Financial assets and liabilities, breakdown by portfolio and product
- Note 5.4: Property and equipment and investment property
- Note 5.5: Goodwill and other intangible assets
- Note 5.9: Retirement benefit obligations

Note 1.5: IFRS 17 transition

Background information

On 1 January 2023, the new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) are mandatory for the reporting period beginning on 1 January 2023, replacing IFRS 4. The reference figures of 2022 in this report have been restated accordingly. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. For more information, see 'Summary of material accounting policies' in this report.

Impact of the first-time adoption of IFRS 17 on 1 January 2022

The full net impact (after tax) on parent shareholders' equity of the transition to IFRS 17, including the reclassification of financial assets (IFRS 9), came to -673 million euros as a result of:
- IFRS 17 valuation differences: the negative impact on equity (-1 485 million euros before tax; -1 102 million euros after tax) caused by the transition to IFRS 17 is attributable to the Life business (-1 857 million euros before tax), partly offset by the Non-life business (+372 million euros before tax).
- The first-time adoption of IFRS 17 also permits a reclassification of financial assets available to the insurance companies in order to avoid an accounting mismatch between assets and liabilities. As a result, bonds in the amount of 5 234 million euros were transferred from 'Financial assets at amortised cost' to 'Financial assets at FVOCI', whereas bonds in the opposite direction amounted to 2 235 million euros. This translated into a positive net impact after tax of 428 million euros on equity. As a general principle, KBC has decided to classify bonds used to hedge Life insurance liabilities as FVOCI, and bonds used to hedge Non-life insurance liabilities as amortised cost (90%) and FVOCI (10%).
- The first-time adoption of IFRS 17 also resulted in the abolition of 'Financial assets at fair value – overlay approach', leading to a transfer of shares in the amount of 1 366 million euros to 'Financial assets at fair value through OCI' (FVOCI). The transfer does not have a net impact on equity, but it does result in a shift from 'Retained earnings' (-71 million euros, pertaining to impairment recognised in the past) and the 'Revaluation reserve (FVPL equity instruments) – overlay approach' (496 million euros) to the 'Revaluation reserve (FVOCI equity instruments)'.

For more information, see note 6.10 in the 2022 annual report.

FY 2022 restated figures for IFRS 17

As a consequence of the IFRS 17 implementation, the income statement of KBC Insurance has been updated to include the new items introduced by IFRS 17 (e.g., insurance revenues, insurance finance income and expense, and insurance service expenses). Other income statement line items that were related to IFRS 4 have been excluded or are presented differently.

The full net impact on the result after tax of 2022 due to the restatement to IFRS 17, including the reclassification of financial assets (IFRS 9), came to +75 million euros, as a result of:

- IFRS 17 valuation differences: the positive impact on the result after tax (+223 million euros before tax) caused by the transition to IFRS 17 is attributable to the Life business (+166 million euros before tax) and the Non-life business (+57 million euros before tax).
- The abolition of 'Financial assets at fair value – overlay approach' (leading to a transfer of the equity instruments to FVOCI) had a negative impact on the result before tax of 2022 of -86 million euros, as realized gains and impairments on these transferred equity instruments are no longer transferred to the income statement.
- Deferred income tax on these items: -62 million euros.

Parent shareholders' equity per 31 December 2022 under IFRS 17 came to 3 169 million euros, +1 012 million euros compared to parent shareholders' equity under IFRS 4 on the same date, as a result of (all amounts after tax):

- Impact of the first-time adoption of IFRS 17 on 1 January 2022: -673 million euros.
- Difference between the result after tax of 2022 under IFRS 17 compared to IFRS 4: +75 million euros (see above).
- Correction for the result of the overlay approach: +86 million euros, as this result is excluded under IFRS 17 (hence is part of the +75 million euros difference in result after tax) but has no net impact on equity since it is now included directly in equity without transferring to the income statement.
- Impact on OCI of -744 million euros in 2022 of reclassified bonds transferred from 'Financial assets at amortised cost' to 'Financial assets at fair value through OCI', mainly accounted for by higher interest rates.
- Increase in insurance finance income and expense through OCI after reinsurance by +2 269 million euros in 2022, mainly accounted for by higher interest rates.

For more information at KBC Group level, see the press release issued on 18 April 2023 at www.kbc.com.

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)	2023	2022
Total	392	442
Interest income	544	468
Interest income on financial instruments calculated using the effective interest rate method		
Financial assets at AC	250	133
Financial assets at FVOCI	267	308
Hedging derivatives	20	15
Financial liabilities (negative interest)	0	11
Other	0	0
Interest income on other financial instruments		
Financial assets MFVPL other than held for trading	0	0
Financial assets held for trading	7	1
Of which economic hedges	*6*	*1*
Other financial assets at FVPL	0	0
Interest expense	- 152	- 26
Interest expense on financial instruments calculated using the effective interest rate method		
Financial liabilities at AC	- 142	- 6
Financial assets (negative interest)	0	- 8
Hedging derivatives	- 4	- 11
Other	- 1	0
Interest expense on other financial instruments		
Financial liabilities held for trading	- 6	- 1
Of which economic hedges	*- 6*	*- 1*
Other financial liabilities at FVPL	0	0
Net interest expense relating to defined benefit plans	1	0

Note 3.2: Dividend income

(in millions of EUR)	2023	2022
Total	40	39
Equity instruments MFVPL other than held for trading	0	0
Equity instruments held for trading	0	0
Equity instruments at FVOCI	40	39

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

(in millions of EUR)	2023	2022
Total	106	- 63
Breakdown by IFRS portfolio		
Financial instruments MFVPL other than held for trading	1 152	- 1 960
Financial instruments mandatorily at fair value through profit or loss other than HFT	1 152	- 1 960
Trading instruments (including interest on non-ALM trading derivates and fair value changes on all trading instruments)	0	4
Financial instruments at fair value through profit or loss	- 1 054	1 893
Foreign exchange trading	6	- 1
Fair value adjustments in hedge accounting	1	1
Hedge accounting broken down by type of hedge		
Fair value micro hedges	1	1
Changes in the fair value of the hedged items	*30*	*- 57*
Changes in the fair value of the hedging derivatives	*- 29*	*58*
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
Breakdown by driver		
MTM ALM derivatives and other	11	3
Market value adjustments (xVA)	0	0
Result on investment backing UL contracts - under IFRS17	96	- 65

- ALM hedging derivatives (recognised in hedge accounting): the interest component of these derivatives is recognised under ‘Net interest income’. Fair value changes in hedging derivatives, excluding those for which an effective cashflow hedge relationship exists, are recognised under ‘Net result from financial instruments at fair value through profit or loss’. Under fair value hedge accounting, changes in the fair value of hedged assets are also recognised under this heading, and offsetting takes place insofar as the hedge is effective. ALM hedging derivatives not recognised in hedge accounting (and therefore classified as trading instruments) are treated in the same way, except most of the related assets are not recognised at fair value (i.e. not marked-to-market).
- Day 1 profit: when the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit) is taken to profit or loss. If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit is reserved and is released in profit or loss during the life and until the maturity of the financial instrument. This day 1 profit involves limited amounts.
- Foreign exchange trading includes the realised and unrealised foreign exchange results (when the monetary assets and liabilities are revalued), regardless of the IFRS portfolio, except for financial assets and liabilities measured at fair value through profit or loss, for which the revaluation is included in the fair value correction. Note that (unrealised) foreign exchange gains/losses on insurance contract liabilities are recognised under ‘Insurance finance income and expense (for insurance contracts issued)’.
- ‘Investment result for unit-linked insurance contracts under IFRS 17’ is fully composed, and ‘Financial instruments at fair value through profit or loss’ is partly composed, of the changes in fair value of underlying assets of long-term unit-linked contracts in Central and Eastern Europe (measured using the VFA under IFRS 17). The offsetting impact of the changes in fair value of the relevant unit-linked liabilities is included in ‘Insurance finance income and expense’ in P&L (see also Note 3.6.1).
- The effectiveness of the hedge is determined according to the following methods:
  - For fair value micro hedging, we use the dollar offset method on a quarterly basis, with changes in the fair value of the hedged item offsetting changes in the fair value of the hedging instrument within a range of 80%–125%.
  - For cashflow hedges, we compare the designated hedging instrument with a perfect hedge of the hedged cashflows on a prospective (by BPV measurement) and retrospective basis (by comparing the fair value of the designated hedging instrument with the perfect hedge). The effectiveness of both tests must fall within a range of 80%–125%.
  - We use the rules set out in the European version of IAS 39 (carve-out) to assess the effectiveness of fair value hedges for a portfolio of interest rate risk. IFRS does not permit net positions to be reported as hedged items, but does allow hedging instruments to be designated as a hedge of a gross asset position (or a gross liabilities position, as the case may be). Specifically, we make sure that the volume of assets (or liabilities) in each maturity bucket is greater than the volume of hedging instruments allocated to the same bucket.

Note 3.4: Net fee and commission income

(in millions of EUR)	2023	2022
Total	90	80
Fee and commission income	166	156
Fee and commission expense	- 76	- 76
Breakdown by type		
Asset Management Services	80	73
Fee and commission income	*143*	*135*
Fee and commission expense	*- 64*	*- 62*
Banking Services	- 6	- 6
Fee and commission income	*2*	*3*
Fee and commission expense	*- 8*	*- 9*
Other	*16*	*13*
Fee and commission income	*20*	*18*
Fee and commission expense	*- 4*	*- 5*

‘Asset management services’ contains management fees, entry fees and distribution fees for investment funds and unit-linked life insurance under IFRS 9. ‘Banking services’ contains credit- and guarantee-related fees, payment transaction fees, network income, securities-related fees, distribution fees paid for banking products and fees for other banking services. Distribution fees paid for insurance products (Life and Non-life under IFRS 17) are recognised in the income statement under ‘Insurance service expenses before reinsurance’ (see Note 3.6). ‘Other’ comprises distribution fees of third-party insurers (not under IFRS 17) and platformication income.

Note 3.5: Net Other income

(in millions of EUR)	2023	2022
Total	78	56
of which gains or losses on		
Sale of financial assets measured at amortised cost	- 1	- 22
Sale of debt instruments at FVOCI	- 5	- 63
Repurchase of financial liabilities measured at amortised cost	0	0
of which other, including:	84	142
Income from VAB Group	52	51
Gain on sale real estate subsidiary (KBC Vastgoed Nederland)	0	68
Net rental income	14	12

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 3.6: Insurance results

Note 3.6.1: Insurance profitability – P&L

- The changes in the fair value of investment-linked insurance contracts, measured using the Variable Fee Approach under IFRS 17 (known as ‘unit-linked insurance contracts’ in Central and Eastern Europe), impacted the following income statements:
  - ‘Net result from financial instruments at fair value through profit or loss’, where changes in the fair value of investments underlying these contracts are recognised.
  - ‘Insurance finance income and expense’, where changes in the fair value of insurance liabilities related to these contracts are recognised under ‘Changes in fair value of liabilities of unit-linked contracts measured under IFRS 17’.
- However, as these two changes in fair value fully offset each other at the level of the result before tax, developments in the aforementioned income statements are best assessed by disregarding these changes in fair value.

(in millions of EUR)	Life	*of which life direct participating (VFA)*	Non-life	Non-technical	Total
2023					
Insurance service result	**149**	***12***	***418***	**—**	**567**
Insurance revenues before reinsurance	*400*	*25*	*2 290*	*—*	*2 690*
Insurance service expenses	*- 251*	*- 12*	*- 1 872*	*—*	*- 2 123*
Of which Non-life - Claim related expenses	*—*	*—*	*- 1 159*	*—*	*- 1 159*
Investment result and insurance finance income and expenses	**151**	***0***	***63***	**—**	***233***
Investment result	**434**	***96***	***93***	***19***	***546***
Net interest income	*304*	*0*	*87*	*1*	*392*
Dividend income	*22*	*0*	*4*	*14*	*40*
Net result from financial instruments at fair value through P&L	*100*	*96*	*0*	*6*	*106*
Net other income	*10*	*0*	*2*	*- 3*	*10*
Impairment	*- 1*	*0*	*0*	*0*	*- 2*
Total insurance finance income and expenses before reinsurance	**- 283**	***- 96***	***- 30***	**—**	**- 313**
Interest accretion	*- 186*	*—*	*- 31*	*—*	*- 217*
Effect of changes in financial assumptions and foreign exchange differences	*- 1*	*0*	*1*	*—*	*- 1*
Changes in fair value re. liabilities of IFRS 17 unit linked contracts	*- 96*	*- 96*	*—*	*—*	*- 96*
Net insurance and investment result before reinsurance	**300**	***12***	***481***	**19**	**800**
Net result from reinsurance contracts held	**- 3**	**—**	**- 87**	**—**	**- 90**
Premiums paid to the reinsurer	*- 30*	*—*	*- 95*	*—*	*- 125*
Commissions received	*7*	*—*	*10*	*—*	*17*
Amounts recoverable from reinsurer	*21*	*—*	*0*	*—*	*21*
Total (ceded) reinsurance finance income and expense	*0*	*—*	*- 2*	*—*	*- 2*
Net insurance and investment result after reinsurance	**297**	***12***	**394**	**19**	**710**
Non-directly attributable income and expenses	**10**	***- 1***	**- 50**	**9**	**- 31**
Net fee and commission income	*67*	*0*	*- 2*	*24*	*90*
Net other income	*- 1*	*—*	*—*	*69*	*68*
Operating expenses (incl. insurance tax)	*- 56*	*- 1*	*- 48*	*- 83*	*- 188*
Impairment - Other	*0*	*0*	*0*	*0*	*- 1*
Share in results of assoc. comp & joint-ventures	*—*	*—*	*—*	*0*	*0*
Income tax	**—**	**—**	**—**	**- 152**	**- 152**
Result after tax	**307**	**11**	**344**	**- 124**	***527***
Attributable to minority interest	*—*	*—*	*—*	*—*	*0*
Attributable to equity holders of the parent	**—**	**—**	**—**	**—**	***527***

(in millions of EUR)	Life	*of which life direct participating (VFA)*	Non-life	Non-technical	Total
2022					
Insurance service result	**198**	***9***	**324**	**—**	**522**
Insurance revenues before reinsurance	*373*	*23*	2 059	—	2 431
Insurance service expenses	*- 174*	*- 14*	*- 1 735*	—	*- 1 909*
Of which Non-life - Claim related expenses	—	—	*- 1 079*	—	*- 1 079*
Investment result and insurance finance income and expenses	**179**	***0***	***95***	**—**	***318***
Investment result on assets	**272**	***- 65***	**99**	**43**	**414**
Net interest income	*305*	*0*	110	27	442
Dividend income	*20*	*0*	4	15	39
Net result from financial instruments at fair value through P&L	*- 65*	*- 65*	5	- 2	- 63
Net other income	*12*	*0*	- 20	1	- 8
Impairment	*0*	*0*	0	3	3
Total insurance finance income and expenses before reinsurance	**- 92**	***66***	**- 4**	**—**	**- 96**
Interest accretion	*- 157*	—	- 4	—	- 161
Effect of changes in financial assumptions and foreign exchange differences	*- 1*	*0*	0	—	- 1
Changes in fair value re. liabilities of IFRS 17 unit linked contracts	*66*	*66*	—	—	66
Net insurance and investment result before reinsurance	**377**	***10***	**419**	**43**	**840**
Net result from reinsurance contracts held	**- 1**	**—**	**- 19**	**—**	**- 20**
Premiums paid to the reinsurer	*- 28*	—	- 81	—	- 109
Commissions received	*12*	—	9	—	21
Amounts recoverable from reinsurer	*15*	—	54	—	69
Total (ceded) reinsurance finance income and expenses	*0*	—	- 1	—	- 1
Net insurance and investment result after reinsurance	**376**	***10***	**400**	**43**	**819**
Non-directly attributable income and expenses	**20**	***- 1***	**- 37**	**12**	**- 5**
Net fee and commission income	*62*	*0*	- 2	19	80
Net other income	*0*	—	—	64	64
Operating expenses (incl. insurance tax)	*- 42*	*- 1*	- 35	- 71	- 149
Impairment - Other	*0*	*0*	0	0	0
Share in results of assoc. comp & joint-ventures	—	—	—	0	0
Income tax	**—**	**—**	**—**	**- 179**	**- 179**
Result after tax	**396**	***9***	**363**	**- 124**	**635**
Attributable to minority interest	—	—	—	—	0
Attributable to equity holders of the parent	**—**	**—**	**—**	**—**	**635**

- ‘Insurance finance income and expense, before reinsurance’ includes:
  - Interest accretion on the IFRS 17 insurance liabilities, which is offset by the investment result on the corresponding assets backing these liabilities.
  - Changes in the fair value of underlying liabilities of contracts measured under the VFA, which represents the change in the fair value of unit-linked liabilities, measured under IFRS 17 (Variable Fee Approach), with the offsetting impact in the change in the fair value of underlying unit-linked assets in ‘Net result from financial instruments at fair value through P&L’ (see also Note 3.3).
- Due to the introduction of IFRS 17, ‘Operating expenses’ only include operating expenses (including insurance tax) that are not directly attributable to insurance contracts.

  Operating expenses that are directly attributable to insurance contracts are recognised in ‘Insurance service expenses’ over time (i.e. spread over the term of the relevant insurance contracts).
- The Life insurance result dropped by -89 million euros compared to 2022, greatly impacted by:
  - A reversal of loss component in 2022 for an amount of 67 million euros (before tax) mainly on modern savings products in Belgium, driven by an increase in expected profit margins as a result of higher interest rates.
  - Higher ‘Interest accretion’ (-29 million euros) as a result of rising locked-in rates (the interest rate curve applicable at inception of the IFRS 17 contract).
- The column ‘of which Life direct participating (VFA)’ relates to results of long-term investment-linked insurance contracts (known as ‘unit-linked insurance contracts’ in Central and Eastern Europe), measured according to the Variable Fee Approach (VFA method) under IFRS 17.
- The Non-life insurance result dropped by -20 million euros compared to 2022, greatly impacted by:

- An increase in 'Insurance revenues before reinsurance' (thanks to an increase in earned premiums, driven by both portfolio growth and premium increases), partly offset by an increase in 'Insurance service expenses'.
- By contrast, 2022 was negatively impacted by storms, mainly in Belgium: -89 million euros before reinsurance (-35 million euros after reinsurance), as opposed to -29 million euros before reinsurance (-34 million euros after reinsurance) in 2023. Due to the negative impact from past storms, in 2023 the result after reinsurance was lower than the result before reinsurance.

'Non-technical': includes the results from non-insurance subsidiaries, such as VAB Group and ADD. They have been included in the note for the 'insurance business' given that they are KBC Insurance subsidiaries (but as they cannot be recognised under 'Life' or 'Non-life', they are included under 'Non-technical'). 'Non-technical' also includes the investment income from equity (i.e. mainly interest income from bonds) and income tax. In 2023, the non-technical result after tax remained unchanged compared to the year-earlier figure. The non-technical result before tax was down on the year-earlier figure, primarily due to lower 'Net interest income' as a result of lower income from inflation-linked bonds and higher costs on subordinated loans.

Note 3.6.2: Insurance profitability – other comprehensive income (OCI)

(in millions of EUR)	Life	of which Life direct participa-ting (VFA)	Non-life	Non-technical	Total
2023					
Investment result (other comprehensive income) on financial assets (bonds & shares) at FVOCI	595	1	49	0	644
Total insurance finance income and expense - OCI, before reinsurance	- 538	*- 1*	- 23	—	- 561
Effect of changes in interest rates and other financial assumptions in OCI, incl. foreign exchange differences	- 537	*0*	- 23	—	- 560
Changes in fair value re. liabilities of IFRS 17 unit linked contracts - OCI	- 1	*- 1*	—	—	- 1
Net insurance and investment result before reinsurance - OCI	56	*0*	25	0	81
Total (ceded) reinsurance finance income and expense - OCI	0	—	7	—	7
Deferred tax	—	—	—	13	13
Net insurance and investment result after reinsurance - after tax - OCI	**56**	***0***	**33**	**13**	**101**
2022					
Investment result (other comprehensive income) at FVOCI	- 2 716	- 2	- 236	- 26	- 2 979
Total insurance finance income and expense - OCI, before reinsurance	2 615	*1*	424	—	3 039
Effect of changes in interest rates and other financial assumptions in OCI, incl. foreign exchange differences	2 613	*0*	424	—	3 037
Changes in fair value re. liabilities of IFRS 17 unit linked contracts - OCI	1	*1*	—	—	1
Net insurance and investment result before reinsurance - OCI	- 102	*0*	188	- 26	60
Total (ceded) reinsurance finance income and expense - OCI	0	—	- 25	—	- 25
Deferred tax	—	—	—	- 106	- 106
Net insurance and investment result after reinsurance - after tax - OCI	**- 102**	***0***	**164**	**- 132**	**- 71**

- Note that there is a (partial) compensating effect between ‘Investment result (OCI) on financial assets at FVOCI’ and the ‘Effect of changes in interest rates and other financial assumptions in OCI, incl. foreign exchange differences’. This is the result of a decision by KBC to categorise a large part of the bond portfolio backing Life insurance contracts and part of the bond portfolio backing Non-life insurance contracts as FVOCI assets, resulting in a natural hedge between investment results on financial assets at FVOCI and IFIE through OCI.
- For more information on the investment result and the change in insurance finance income and expense: see ‘Other comprehensive income’.
- In addition to the investment result of the financial assets recognised in profit or loss (Note 3.6.1) and in OCI (Note 3.6.2), results realised on FVOCI equity instruments are recognised directly in equity (see ‘Transfer from revaluation reserves to retained earnings upon realisation’ in ‘Consolidated statement of changes’). The corresponding figures for 2023 and 2022 were 24 million euros and 133 million euros, respectively.
- Significant movements in 2023:
  - The ‘Investment result (OCI) on financial assets at FVOCI’ came to +644 million euros, which was mainly accounted for by the positive development in the revaluation reserve of FVOCI debt instruments (driven by lower interest rates and the unwinding effect of the negative outstanding revaluation reserve) and to a lesser extent by the revaluation reserve of FVOCI equity instruments (positive changes in fair value driven by higher stock markets).
  - The ‘Change in insurance finance income and expense – OCI, before reinsurance’ (-561 million euros) was mainly accounted for by the lower interest rates and the unwinding effect of the outstanding positive Insurance finance income and expense through OCI.
- Significant movements in 2022:
  - The ‘Investment result (OCI) on financial assets at FVOCI’ came to -2 979 million euros, which was mainly accounted for by the negative development in the revaluation reserve of FVOCI debt instruments (higher interest rates, related primarily to government bonds of European countries) and to a lesser extent by the revaluation reserve of FVOCI equity instruments (negative changes in fair value due to lower stock markets).
  - The ‘Change in insurance finance income and expense – OCI, before reinsurance’ (-3 039 million euros) was mainly accounted for by higher interest rates.

Note 3.6.3: Insurance revenues (Life and Non-life) by component

(in millions of EUR)			2023			2022
	Total	Life	Non-life	Total	Life	Non-life
Insurance revenues for BBA and VFA contracts	406	370	36	379	343	35
Amounts related to changes in liabilities for remaining coverage	390	355	35	372	337	35
Expected claims and other insurance service expenses	*226*	*200*	*25*	*228*	*204*	*23*
Changes in risk adjustment for risk expired (non-financial risk)	*15*	*11*	*3*	*14*	*10*	*4*
CSM recognised for services provided	*150*	*143*	*6*	*131*	*123*	*8*
Recovery of insurance acquisition cashflows	16	15	1	6	6	0
Insurance revenues for contracts measured using the PAA	2 284	30	2 255	2 052	29	2 023
Total insurance revenues	**2 690**	**400**	**2 290**	**2 431**	**373**	**2 059**

- The increase in ‘Insurance revenues for contracts measured using the PAA’ of 232 million euros was attributable to an increase in earned premiums in Non-life insurance on account of both portfolio growth and premium increases.
- The increase in ‘Insurance revenues for BBA and VFA contracts’ of 27 million euros was attributable to a higher release of the CSM, the greatest impact being in Belgium due to a change made to a parameter in the insurance models in relation to the coverage units in 2023.

Note 3.6.4: Life insurance sales

(in millions of EUR)	2023	2022
Total	**2 328**	**2 071**
IFRS 17 - non-unit-linked	975	978
IFRS 17 - unit-linked	171	99
IFRS 17 - hybrid	131	115
Non-IFRS 17	1 051	880

- Non-IFRS 17 sales figures mainly refer to investment contracts without discretionary participation features (DPF), measured under IFRS 9. They concern the so-called ‘unit-linked’ insurance contracts in Belgium, for which margins are reported under ‘Net fee and commission income’.
- Hybrid products: see Note 5.6.1.
- In 2023, Life insurance sales were up 12% on the 2022 level, driven primarily by unit-linked insurance contracts in Belgium in particular (non-IFRS 17) and to a lesser extent in Hungary and Bulgaria. Growth was also seen in hybrid products, predominantly in the Czech Republic and to a lesser extent in Belgium.

Note 3.6.5: Non-life profitability by product (P&L)

(in millions of EUR)	Insurance revenues	Insurance service expenses	Insurance finance income & expense before reinsurance in P&L	Total before reinsurance	Net result from reinsurance contracts held	Total after reinsurance
2023						
Total	**2 290**	**- 1 872**	**- 30**	**388**	**- 87**	**301**
Accepted reinsurance	18	- 2	0	17	- 54	- 38
Primary business	2 272	- 1 870	- 31	371	- 33	338
Personal insurance	*274*	*- 211*	*- 4*	*59*	—	—
MTPL	*562*	*- 542*	*- 13*	*7*	—	—
Liability other than MTPL	*144*	*- 88*	*- 4*	*53*	—	—
Casco	*409*	*- 371*	*- 2*	*35*	—	—
Property incl. other than casco	*883*	*- 658*	*- 8*	*217*	—	—
2022						
Total	**2 059**	**- 1 735**	**- 4**	**320**	**- 19**	**301**
Accepted reinsurance	18	- 10	0	7	20	27
Primary business	2 041	- 1 725	- 4	313	- 39	274
Personal insurance	238	- 152	1	87	—	—
MTPL	*526*	*- 444*	*- 3*	*79*	—	—
Liability other than MTPL	*129*	*- 117*	*- 1*	*11*	—	—
Casco	*358*	*- 313*	*0*	*44*	—	—
Property incl. other than casco	*791*	*- 698*	*- 1*	*93*	—	—

- The lower total insurance finance income and expense before reinsurance in P&L was partly the result of higher ‘Interest accretion’.
- The lower accepted reinsurance result for the net result from reinsurance contracts held was partly due to an increase in reinsurance premiums payable, as well as lower reinsurance amounts recovered.

Note 3.7: Operating expenses

(in millions of EUR)	2023	2022
Total	**- 571**	**- 509**
Staff Expenses	- 262	- 245
General administrative expenses	- 286	- 244
ICT	- 102	- 86
Facility Expenses	- 29	- 22
Marketing & communication expenses	- 23	- 18
Professional fees	- 10	- 9
Insurance tax	- 30	- 26
Other	- 93	- 83
Depreciation and amortisation of fixed assets	- 22	- 20

- The table above contains the sum of ‘Total operating expenses excluding insurance tax’ and ‘Insurance tax’ from the income statement.
- 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 3.8: Personnel

	2023	2022
Total average number of persons employed (in full-time equivalents)	4 067	4 024
By employee classification		
Blue-collar staff	335	341
White-collar staff	3 706	3 658
Senior management	26	25

- The figures in the table are annual averages, which – in terms of scope – may differ from year-end figures that are provided elsewhere.

Note 3.9: Impairment (income statement)

(in millions of EUR)	2023	2022
Total	**- 2**	**3**
Impairment on financial assets at AC and at FVOCI	- 2	1
By IFRS category		
Impairment on financial assets at AC	*- 1*	*0*
Impairment on financial assets at FVOCI	*- 1*	*1*
By product		
Loans and advances	*0*	*0*
Debt securities	*- 2*	*1*
Off-balance-sheet commitments and financial guarantees	*0*	*0*
By type		
Stage 1 (12-month ECL)	*0*	*0*
Stage 2 (lifetime ECL)	*- 2*	*1*
Stage 3 (non-performing; lifetime ECL)	*0*	*0*
Purchased or originated credit impaired assets	*0*	*0*
Impairment on goodwill	0	0
Impairment on other	- 1	2
Intangible fixed assets (other than goodwill)	0	- 3
Property, plant and equipment (including investment property)	0	5
Associated companies and joint ventures	0	0
Other	- 1	- 1

Note 3.10: Share in results of associated companies and joint ventures

- No associated companies and joint ventures were recognised using the equity method in 2023 and 2022.
- Impairment on (goodwill on) associated companies and joint ventures is included in ‘Impairment’ (see Note 3.9). The share in results of associated companies and joint ventures does not therefore take this impairment into account.

Note 3.11: Income tax expense

(in millions of EUR)	2023	2022
Total	- 152	- 179
By type		
Current taxes on income	- 82	- 112
Deferred taxes on income	- 69	- 67
Tax components		
Result before tax	679	814
Income tax at the Belgian statutory rate	25.00%	25.00%
Income tax calculated	- 170	- 203
Plus/minus tax effects attributable to		
differences in tax rates, Belgium – abroad	*23*	*13*
tax-free income	*9*	*21*
adjustments related to prior years	*- 1*	*- 4*
adjustments to deferred taxes due to change in tax rate	*4*	*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)	*- 17*	*- 5*

- For information on tax assets and tax liabilities, see Note 5.2.
- On 14 December 2023, Belgium, where ultimate parent company KBC Group NV has its registered office, laid down the Pillar Two global minimum tax in statute and declared that it would take effect on 1 January 2024. Under these rules, KBC will be required to pay top-up tax (in Belgium or abroad) on the profits of its subsidiaries and permanent establishments, which are taxed at an effective tax rate of less than 15%. Based on the 2023 results, the additional top-up tax would be roughly 1% of the group's result before tax. The group has applied the temporary exception issued by the IASB in May 2023 relating to the accounting requirements for deferred taxes in IAS 12. The group will continue to monitor the effect of the Pillar Two legislation on its future financial performance.

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

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

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through other compre-hensive income (FVOCI)	Mandatorily measured at fair value through profit or loss (MFVPL) excl. HFT	Held for trading (HFT)	Desig-nated at fair value (FVO) [1]	Hedging derivatives	Total
FINANCIAL ASSETS, 31-12-2023							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	335	0	0	1	0	0	336
of which repayable on demand and term loans at not more than three months							*1*
Loans and advances to customers (excl. reverse repos)	1 927	0	0	0	0	0	1 927
Trade receivables	*1*	*0*	*0*	*0*	*0*	*0*	*1*
Consumer credit	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Mortgage loans	*872*	*0*	*0*	*0*	*0*	*0*	*872*
Term loans	*859*	*0*	*0*	*0*	*0*	*0*	*859*
Finance lease	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Current account advances	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other	*195*	*0*	*0*	*0*	*0*	*0*	*195*
Reverse repos[2]	0	0	0	0	0	0	0
Equity instruments	0	1 479	4	5	0	0	1 488
Investment contracts (insurance)[6]	0	0	14 348	0	0	0	14 348
Debt securities issued by	3 884	11 759	1	13	0	0	15 657
Public bodies	*2 036*	*8 352*	*0*	*9*	*0*	*0*	*10 397*
Credit institutions and investment firms	*786*	*1 634*	*0*	*1*	*0*	*0*	*2 420*
Corporates	*1 061*	*1 774*	*1*	*3*	*0*	*0*	*2 840*
Derivatives	0	0	0	2	0	38	41
Other[3]	29	0	0	0	0	0	29
Total	6 174	13 238	14 354	21	0	38	33 825
FINANCIAL ASSETS, 31-12-2022							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	329	0	0	1	0	0	330
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	1 997
Trade receivables	*1*	*0*	*0*	*0*	*0*	*0*	*1*
Consumer credit	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Mortgage loans	*910*	*0*	*0*	*0*	*0*	*0*	*910*
Term loans	*914*	*0*	*0*	*0*	*0*	*0*	*914*
Finance lease	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Current account advances	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other	*173*	*0*	*0*	*0*	*0*	*0*	*173*
Reverse repos[2]	0	0	0	0	0	0	0
Equity instruments	0	1 364	0	3	0	0	1 367
Investment contracts (insurance)[6]	0	0	12 772	0	0	0	12 772
Debt securities issued by	3 862	11 700	1	21	0	0	15 584
Public bodies	*1 971*	*8 255*	*0*	*17*	*0*	*0*	*10 243*
Credit institutions and investment firms	*669*	*1 409*	*0*	*1*	*0*	*0*	*2 079*
Corporates	*1 222*	*2 036*	*1*	*3*	*0*	*0*	*3 263*
Derivatives	0	0	0	0	0	69	69
Other[3]	27	0	0	0	0	0	27
Total	6 215	13 064	12 773	26	0	69	32 146

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-12-2023					
Deposits from credit institutions and investment firms (excl. repos)	13	0	0	0	13
of which repayable on demand					*0*
Deposits from customers and debt securities (excl. repos)	501	0	0	0	501
Demand deposits (incl. special and other deposits)	*0*	*0*	*0*	*0*	*0*
Time deposits	*1*	*0*	*0*	*0*	*1*
Savings accounts	*0*	*0*	*0*	*0*	*0*
Subtotal deposits of clients, excl. repos	*1*	*0*	*0*	*0*	*1*
Certificates of deposit	*0*	*0*	*0*	*0*	*0*
Savings certificates	*0*	*0*	*0*	*0*	*0*
Non-convertible bonds	*0*	*0*	*0*	*0*	*0*
Non-convertible subordinated liabilities	*500*	*0*	*0*	*0*	*500*
Repos[4]	205	0	0	0	205
with credit institutions and investment firms	*205*	*0*	*0*	*0*	*205*
with customers	*0*	*0*	*0*	*0*	*0*
Liabilities under investment contracts[6]	29	0	13 432	0	13 461
Derivatives	0	2	0	7	8
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]	28	0	0	0	28
Total	775	2	13 432	7	14 216
FINANCIAL LIABILITIES, 31-12-2022					
Deposits from credit institutions and investment firms (excl. repos)	24	0	0	0	24
of which repayable on demand					*0*
Deposits from customers and debt securities (excl. repos)	501	0	0	0	501
Demand deposits (incl. special and other deposits)	*0*	*0*	*0*	*0*	*0*
Time deposits	*1*	*0*	*0*	*0*	*1*
Savings accounts	*0*	*0*	*0*	*0*	*0*
Subtotal deposits of clients, excl. repos	*1*	*0*	*0*	*0*	*1*
Certificates of deposit	*0*	*0*	*0*	*0*	*0*
Savings certificates	*0*	*0*	*0*	*0*	*0*
Non-convertible bonds	*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]	30	0	11 996	0	12 026
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	1 197	3	11 996	7	13 203

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.
6. The difference between 'Investment contracts (insurance)' and 'Liabilities under investment contracts' is accounted for by the presentation of non-unbundled investment contracts that are included under 'Investment contracts (insurance)' on the financial assets side, but are included under 'Technical provisions (before reinsurance)' on the liabilities side.

- Transferred financial assets that continue to be recognised in their entirety: KBC regularly lends and/or sells securities with the commitment to buy them back at a later date (repo transactions). Securities lent or sold with such a commitment are transferred to the counterparty, and, in exchange, KBC receives cash or other financial assets. However, KBC retains the main risks and income relating to these securities, and, therefore, continues to recognise them on its balance sheet. In addition, a financial liability is recognised equalling the cash received.

Transferred financial assets that continue to be recognised in their entirety (carrying value, in millions of EUR)	**31-12-2023**	**31-12-2022**
Transferred financial assets that continue to be recognised in thier entirety: repo transactions and securities lent out	4 453	2 857
Held for trading	*0*	*0*
Fair value through OCI	*3 914*	*1 369*
Amortised cost	*539*	*1 488*
Associated financial liability	4,205	2,978
Held for trading	*0*	*0*
Fair value through OCI	*3 896*	*1 438*
Amortised cost	*309*	*1,540*

- KBC has more transferred financial assets on its balance sheet than repo transactions, due to the fact that the cash legs of certain repo transactions are offset against reverse repo transactions if they are carried out with the same counterparty, in the same currency and with the same maturity date. Moreover, there is a legally enforceable right, and an intention, to settle the transactions on a net basis or to realise the financial asset and settle the financial liability simultaneously.

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

Note 4.2.1: Impaired financial assets

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
31-12-2023			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	2 263	- 1	2 262
Stage 1 (12-month ECL)	2 198	0	2 198
Stage 2 (lifetime ECL)	62	0	62
Stage 3 (lifetime ECL)	3	- 1	2
Purchased or originated credit impaired assets (POCI)	0	0	0
Debt Securities	3 887	- 3	3 884
Stage 1 (12-month ECL)	3 871	- 1	3 870
Stage 2 (lifetime ECL)	15	- 2	14
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	11 763	- 3	11 759
Stage 1 (12-month ECL)	11 740	- 2	11 738
Stage 2 (lifetime ECL)	23	- 1	22
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
31-12-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	2 327	- 1	2 326
Stage 1 (12-month ECL)	2 273	0	2 273
Stage 2 (lifetime ECL)	54	0	54
Stage 3 (lifetime ECL)	0	- 1	0
Purchased or originated credit impaired assets (POCI)	0	0	0
Debt Securities	3 863	- 1	3 862
Stage 1 (12-month ECL)	3 848	- 1	3 846
Stage 2 (lifetime ECL)	15	0	15
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	11 703	- 3	11 700
Stage 1 (12-month ECL)	11 670	- 2	11 668
Stage 2 (lifetime ECL)	33	- 1	32
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0

(*) The carrying value after impairment in this note corresponds to the sum of the ‘Loans and advances to credit institutions and investment firms (excl. reverse repos)’, ‘Loans and advances to customers (excl. reverse repos)’ and ‘Reverse repos’ in Note 4.1 (in the ‘Measured at amortised cost’ column).

- Carrying value (before impairment) of loans and advances at amortised cost: decrease of 0.1 billion euros in 2023, mainly attributable to a decrease in the loan portfolio (primarily mortgage loans and term loans) due to repayments;
- Carrying value (before impairment) of debt securities at amortised cost: slight increase of 24 million euros in 2023, entirely in ‘Stage 1’.
- See also ‘Climate-related and other ESG risks’ in the ‘How do we manage our risks?’ section (the statutory auditor has not audited this section).

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
31-12-2023					
LOANS AND ADVANCES AT AMORTISED COST					
Impairment on 01-01-2023	0	0	1	0	1
Movements with an impact on results¹	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 assets³	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	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 31-12-2023	0	0	1	0	1

(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 results¹	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 assets³	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	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

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

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

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

- The table is limited to impairment on loans and advances at amortised cost, as impairment and the movements in impairment on debt securities at amortised cost and on debt securities at fair value through OCI are very limited.
- For information regarding the impact of changes in impairment on the income statement, see Note 3.9.

- 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

(in millions of EUR)	31-12-2023 Maximum credit exposure (A)	Collateral and other credit enhancements received (B)	Net (A-B)	31-12-2022 Maximum credit exposure (A)	Collateral and other credit enhancements received (B)	Net (A-B)
Subject to impairment	18 267	667	17 600	18 074	689	17 385
of which Stage 3 'non-performing' (AC and FVOCI)	*2*	*0*	*2*	*0*	*0*	*0*
Debt securities	15 643	0	15 643	15 562	0	15 562
Loans and advances (excl. reverse repos)	2 262	667	1 595	2 326	689	1 638
Reverse repos	0	0	0	0	0	0
Other financial assets	29	0	29	27	0	27
Off-balance-sheet liabilities	333	0	333	160	0	160
Irrevocable	333	0	333	160	0	160
Revocable	0	0	0	0	0	0
Not subject to impairment	56	0	56	93	0	93
Debt securities	14	0	14	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	41	0	41	69	0	69
Other financial assets	0	0	0	0	0	0
Off-balance-sheet liabilities	0	0	0	0	0	0
Total	18 323	667	17 656	18 167	689	17 478

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

Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off	Net amounts of financial instruments presented in the balance sheet	Amounts not set off in the balance sheet			Net amount
(in millions of EUR)				Financial instruments	Cash collateral	Securities collateral	
31-12-2023							
FINANCIAL ASSETS							
Derivatives	41	0	41	19	0	0	21
Derivatives (excluding central clearing houses)	*41*	*0*	*41*	*19*	*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	41	0	41	19	0	0	21
FINANCIAL LIABILITIES,							
Derivatives	8	0	8	8	0	0	0
Derivatives (excluding central clearing houses)	*8*	*0*	*8*	*8*	*0*	*0*	*0*
*Derivatives with central clearing houses **	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Repos, securities lending and similar arrangements	205	0	205	0	0	205	0
Repos	*205*	*0*	*205*	*0*	*0*	*205*	*0*
Securities lending	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	213	0	213	8	0	205	0
31-12-2022							
FINANCIAL ASSETS							
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							
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

* For central clearing houses, the offsetting procedure refers to the amount of offsetting between derivatives and related cash collateral.

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

the ‘Amounts not set off in the balance sheet’ heading) is the market value. This is the value that is used if one of the counterparties defaults, becomes insolvent or goes bankrupt.

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

Fair value of financial assets and liabilities that are not measured at fair value in the balance sheet	Financial assets measured at amortised cost		Financial liabilities measured at amortised cost	
(in millions of EUR)	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS, 31-12-2023				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	335	315	–	–
Loans and advances to customers (incl. reverse repos)	1 927	1 764	–	–
Debt securities	3 884	3 650	–	–
Other	29	29	–	–
Correction for portfolio hedge	0	–	–	–
Total	6 174	5 757	–	–
Level 1	–	2 883	–	–
Level 2	–	723	–	–
Level 3	–	2 151	–	–
FINANCIAL LIABILITIES, 31-12-2023				
Deposits from credit institutions and investment firms (incl. repos)	–	–	218	218
Deposits from customers and debt securities (incl. repos)	–	–	501	501
Liabilities under investment contracts	–	–	29	29
Other	–	–	28	28
Total	–	–	775	775
Level 1	–	–	–	0
Level 2	–	–	–	775
Level 3	–	–	–	0
FINANCIAL ASSETS, 31-12-2022				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	329	352	–	–
Loans and advances to customers (incl. reverse repos)	1 997	1 773	–	–
Debt securities	3 862	3 411	–	–
Other	27	27	–	–
Correction for portfolio hedge	0	–	–	–
Total	6 215	5 562	–	–
Level 1	–	2 735	–	–
Level 2	–	1 056	–	–
Level 3	–	1 771	–	–
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	–	–	30	30
Other	–	–	23	11
Total	–	–	1 197	1 186
Level 1	–	–	–	0
Level 2	–	–	–	1 186
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 three months. Certain fair values generated by valuation models are challenged by a team set up specifically for this purpose.
- The fair value of mortgage and term loans not measured at fair value in the balance sheet (see table) is calculated by discounting contractual cashflows at the risk-free rate. This calculation is then adjusted for credit risk by taking account of margins obtained on similar, but recently issued, loans or by using a spread derived from the listed-bond spread. The fair value of the main portfolios takes account of prepayment risks and cap options. The fair value of time deposits is calculated

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

- The difference between the fair value and the carrying value of the financial instruments at amortised cost was caused by the substantial interest rate hikes in 2022, partly offset by the decline in interest rates in 2023. As a hold-to-collect business model is applied on the assets side, interim changes in fair value are less relevant.

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

(in millions of EUR)				31-12-2023				31-12-2022
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	14 241	107	6	14 354	12 638	134	1	12 773
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	0	0	4	4	0	0	0	0
Investment contracts (insurance)	14 241	107	0	14 348	12 638	134	0	12 772
Debt securities	0	0	1	1	0	0	1	1
of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other	0	0	0	0	0	0	0	0
Held for trading	16	5	0	21	22	4	0	26
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	5	0	0	5	3	0	0	3
Debt securities	11	2	0	13	19	2	0	21
of which sovereign bonds	*8*	*1*	*0*	*9*	*16*	*1*	*0*	*17*
Derivatives	0	2	0	2	0	0	0	0
Other	0	0	0	0	0	0	0	0
Designated at fair value	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	10 239	2 458	541	13 238	10 220	2 448	395	13 064
Equity instruments	1 199	0	280	1 479	1 132	0	232	1 364
Debt securities	9 040	2 458	261	11 759	9 088	2 448	163	11 700
of which sovereign bonds	*6 929*	*1 396*	*26*	*8 352*	*6 861*	*1 353*	*40*	*8 255*
Hedging derivatives	0	38	0	38	0	69	0	69
Derivatives	0	38	0	38	0	69	0	69
Total	24 496	2 609	547	27 651	22 880	2 655	396	25 931

(in millions of EUR)				31-12-2023				31-12-2022
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	2	0	2	0	3	0	3
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	2	0	2	0	3	0	3
Short positions	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Designated at fair value	13 432	0	0	13 432	11 996	0	0	11 996
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	13 432	0	0	13 432	11 996	0	0	11 996
Other	0	0	0	0	0	0	0	0
Hedging derivatives	0	7	0	7	0	7	0	7
Derivatives	0	7	0	7	0	7	0	7
Total	13 432	8	0	13 441	11 996	11	0	12 007

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

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	Option pricing model based on observable inputs (e.g., volatilities)
	Linear financial liabilities (without optional features) – cash instruments	Deposits, simple cashflows, repo transactions	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
	Semi-liquid bonds/asset backed securities	Semi-liquid bonds/asset backed securities	BVAL, prices corroborated by alternative observable market data, or using comparable spread method
	Debt instruments	KBC IFIMA own issues (liabilities)	Discounted cashflow analysis and valuation of related derivatives based on observable inputs
	Linear financial assets (cash instruments)	Loans, commercial paper	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
Level 3	Exotic derivatives	Target profit forwards, flexible forwards, American & Asian stock options, Bermudan swaptions, digital interest rate options, quanto interest rate options, digital stock options, composite stock options, barrier stock options, quanto digital FX options, FX Asian options, FX European barrier options, FX simple digital barrier options, FX touch rebates, inflation options, Bermudan cancellable IRS, constant maturity swaps (CMS), CMS spread swaps, CMS spread options, CMS interest rate caps/floors, (callable) range accruals, auto-callable options, lookback options, commodity swaps and forwards	Option pricing model based unobservable inputs (e.g., correlation)
	Illiquid credit-linked instruments	Collateralised debt obligations (notes)	Valuation model based on correlation of probability of default of underlying assets
	Private equity investments	Private equity and non-quoted participations	Based on the valuation guidelines of the European Private Equity & Venture Capital Association
	Illiquid bonds/asset backed securities	Illiquid (mortgage) bonds/asset backed securities that are indicatively priced by a single pricing provider in an inactive market	BVAL, third-party pricing (e.g., lead manager), where prices cannot be corroborated due to a lack of available/reliable alternative market data
	Debt instruments	KBC own issues (KBC IFIMA), mortgage bonds held by ČSOB	Discounted cashflow analysis and valuation of related derivatives based on unobservable inputs (indicative pricing by third parties for derivatives)

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

- In 2023, KBC transferred 134 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 69 million euros' worth of financial assets and liabilities from level 2 to level 1. All of these reclassifications were carried out due to a change in the liquidity of government bonds and corporate bonds.
- 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 to a change in the liquidity of government bonds and corporate bonds.

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

- In 2023, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:
  - Financial assets at fair value through OCI: the fair value of debt instruments increased by 97 million euros, primarily on account of purchases. The fair value of the equity instruments rose by 48 million euros, due primarily to purchases.
- 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.

Note 4.8: Derivatives

Note 4.8.1: Trading derivatives

				31-12-2023				31-12-2022
(in millions of EUR)		Carrying value		Notional amount *		Carrying value		Notional amount *
	Assets	Liabilities	Purchased	Sold	Assets	Liabilities	Purchased	Sold
Total	2	2	52	51	0	3	40	38
Interest rate contracts	2	2	38	38	0	3	26	26
of which interest rate swaps and futures	*2*	*2*	*38*	*38*	*0*	*3*	*26*	*26*
of which options	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Foreign exchange contracts	1	0	13	12	0	0	14	12
of which currency and interest rate swaps, FX swaps and futures	*1*	*0*	*13*	*12*	*0*	*0*	*14*	*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

31-12-2023 (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]	Type			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			Total (incl. fair value changes)	Of which accumulated fair value adjustments			
Fair value micro hedge											
Interest rate swaps	700	700	38	3	- 29	Debt securities held at AC	125	1	0		
Currency and interest rate swaps	0	0	0	0	0	Loans and advances at AC	0	0	0		
						Debt securities held at FVOCI	563	- 41	30		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	0	0	0		
Total	700	700	38	3	- 29	Total			30	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	2						
Currency and interest rate swaps	0	0	0	3	0						
Total	0	0	0	3	2	Total			- 2	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.

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	Type			Change in fair value of hedged items as basis for recognising hedge ineffectiveness for the period	Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Hedging strategy	Pur-chased	Sold	Assets	Liabilities			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.

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

5.0 Notes to other balance sheet items

Note 5.1: Other assets

(in millions of EUR)	31-12-2023	31-12-2022
Total	297	259
Prepaid charges and accrued income	21	18
Other	276	240

Note 5.2: Tax assets and tax liabilities

(in millions of EUR)	31-12-2023	31-12-2022
CURRENT TAXES		
Current tax assets	42	50
Current tax liabilities	4	16
DEFERRED TAXES	**- 262**	**- 206**
Deferred tax assets by type of temporary difference	227	408
Employee benefits	2	2
Losses carried forward	0	2
Tangible and intangible fixed assets	2	5
Provisions for risks and charges	1	1
Impairment for losses on loans and advances	4	3
Financial instruments at fair value through profit or loss and fair value hedges	2	45
Fair value changes, financial assets at FVOCI, cashflow hedges and hedges of net investments in foreign operations	178	321
Insurance liabilities	36	21
Other incl. reinsurance assets	2	8
Deferred tax liabilities by type of temporary difference	490	614
Employee benefits	7	7
Losses carried forward	0	0
Tangible and intangible fixed assets	3	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	1	40
Fair value changes, financial assets at FVOCI, cashflow hedges and hedges of net investments in foreign operations	2	32
Insurance liabilities	467	516
Other incl. reinsurance assets	0	5
Recognised as a net amount in the balance sheet as follows:		
Deferred tax assets	38	47
Deferred tax liabilities	300	253
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 (-57 million euros in 2023) breaks down as follows:
  - The change in deferred tax assets of -181 million euros was accounted for chiefly by:

- A net decrease in deferred tax assets on account of changes in the revaluation reserve for financial instruments measured at fair value through OCI, cashflow hedges and hedges of net investments in foreign operations (-143 million euros), most of which was recorded directly in OCI;
- A decrease in deferred tax assets via the income statement, due in part to financial instruments at fair value through profit or loss and fair value hedges.

◦ The change in deferred tax liabilities of -124 million euros was accounted for chiefly by:

- A decrease in deferred tax liabilities for insurance contract liabilities (-49 million euros), with an amount of -120 million euros being recorded directly in OCI, which was partly offset, including via the income statement;
- A decrease in deferred tax liabilities for financial instruments at fair value through profit or loss and fair value hedges (-38 million euros);
- A net decrease in deferred tax liabilities on account of changes in the revaluation reserve for financial instruments measured at fair value through OCI, cashflow hedges and hedges of net investments in foreign operations (-29 million euros).

Note 5.3: Investments in associated companies and joint ventures

- No associated companies and joint ventures were recognised using the equity method in 2023 and 2022.
- Associated companies are companies on whose management KBC exerts significant influence, without having direct or indirect full or joint control. In general, KBC has a 20% to 50% shareholding in such companies. Joint ventures are companies over which KBC exercises joint control.
- Goodwill paid on associated companies and joint ventures is included in the nominal value of ‘Investments in associated companies and joint ventures’ shown on the balance sheet. An impairment test is performed and, if required, the necessary impairment losses on goodwill recognised (see table).

Note 5.4: Property and equipment and investment property

(in millions of EUR)	31-12-2023	31-12-2022
Property, equipment	43	44
Investment property	264	258
Rental income	18	16
Direct operating expenses from investments generating rental income	4	4
Direct operating expenses from investments not generating rental income	0	0

MOVEMENTS TABLE	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
2023					
Opening balance	38	3	4	44	258
Acquisitions	10	2	2	15	31
Disposals	0	0	0	0	- 8
Depreciation	- 7	- 1	- 2	- 10	- 19
Other movements	- 5	0	1	- 5	2
Closing balance	35	3	5	43	264
Accumulated depreciation and impairment	*27*	*9*	*15*	*51*	*193*
Fair value 31-12-2023					401
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

- Annual rates of depreciation: mainly 3% for buildings (including investment property), 33% for IT equipment, between 5% and 33% for other equipment. No depreciation is charged for land.
- There was a small amount (around 0.4 billion euros) for commitments for the acquisition of property and equipment. There are no material restrictions on title, or on property and equipment pledged as security for liabilities.
- Most investment property is valued by an independent expert on a regular basis and by in-house specialists on an annual basis, based primarily on the capitalisation of the estimated rental value and on unit prices of similar real property. Account is taken of all the market inputs available on the date of the assessment (including location and market situation, type of building and construction, state of repair, use, etc.).
- Certain other investment property is valued annually by in-house specialists based on the current annual rental per building and expected rental movements and on an individual capitalisation rate per building.
- The impact of the heavy flooding and other extreme weather conditions in 2023 and 2022 on property and equipment and investment property and on the associated impairment was insignificant. For information regarding climate-related and other ESG risks, see the ‘How do we manage our risks?’ section.
- The impact of our own activities as 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 and the environment’ in the ‘Report of the Board of Directors’ section for a more detailed explanation (the statutory auditor has not audited this section). More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

Note 5.5: Goodwill and other intangible assets

(in millions of EUR)	Goodwill	Software developed in-house	Software developed externally	Other	Total
2023					
Opening balance	167	0	36	7	210
Acquisitions	0	1	21	5	26
Disposals	0	0	0	- 1	- 2
Amortisation	0	0	- 12	0	- 12
Other movements	0	0	10	- 2	7
Closing balance	167	1	54	8	230
Accumulated amortisation and impairment	*199*	*0*	*68*	*9*	*277*
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*

- Goodwill: includes the goodwill paid on companies included in the scope of consolidation and relating to the acquisition of activities. Goodwill paid on associated companies: included in the nominal value of 'Investments in associated companies' shown on the balance sheet.
- For goodwill in respect of recent acquisitions, see Note 6.6.
- Impairment testing: a test was carried out to establish whether impairment on goodwill had to be recognised (see table and Note 3.9). This impairment test is performed at least once a year. We also carry out a high level assessment on a quarterly basis to see whether there is an indication of impairment. In the test, each entity is regarded as a separate cash-generating unit. Each entity has a specific risk profile and it is rare to have different profiles within a single entity.
- Impairment on goodwill under IAS 36: recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cashflow analysis) and the fair value (calculated based on multiple analysis, etc.) less costs to sell.
- The main group companies to which goodwill relates are listed in the table. All of these companies have been valued using the discounted cashflow method. The discounted cashflow method calculates the recoverable amount of an investment as the present value of all future free cashflows of the business. This method is based on long-term projections about the company's business and the resulting cashflows (i.e. projections for a number of years ahead and the residual value of the business at the end of the specific projection period). These long-term projections are the result of an assessment of past and present performances combined with external sources of information on future performances in the respective markets and the global macroeconomic environment. Consequently, in cases where sustainability aspects and products/projects have been factored into the underlying financial projections, this will also affect the valuation. The ultimate growth rate is determined using a long-term average market growth rate. The present value of these future cashflows is calculated using a compound discount rate which is based on the capital asset pricing model (CAPM). A country-specific risk-free rate and a market-risk premium (multiplied by an activity beta) are also used in the calculation. KBC has developed two distinct discounted cashflow models, viz. a bank model and an insurance model. Free cashflows in both cases are the dividends that can be paid out to the company's shareholders, account taken of the minimum capital requirements.

Goodwill outstanding			Discount rates throughout the specific period of cashflow projections	
(in millions of EUR)	31-12-2023	31-12-2022	31-12-2023	31-12-2022
DZI Insurance	75	75	11,2% - 10,4%	10,5% - 8,1%
UBB PIC	56	56	8,4% - 8,3%	9,3% - 9,1%
CSOB Pojist'ovna	18	18	10,9% - 10,7%	10,5% - 7,7%
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 nominal long-term growth rate of the gross domestic product. This rate depends on the country and varied between 5.2% and 4.0% in 2023 (between 4.7% and 3.2% in 2022).
- No sensitivity analysis was carried out as 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.

Note 5.6: Insurance balance sheet

Note 5.6.1: Breakdown of (re)insurance contract assets and liabilities

(in millions of EUR)	Total	PAA	Total excl. PAA	BBA	VFA 2023	Total	PAA	Total excl. PAA	BBA	VFA 2022
Life										
Reinsurance contract assets	0	0	—	—	—	0	0	—	—	—
Insurance contract liabilities	13 862	55	13 807	12 878	928	13 444	52	13 392	12 600	792
LRC (liability for remaining coverage)	13 674	2	13 673	12 762	910	13 268	2	13 266	12 491	775
Unit-linked	798	0	798	—	798	675	0	675	—	675
Non-unit-linked	12 651	2	12 650	12 650	—	12 383	2	12 381	12 381	—
Hybrid	225	0	225	112	112	210	0	210	110	100
Accepted reinsurance	0	0	0	0	0	0	0	0	0	0
LIC (liability for incurred claims)	188	54	134	116	18	176	50	126	109	17
Unit-linked	13	0	13	—	13	12	0	12	—	12
Non-unit-linked	153	54	99	99	—	142	50	92	92	—
Hybrid	21	0	21	17	4	22	0	22	17	5
Accepted reinsurance	0	0	0	0	0	0	0	0	0	0
Assets for acquisition cost	0	0	0	0	0	0	0	0	0	0
Non-life										
Reinsurance contract assets	64	64	—	—	—	55	55	—	—	—
Insurance contract liabilities	2 924	2 719	206	206	—	2 740	2 488	252	252	—
LRC (liability for remaining coverage)	702	512	190	190	—	678	441	238	238	—
Personal insurance	205	16	190	190	—	254	17	238	238	—
Motor Third-Party Liability (MTPL)	160	160	0	—	—	146	146	0	—	—
Liability other than MTPL	25	25	0	—	—	24	24	0	—	—
Casco	96	96	0	—	—	81	81	0	—	—
Property other than casco	216	216	0	—	—	173	173	0	—	—
Accepted reinsurance	0	0	0	0	—	- 1	- 1	0	0	—
LIC (liability for incurred claims)	2 222	2 206	16	16	—	2 061	2 047	14	14	—
Personal insurance	611	595	16	16	—	566	552	14	14	—
Motor Third-Party Liability (MTPL)	864	864	0	—	—	771	771	0	—	—
Liability other than MTPL	357	357	0	—	—	358	358	0	—	—
Casco	53	53	0	—	—	42	42	0	—	—
Property other than casco	320	320	0	—	—	308	308	0	—	—
Accepted reinsurance	18	18	0	0	—	17	17	0	0	—
Assets for acquisition cost	0	0	0	0	—	0	0	0	0	—

- Insurance contract liabilities relate to insurance contracts and investment contracts with discretionary participation features (DPF). Liabilities under investment contracts without DPF are measured at fair value. They concern unit-linked contracts, which are recognised under financial liabilities (see Note 4.1).

- LRC (except PAA) is calculated using various assumptions. Judgement is required when making these assumptions and they are based on various internal and external sources of information. These liabilities are generally calculated using assumptions that were applicable at the inception of the insurance contracts and as such determine the CSM at initial recognition. The key assumptions are:
  - Lapse and dormancy rates at both contract and premium level, as well as mortality and morbidity rates, based on standard mortality tables and adapted where necessary to reflect the group's own experience.
  - Operating expense assumptions which reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses which are considered directly attributable. Expenses are considered directly attributable if they are incurred as a consequence of performing insurance activities for in-force contracts;
  - Assumptions may vary depending on the type of insurance, the generation of contracts (mainly the time when the contract is entered into and the applicable terms and conditions) and the country. This makes it impossible to quantify these assumptions for the entire group.
- Assumptions for LIC are based on past claims experience relating to claim numbers, claim payments and claims handling costs, and adjusted to take account of such factors as anticipated market experience, claims inflation and external factors such as court awards, legislation and discounting.
- For contracts providing multiple services, i.e. insurance coverage, investment return services and investment management services, 'multivariate coverage units' are used, taking into consideration that (a) coverage units are determined based on the individual benefit components separately and (b) weights are assigned to each component to reflect an appropriate level of service to be provided. Such weightings appropriately reflect the release of CSM based on the quantity of the benefits provided for each service. Analogous to coverage units, these weights are also reassessed at the end of each reporting period.
- Coverage units have a positive value and are floored to zero. In case of zero coverage units in a given period, no CSM is allocated to P&L as no services have been provided in the period. This is possible, for instance, where contracts provide for 'waiting periods'. In such cases, the contract has been signed by the policyholder but there is a mandatory waiting period for the client to be able to benefit from insurance coverage.
- Defining IFRS 17 portfolios is a local decision, made by each insurance entity of KBC Group. It is country-specific, driven by the local product mix and the way in which the insurance business is managed locally. The table presents a high-level breakdown by product.
- Within hybrid products, the policyholder can switch within the same contract, containing the coverage of significant insurance risk, from the unit-linked to the non-unit-linked component and vice versa.
- Non-life LRC BBA (238 million euros in 2022, 190 million euros in 2023) represents the LRC health insurance (as part of personal insurance) as they are mostly long-term contracts and are therefore measured according to the BBA. Non-life LIC PAA for personal insurance (530 million euros in 2022, 594 million euros in 2023) represents the incurred claims under personal insurance with regard to 'workmen's compensation' insurance, which are typically settled over a long period.
- Most reinsurance programmes protect against the impact of exceptionally large loss events or accumulation of losses. Therefore, the reinsurance result is not in the same order of magnitude as the direct insurance result, which means the movements in reinsurance contract assets are limited.

The following yield curves are used to discount cashflows that do not vary based on the returns of underlying items. As these bottom-up discount curves are not entity-specific but currency-dependent, two curves are included for each currency, one with volatility adjustment and one without (the latter is used for VFA liabilities, the former is used for all other liabilities for which bottom-up curves are used).

Yield curve used tot discount cashflows not varying based on underlying items; bottom-up method

Currency	Illiquidiity premium				Portfolio duration
2023		1 year	5 years	10 years	20 years
EUR	with volatility adjustment	3.14%	2.51%	2.96%	2.34%
	without volatility adjustment	2.92%	2.29%	2.74%	2.13%
CZK	with volatility adjustment	4.83%	3.19%	3.70%	3.98%
	without volatility adjustment	4.67%	3.03%	3.54%	3.82%
HUF	with volatility adjustment	5.55%	5.25%	6.29%	5.49%
	without volatility adjustment	5.44%	5.14%	6.18%	5.38%
BGN	with volatility adjustment	3.16%	2.50%	3.00%	2.43%
	without volatility adjustment	3.16%	2.50%	3.00%	2.43%
2022					
EUR	with volatility adjustment	4.77%	3.26%	3.36%	1.87%
	without volatility adjustment	4.56%	3.05%	3.15%	1.69%
CZK	with volatility adjustment	7.92%	4.46%	4.51%	6.04%
	without volatility adjustment	7.61%	4.16%	4.21%	5.70%
HUF	with volatility adjustment	13.96%	7.21%	8.52%	9.40%
	without volatility adjustment	13.77%	7.04%	8.34%	9.22%
BGN	with volatility adjustment	5.27%	3.57%	3.67%	1.97%
	without volatility adjustment	5.27%	3.57%	3.67%	1.97%

Note 5.6.2: Movements in Life insurance contract liabilities

(in millions of EUR)	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding loss component	Loss component	Contracts not measured under PAA	Contracts measured under PAA		
				Present value of future cash flows	Risk adjustment	
2023						
Opening balance	**13 258**	**10**	**126**	**47**	**3**	**13 444**
Insurance service result	**- 381**	**- 2**	**218**	**16**	**1**	**- 149**
Insurance revenue	**- 400**	—	—	—	—	**- 400**
BBA + VFA by transition method	- 370	—	—	—	—	- 370
Modified retrospective approach	- 10	—	—	—	—	- 10
Fair value approach	- 267	—	—	—	—	- 267
Other	- 93	—	—	—	—	- 93
PAA	- 30	—	—	—	—	- 30
Insurance service expenses	**19**	**- 2**	**218**	**16**	**1**	**251**
Incurred claims (excl. repayments of investment components)	—	- 1	156	13	1	169
Incurred costs other than claims	0	- 7	92	2	0	87
Amortised acquisition expenses and commissions	19	—	—	—	—	19
Changes in fulfilment cashflows that relate to future service - loss on and reversal of loss on onerous contracts	—	6	—	—	—	6
Changes in fulfilment cashflows that relate to past service	—	—	- 30	1	1	- 30
Investment components	**-1 284**	—	**1 284**	—	—	**0**
Insurance finance income and expense	**815**	**0**	**3**	**3**	**0**	**821**
in P&L	281	0	1	0	0	283
in OCI	534	0	2	3	0	538
Total changes in comprehensive income	**- 850**	**- 2**	**1 505**	**19**	**1**	**672**
Total cashflows	**1 271**	—	**-1 497**	**- 16**	—	**- 242**
Premiums received	1 401	—	—	—	—	1 401
Claims paid	—	—	-1 404	- 14	—	-1 419
Costs other than claims paid	—	—	- 92	- 2	—	- 94
Insurance acquisition cash flows paid	- 130	—	—	—	—	- 130
Other	- 12	0	0	0	0	- 13
Closing balance	**13 667**	**7**	**134**	**50**	**3**	**13 862**

(in millions of EUR)	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding loss component	Loss component	Contracts not measured under PAA	Contracts measured under PAA		
				Present value of future cash flows	Risk adjustment	
2022						
Opening balance	**16 576**	**76**	**138**	**56**	**2**	**16 847**
Insurance service result	**- 361**	**- 73**	**219**	**16**	**1**	**- 198**
Insurance revenue	**- 372**	—	—	—	—	**- 372**
BBA + VFA by transition method	- 343	—	—	—	—	- 343
Modified retrospective approach	- 11	—	—	—	—	- 11
Fair value approach	- 263	—	—	—	—	- 263
Other	- 69	—	—	—	—	- 69
PAA	- 29	—	—	—	—	- 29
Insurance service expenses	**12**	**- 73**	**219**	**16**	**1**	**174**
Incurred claims (excl. repayments of investment components)	—	- 1	160	14	0	173
Incurred costs other than claims	0	- 6	84	3	0	81
Amortised acquisition expenses and commissions	12	—	—	—	—	12
Changes in fulfilment cashflows that relate to future service - loss on and reversal of loss on onerous contracts	—	- 67	—	—	—	- 67
Changes in fulfilment cashflows that relate to past service	—	—	- 25	- 1	- 1	- 25
Investment components	**-1 606**	—	**1 606**	—	—	**0**
Insurance finance income and expense	**-2 510**	**7**	**- 10**	**- 8**	**0**	**-2 521**
in P&L	91	0	1	0	0	92
in OCI	-2 601	7	- 12	- 8	0	-2 614
Total changes in comprehensive income	**-4 477**	**- 66**	**1 815**	**8**	**1**	**-2 719**
Total cashflows	**1 151**	—	**-1 827**	**- 17**	—	**- 692**
Premiums received	1 259	—	—	—	—	1 259
Claims paid	—	—	-1 742	- 14	—	-1 756
Costs other than claims paid	—	—	- 84	- 3	—	- 87
Insurance acquisition cash flows paid	- 108	—	—	—	—	- 108
Other	8	0	0	0	0	8
Closing balance	**13 258**	**10**	**126**	**47**	**3**	**13 444**

- When transitioning from IFRS 4 to IFRS 17, KBC applied the Full Retrospective Approach (FRA) for recent years. Applying the FRA for non-recent years is impracticable due to either a lack of historical data (data and hypotheses) or high costs associated with making information from the past available for FRA transition calculations. Where the FRA is impracticable, the Fair Value Approach (FVA) was predominantly used to determine the CSM on the transition date. The Modified Retrospective Approach (MRA) is rarely applied as this transition approach is overly complex and the costs do not outweigh the benefits. KBC calculates a fair value according to IFRS 13 based on the IFRS 17 cashflows and subsequently adjusts a few assumptions or parameters. The adjustments relate to the inclusion in the IFRS 13 fair value of total expenses, i.e. including non-directly attributable expenses, and to the inclusion of a risk premium that covers not only non-financial risk, but also system and integration expenses and capital funding costs. All past years are combined into a single cohort for the FVA transition calculations. The FVA CSM ensues from cost and risk margin differences under IFRS 17 and IFRS 13 measurement approaches. The OCI amount on the transition date under the FVA is determined in accordance with the transition exemptions provided in IFRS 17.
- Movement in insurance liabilities in 2023:
  - Due to the decrease in market interest rates during 2023, an expense in OCI of 538 million euros before tax is recognised as KBC made the accounting policy choice for all portfolios within the group to disaggregate IFIE between P&L and OCI.
  - The movement in the investment component of 1 284 million euros from LRC to LIC indicates the amounts of contracts coming at maturity or lapsed.
- Movement in insurance liabilities in 2022:
  - Due to the increase in market interest rates during 2022, a gain in OCI of 2 614 million euros before tax is recognised as KBC made the accounting policy choice for all portfolios within the group to disaggregate IFIE between P&L and

    OCI. The Life insurance service result was positively impacted by a net reversal of loss component for an amount of 67 million euros.
  - The movement in the investment component of 1 606 million euros from LRC to LIC indicates the amounts of contracts coming at maturity or lapsed.
- On transitioning to IFRS 17, KBC applied mainly the fair value approach. Therefore, the amortised acquisition costs are low as they are not estimated under the fair value approach (i.e. the prospective approach).
- The Life insurance contracts are typically long-term contracts and are therefore measured according to the BBA or VFA. The latter is only applied within Central and Eastern European entities for unit-linked contracts or hybrid products as these sold contracts mandatorily contain insurance risk cover.
- Some insurance contracts may specify amounts that are payable when no insured event occurs and which are repayable under all circumstances and as such include an investment component. For defining the investment component, an investigation based on the contract's characteristics needs to be conducted. Within KBC, only investment components are identified within Life insurance, such as life-long death cover. When an insurance contract allows surrender, the gross surrender value is considered an investment component. Any associated surrender fees resulting from surrender are considered insurance components.

Note 5.6.3: Movements in Non-life insurance contract liabilities

(in millions of EUR)	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding loss component	Loss component	Contracts not measured under PAA	Contracts measured under PAA		
				Present value of future cash flows	Risk adjustment	
2023						
Opening balance	**677**	**1**	**14**	**1 826**	**222**	**2 739**
Insurance service result	**-1 799**	**0**	**28**	**1 346**	**7**	**- 418**
Insurance revenue	**-2 290**	—	—	—	—	**-2 290**
BBA by transition method	- 36	—	—	—	—	- 36
Modified retrospective approach	0	—	—	—	—	0
Fair value approach	- 29	—	—	—	—	- 29
Other	- 7	—	—	—	—	- 7
PAA	-2 255	—	—	—	—	-2 255
Insurance service expenses	**491**	**0**	**28**	**1 346**	**7**	**1 872**
Incurred claims (excl. repayments of investment components)	—	- 1	26	1 093	62	1 179
Incurred costs other than claims	1	0	3	219	0	223
Amortised acquisition expenses and expenses	490	—	—	—	—	490
Changes in fulfilment cashflows that relate to future service - loss on and reversal of loss on onerous contracts	—	1	—	—	—	1
Changes in fulfilment cashflows that relate to past service	—	—	0	34	- 55	- 21
Investment components	**0**	—	**0**	—	—	**0**
Insurance finance income and expense	**- 48**	**0**	**1**	**89**	**12**	**54**
In P&L	0	0	0	27	4	30
In OCI	- 48	0	0	63	8	24
Total changes in comprehensive income	**-1 848**	**0**	**29**	**1 435**	**19**	**- 364**
Total cashflows	**1 870**	—	**- 27**	**-1 291**	—	**553**
Premiums received	2 366	—	—	—	—	2 366
Claims paid	—	—	- 24	-1 073	—	-1 097
Costs other than claims paid	—	—	- 3	- 218	—	- 221
Insurance acquisition cashflows paid	- 496	—	—	—	—	- 496
Other	1	0	0	- 4	0	- 3
Closing balance	**700**	**1**	**16**	**1 966**	**240**	**2 924**

(in millions of EUR)	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding loss component	Loss component	Contracts not measured under PAA	Contracts measured under PAA		
				Present value of future cash flows	Risk adjustment	
2022						
Opening balance	**795**	**1**	**15**	**2 001**	**266**	**3 078**
Insurance service result	**-1 617**	**0**	**24**	**1 288**	**- 16**	**- 321**
Insurance revenue	**-2 057**	**—**	**—**	**—**	**—**	**-2 057**
BBA by transition method	- 35	—	—	—	—	- 35
Modified retrospective approach	0	—	—	—	—	0
Fair value approach	- 30	—	—	—	—	- 30
Other	- 5	—	—	—	—	- 5
PAA	-2 022	—	—	—	—	-2 022
Insurance service expenses	**441**	**0**	**24**	**1 288**	**- 16**	**1 736**
Incurred claims (excl. repayments of investment components)	—	- 1	21	1 108	65	1 193
Incurred costs other than claims	- 1	0	3	214	0	216
Amortised acquisition commissions and expenses	441	—	—	—	—	441
Changes in fulfilment cashflows that relate to future service - loss on and reversal of loss on onerous contracts	—	1	—	—	—	1
Changes in fulfilment cashflows that relate to past service	—	—	0	- 34	- 81	- 116
Investment components	**0**	**—**	**0**	**—**	**—**	**0**
Insurance finance income and expense	**- 131**	**0**	**- 2**	**- 253**	**- 28**	**- 413**
In P&L	- 2	0	0	5	1	4
In OCI	- 129	0	- 1	- 258	- 29	- 417
Total changes in comprehensive income	**-1 747**	**0**	**22**	**1 035**	**- 44**	**- 735**
Total cashflows	**1 630**	**—**	**- 23**	**-1 213**	**—**	**394**
Premiums received	2 084	—	—	—	—	2 084
Claims paid	—	—	- 20	- 999	—	-1 020
Costs other than claims paid	—	—	- 3	- 214	—	- 216
Insurance acquisition cashflows paid	- 454	—	—	—	—	- 454
Other	- 1	0	0	2	0	2
Closing balance	**677**	**1**	**14**	**1 826**	**222**	**2 739**

- In Non-life, KBC applies mostly the PAA, as the coverage period is 1 year or less.
- The cost of outstanding claims is based on the past claims development experience to project future claims development. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs) and claim numbers based on the observed claim development of earlier years and expected loss ratio. Historical claims are mainly analysed per accident year. Large claims are separately addressed.
- Estimates of salvage recoveries and subrogation reimbursement are considered in the measurement of the ultimate claim costs.
- No asset for insurance acquisition cashflows is currently recognised.

Note 5.6.4: Movements in Life insurance contract liability components (BBA, VFA)

(in millions of EUR)	Present value of future cashflows (incl LIC)	Risk adjustment (incl LIC)	Contractual service margin			Total insurance contract liabilities
			Insurance contracts that existed at the transition date modified retrospective approach	Insurance contracts that existed at the transition date fair value approach	Other insurance contracts	
2023						
Opening balance	**11 378**	**112**	**45**	**1 377**	**480**	**13 393**
Insurance service result	**- 390**	**47**	**- 1**	**8**	**198**	**- 139**
Changes that relate to future services:	- 399	56	4	120	224	5
New business	*- 161*	*17*	—	—	*150*	*6*
Changes in estimates reflected in the CSM	*- 238*	*39*	*4*	*120*	*74*	*- 1*
Changes in estimates that result in onerous contract losses & reversals	0	0	—	—	—	0
Changes that relate to current service:	38	- 8	- 5	- 113	- 26	- 113
CSM recognised in profit or loss	—	—	*- 5*	*- 113*	*- 26*	*- 143*
Changes in the risk adjustment (expected)	—	*- 8*	—	—	—	*- 8*
Experience adjustments	*38*	—	—	—	—	*38*
Changes to liabilities for incurred claims related to past service	- 29	- 2	—	—	—	- 30
Insurance finance income and expense	**809**	**- 7**	**1**	**9**	**7**	**818**
In P&L	*264*	*2*	*1*	*9*	*7*	*283*
In OCI	*544*	*- 9*	—	—	—	*535*
Total changes in comprehensive income	**418**	**40**	**0**	**16**	**205**	**679**
Total cashflows	**- 252**	**—**	**—**	**—**	**—**	**- 252**
Premiums received	*1 371*	—	—	—	—	*1 371*
Claims paid	*-1 404*	—	—	—	—	*-1 404*
Costs other than claims paid	*- 92*	—	—	—	—	*- 92*
Insurance acquisition cashflows paid	*- 126*	—	—	—	—	*- 126*
Other movements	**- 7**	**- 1**	**2**	**- 6**	**- 1**	**- 14**
Closing balance	**11 538**	**152**	**47**	**1 387**	**683**	**13 807**

(in millions of EUR)	Present value of future cashflows (incl LIC)	Risk adjustment (incl LIC)	Contractual service margin			Total insurance contract liabilities
			Insurance contracts that existed at the transition date modified retrospective approach	Insurance contracts that existed at the transition date fair value approach	Other insurance contracts	
2022						
Opening balance	**15 426**	**110**	**55**	**981**	**215**	**16 787**
Insurance service result	**- 831**	**4**	**- 7**	**382**	**263**	**- 189**
Changes that relate to future service:	- 842	13	- 2	476	288	- 67
New business	*- 126*	*14*	—	—	*135*	*23*
Changes in estimates reflected in the CSM	*- 626*	*0*	*- 2*	*476*	*152*	*0*
Changes in estimates that result in onerous contract losses & reversals	*- 90*	*0*	—	—	—	*- 90*
Changes that relate to current service:	33	- 8	- 5	- 94	- 24	- 98
CSM recognised in profit or loss	—	—	*- 5*	*- 94*	*- 24*	*- 123*
Changes in the risk adjustment (expected)	—	*- 8*	—	—	—	*- 8*
Experience adjustments	*33*	—	—	—	—	*33*
Changes to liabilities for incurred claims related to past service	- 23	- 2	—	—	—	- 25
Insurance finance income and expense	**-2 519**	**- 2**	**1**	**6**	**1**	**-2 513**
In P&L	*83*	*2*	*1*	*6*	*1*	*92*
In OCI	*-2 602*	*- 4*	—	—	—	*-2 606*
Total changes in comprehensive income	**-3 350**	**1**	**- 7**	**389**	**264**	**-2 702**
Total cashflows	**- 700**	**—**	**—**	**—**	**—**	**- 700**
Premiums received	*1 231*	—	—	—	—	*1 231*
Claims paid	*-1 742*	—	—	—	—	*-1 742*
Costs other than claims paid	*- 84*	—	—	—	—	*- 84*
Insurance acquisition cashflows paid	*- 105*	—	—	—	—	*- 105*
Other movements	**2**	**1**	**- 3**	**7**	**1**	**8**
Closing balance	**11 378**	**112**	**45**	**1 377**	**480**	**13 393**

- The amount recognised in P&L as release of the CSM is determined by:
  - identifying the coverage units in the group. The number of coverage units in a group is the quantity of service provided by the insurer under the contracts in that Group of Contracts (GoC), determined by considering for each contract the quantity of the benefits provided to the policyholder under a contract and its expected coverage period;
  - allocating the CSM at the end of the period equally to each coverage unit provided in the current period and expected to be provided in the future, and recognising in P&L the amount allocated to coverage units allocated to the current period.
- Main movements in 2023: there were no material exceptional changes.
- Main movements in 2022: the net movement in the loss component amounted to 67 million euros and was mainly explained by (i) new business in the year 2022 for which a loss component of -24 million euros was recognised and (ii) a reversal of loss component of 90 million euros due to increasing interest rates, resulting in a higher margin expected to be earned on future premiums. The increasing interest rates were also the main reason for the increase of 626 million euros in the CSM, as more margin was expected to be earned on future premiums.

Note 5.6.5: Movements in Non-life insurance contract liability components (BBA)

(in millions of EUR)	Present value of future cashflows (incl LIC)	Risk adjustment (incl LIC)	Contractual service margin			Total insurance contract liabilities
			Insurance contracts that existed at the transition date modified retrospective approach	Insurance contracts that existed at the transition date fair value approach	Other insurance contracts	
2023						
Opening balance	**17**	**75**	**0**	**93**	**67**	**252**
Insurance service result	**11**	**16**	**0**	**- 41**	**7**	**- 7**
Changes that relate to future service:	9	19	0	- 38	10	0
Contracts initially recognised in the period	*- 18*	*1*	—	—	*17*	*0*
Changes in estimates reflected in the CSM	*27*	*17*	*0*	*- 38*	*- 7*	*0*
Changes in estimates that result in onerous contract losses & reversals	*0*	*0*	—	—	—	*0*
Changes that relate to current service:	2	- 3	0	- 3	- 4	- 7
CSM recognised in profit or loss	—	—	*0*	*- 3*	*- 4*	*- 6*
Changes in the risk adjustment (expected)	—	*- 3*	—	—	—	*- 3*
Experience adjustments	*2*	—	—	—	—	*2*
Changes to liabilities for incurred claims related to past service	0	0	—	—	—	0
Insurance finance income and expense	**- 29**	**- 19**	**0**	**0**	**1**	**- 48**
In P&L	*0*	0	0	0	1	*0*
In OCI	*- 28*	*- 19*	—	—	—	*- 48*
Total changes in the statement of comprehensive income	**- 17**	**- 4**	**0**	**- 41**	**7**	**- 54**
Total cashflows	**8**	**—**	**—**	**—**	**—**	**8**
Premiums received	*43*	—	—	—	—	*43*
Claims paid	*- 24*	—	—	—	—	*- 24*
Costs other than claims paid	*- 3*	—	—	—	—	*- 3*
Insurance acquisition cashflows paid	*- 7*	—	—	—	—	*- 7*
Other movements	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance	**8**	**71**	**0**	**52**	**74**	**206**

(in millions of EUR)	Present value of future cashflows (incl LIC)	Risk adjustment (incl LIC)	Contractual service margin			Total insurance contract liabilities
			Insurance contracts that existed at the transition date modified retrospective approach	Insurance contracts that existed at the transition date fair value approach	Other insurance contracts	
2022						
Opening balance	**136**	**117**	**0**	**96**	**36**	**386**
Insurance service result	**- 36**	**- 3**	**0**	**- 3**	**31**	**- 11**
Changes that relate to future service:	- 36	1	0	2	34	0
Contracts initially recognised in the period	*- 18*	*1*	—	—	*17*	*0*
Changes in estimates reflected in the CSM	*- 19*	*0*	*0*	*2*	*17*	*0*
Changes in estimates that result in onerous contract losses & reversals	*0*	*0*	—	—	—	*0*
Changes that relate to current service:	0	- 4	0	- 5	- 3	- 11
CSM recognised in profit or loss	—	—	*0*	*- 5*	*- 3*	*- 8*
Changes in the risk adjustment (expected)	—	*- 4*	—	—	—	*- 4*
Experience adjustments	*0*	—	—	—	—	*0*
Changes to liabilities for incurred claims related to past service	0	0	—	—	—	0
Insurance finance income and expense	**- 93**	**- 39**	**0**	**0**	**0**	**- 132**
In P&L	*- 1*	*0*	*0*	*0*	*0*	*- 2*
In OCI	*- 92*	*- 39*	—	—	—	*- 131*
Total changes in the statement of comprehensive income	**- 129**	**- 42**	**0**	**- 3**	**30**	**- 144**
Total cashflows	**9**	—	—	—	—	**9**
Premiums received	*39*	—	—	—	—	*39*
Claims paid	*- 20*	—	—	—	—	*- 20*
Costs other than claims paid	*- 3*	—	—	—	—	*- 3*
Insurance acquisition cashflows paid	*- 6*	—	—	—	—	*- 6*
Other movements	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance	**17**	**75**	**0**	**93**	**67**	**252**

- In Non-life, the BBA is applied to ‘individual health insurance’.
- The decline recognised in insurance finance income and expense through OCI of 48 million euros in 2023 is accounted for by the increase in the discount curve in the long term (more than 20 years). The 131-million-euro decline in 2022 can be explained by the sharp increase in the discount curve during the first half of the year. A typical feature of the hospitalisation portfolio is that interest rate movements have a greater impact on the cash outflows than on the cash inflows. Hospitalisation premiums are levelled (constant ‘cash in’ during the lifetime of the contract) and claims increase as the insured person ages (‘cash out’ more towards the end of the contract).

Note 5.6.6: New business (BBA/VFA)

(in millions of EUR)	(Re)insurance contracts issued		(Re)insurance contracts acquired		Total
	Not onerous	Onerous	Not onerous	Onerous	
2023					
Estimates of present value of cash outflows	1 194	212	0	0	1 406
Expected claims	1 034	171	0	0	1 205
Expected other insurance service expenses	63	19	0	0	82
Insurance acquisition cashflows	97	22	0	0	119
Estimates of present value of cash inflows	-1 378	- 207	0	0	-1 585
Risk adjustment for non-financial risk	16	2	0	0	18
Contractual service margin	166	—	0	—	166
Increase in insurance contract liabilities loss component	**—**	**7**	**—**	**0**	**7**
2022					
Estimates of present value of cash outflows	781	440	0	0	1 221
Expected claims	657	375	0	0	1 032
Expected other insurance service expenses	41	43	0	0	84
Insurance acquisition cashflows	83	22	0	0	105
Estimates of present value of cash inflows	- 946	- 419	0	0	-1 365
Risk adjustment for non-financial risk	12	3	0	0	15
Contractual service margin	152	—	0	—	152
Increase in insurance contract liabilities loss component	**—**	**24**	**—**	**0**	**24**

- In 2022, the low interest-rate environment at the beginning of the year mainly explained the sale of onerous business. Increasing interest rates improved the overall profitability of new business (insurance and the financial margin) during the year.

Note 5.6.7: Future CSM recognition in profit and loss on insurance contracts (at the end of the reporting period) (BBA/VFA)

(in millions of EUR)	1st year	2nd year	3rd year	4th year	5th year	6-10th year	+10 year
2023							
Life	149	142	135	129	122	529	973
Non-life	6	6	6	6	5	24	51
2022							
Life	123	118	113	109	105	471	928
Non-life	8	8	7	7	7	30	62

- The table shows the future CSM recognition for the next 25 years.

Note 5.6.8: Fair value of assets backing insurance and investment contracts

(in millions of EUR)	Life	*of which Life direct participating (VFA)*	Non-Life	Non-technical	Total
2023					
Total (underlying) assets	**27 930**	***928***	**4 152**	**1 686**	**33 769**
At amortised cost	1 949	*0*	2 926	882	5 757
At FVOCI	11 490	*15*	1 158	590	13 238
Debt securities	10 441	*15*	933	386	11 759
Equity instruments	1 050	*0*	225	204	1 479
At MFVPL (excL derivatives)	14 364	*913*	0	8	14 372
Instruments backing unit-linked contracts	14 348	*912*	—	—	14 348
Other	16	*1*	0	8	24
At FVO	0	*0*	0	0	0
Property & equipment and investment property	127	*0*	68	207	401
2022					
Total (underlying) assets	**26 268**	***786***	**3 800**	**1 748**	**31 816**
At amortised cost	1 947	*0*	2 625	990	5 562
At FVOCI	11 428	*12*	1 104	531	13 064
Debt securities	10 519	*12*	890	292	11 700
Equity instruments	910	*0*	215	240	1 364
At MFVPL (excL derivatives)	12 781	*774*	0	18	12 798
Instruments backing unit-linked contracts	12 772	*774*	—	—	12 772
Other	9	*0*	0	18	26
At FVO	0	*0*	0	0	0
Property & equipment and investment property	112	*0*	71	209	392

- The table also includes the assets backing the liabilities under investment contracts (IFRS 9).

Note 5.6.9: Changes in accumulated OCI for FVOCI assets related to insurance contracts for which the fair value transition approach is used

(in millions of EUR)	2023	2022
OCI that may be recycled to P/L	340	-1 748
Net change in revaluation reserve (FVOCI debt instruments)	340	-1 748
Fair value adjustments before tax	446	-2 367
Deferred tax on fair value changes	- 108	582
Transfer from reserve to net result	2	37
Impairment	*2*	*0*
Net gains/losses on disposal	*0*	*48*
Deferred taxes on income	*- 1*	*- 11*
OCI that will not be recycled to P/L	110	- 199
Net change in revaluation reserve (FVOCI equity instruments)	110	- 199
Fair value adjustments before tax	110	- 199
Deferred tax on fair value changes	0	0

- IFRS 17 allows simplifications to set the accumulated OCI for the insurance liabilities at nil at the transition date while maintaining the accumulated OCI for the covering financial assets. This disclosure gives insight into the mismatch between covering financial assets and insurance liabilities as it distorts classification within equity at transition date and subsequently the years thereafter until the portfolio subject to the transition approach reaches maturity. However, following the first-time adoption of IFRS 17 a large part of the bond portfolio of KBC Insurance was transferred to FVOCI (see Note 1.6 for more information), resulting in a very limited imbalance in 2022 and 2023.

Note 5.7: Provisions for risks and charges

Note 5.7.1: Overview

(in millions of EUR)	31-12-2023	31-12-2022
Total provisions for risks and charges	3	2
Provisions for off-balance-sheet commitments and financial guarantees	0	0
Provisions for other risks and charges	3	2
Provisions for restructuring	*0*	*0*
Provisions for taxes and pending legal disputes	*0*	*0*
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
2023				
Opening balance	0	0	2	2
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	0	2	3
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

- 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)	31-12-2023	31-12-2022
Total	728	619
Breakdown by type		
Retirement benefit obligations or other long-term employee benefits	4	5
Accrued charges and deferred income	61	58
Wages and security charges	42	37
Lease liabilities	2	2
Other	618	517

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

Note 5.9: Retirement benefit obligations

(in millions of EUR)	31-12-2023	31-12-2022
DEFINED BENEFIT PLANS		
Reconciliation of defined benefit obligations		
Defined benefit obligations at the beginning of the period	173	223
Current service cost	6	9
Interest cost	7	1
Actuarial gain or loss resulting from changes in demographic assumptions	0	- 1
Actuarial gain or loss resulting from changes in financial assumptions	11	- 55
Experience adjustments	- 2	4
Past-service cost	0	- 9
Benefits paid	- 10	0
Other	0	0
Defined benefit obligations at the end of the period	185	173
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the period	196	234
Actual return on plan assets	19	- 35
Expected interest income on plan assets, calculated based on the market interest rates of high-quality corporate bonds	*8*	*2*
Employer contributions	6	6
Plan participant contributions	0	0
Benefits paid	- 10	- 9
Other	0	0
Fair value of plan assets at the end of the period	212	196
of which financial instruments issued by the group	*0*	*0*
of which property occupied by KBC	*0*	*0*
Funded status		
Plan assets in excess of defined benefit obligations	27	23
Reimbursement rights	0	0
Asset ceiling limit	- 2	0
Unfunded accrued/prepaid pension cost	25	23
Movement in net liabilities or net assets		
Unfunded accrued/prepaid pension cost at the beginning of the period	23	- 3
Amounts recognised in the income statement	- 5	- 9
Amounts recognised in other comprehensive income	0	30
Employer contributions	6	6
Other	0	0
Unfunded accrued/prepaid pension cost at the end of the period	25	23
Amounts recognised in the income statement	- 5	- 9
Current service cost	- 6	- 9
Interest cost	1	0
Plan participant contributions	0	
Other	0	0
Changes to the amounts recognised in other comprehensive income	0	30
Actuarial gain or loss resulting from changes in demographic assumptions	0	1
Actuarial gain or loss resulting from changes in financial assumptions	- 11	55
Actuarial result on plan assets	11	- 36
Experience adjustments	2	- 4
Adjustments to asset ceiling limits	0	14
Other	- 2	0
DEFINED CONTRIBUTION PLANS		
Expenses for defined contribution plans	0	0

- Retirement benefits that are actively accrued for the Belgium-based staff of KBC Bank, KBC Insurance and most of their Belgian subsidiaries are accrued exclusively through the KBC pension fund. Up until year-end 2018, employer-funded retirement benefits had accrued primarily through a defined benefit plan, where the benefit is calculated based on the final salary of employees before they retire, the number of years they had been in the plan and a formula that applies a progressive rate scale. A defined contribution plan was introduced on 1 January 2014 for all new employees and any employees who had chosen to switch to it. In this plan, a contribution is deposited based on the current monthly salary and the amounts deposited are paid out together with the (guaranteed) return on retirement. Both types of pension plan are managed by the KBC pension fund, which uses the services of KBC Asset Management for the investment strategy. In addition, there are a number of smaller, closed group insurance schemes from the past that will continue to be funded and are managed by the KBC pension fund. On 1 January 2019, a new defined contribution plan was introduced to replace the one introduced in 2014. All employees were again given the one-time option of switching from the defined benefit plan to the new defined contribution plan. At year-end 2023, 52% of employees were active participants in the defined benefit plan and 48% in the defined contribution plan (the corresponding figures at year-end 2022 were 55% and 45%).

- The expected age of retirement of each employee and the expected wage inflation based on an inflation curve derived from the market value of inflation-linked bonds are taken into account in the calculation of the gross defined benefit obligations. In 2023, market data was adopted in full without levelling off percentages and the term of the market data was extended from 22 to 30 years.
- Since 1 January 2020, the insurance risks related to death and disability are fully reinsured through an external reinsurance programme.
- The KBC Pension Fund believes in a balanced ESG approach that allows improvement of the greenhouse gas intensity but also considers other environmental themes such as biodiversity and social and governance issues. As regards the management of the assets, the share of responsible investments came to around 89% at the end of December. The aim is for the KBC Pension Fund investment portfolio to be carbon-neutral by 2050.
  At the end of September 2023, the greenhouse gas intensity of the shares held in portfolio was roughly 40% of the MSCI World AC benchmark, for the corporate bonds held in portfolio it was roughly 36% of the Iboxx Euro Corporates benchmark and for the government bonds held in portfolio it was roughly 121% of the JPM EMU Government Bond benchmark, a decrease from 2019 of 56%, 40% and 25%, respectively.
- As a result of the higher average interest rates, the pension reserves of participants are often higher than the retirement benefit obligations calculated as the present value of the guaranteed minimum pension capital under the defined contribution plan. In 2023, the net asset was therefore reduced by the difference between the retirement benefit obligations calculated in this way and the higher guaranteed minimum reserves and/or the pension reserves calculated using the assigned fund return. The difference at the end of 2023 was 41 million euros and has been added to 'Adjustments to asset ceiling limits', resulting in the net asset being reduced by this amount. As, in the previous year, the retirement benefit obligations for the defined contribution plan were expressed as the maximum between the present retirement benefit obligations and the guaranteed minimum reserves, interest rate sensitivity is now higher.
- In the second quarter of 2023, the model was adjusted by replacing an external supplier's discount curve with a KBC curve that is based on Bloomberg data on the prices of AA-rated corporate bonds. If the same method had been used to determine the curve at the beginning of the year, the retirement benefit obligation would have been 25 million euros lower.
- There are no significant defined benefit plans in the group's other core countries.

Additional information on retirement benefit obligations (in millions of EUR)	2023	2022	2021	2020	2019
Changes in main headings in the main table					
Defined benefit obligations	185	173	223	231	227
Fair value of plan assets	212	196	234	207	200
Unfunded accrued/prepaid pension cost	25	23	- 3	- 24	- 27

Note 5.10: Parent shareholders' equity

Quantities	31-12-2023	31-12-2022
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)	31-12-2023			31-12-2022		
	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 – non-performing	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 – non-performing	0	0	0	0	0	0
Total	3	0	3	3	0	3
Other commitments given						
Total	331	0	331	157	0	157
Off-balance-sheet commitments and financial						
Total	333	0	333	160	0	160

- Fair value of financial guarantees: based on the available market value.
- The carrying value of financial assets pledged by KBC as collateral came to 239 million euros for liabilities and 0 million euros for contingent liabilities (692 million euros and 0 million euros, respectively, in 2022).
- There is an obligation to return collateral received (which may be sold or repledged in the absence of default by the owner; see table) in its original form, or possibly in cash. Collateral can be called in if loans are terminated for various reasons such as default or bankruptcy. In the event of bankruptcy, the collateral will be sold by the receiver. In other cases, the bank will organise the foreclosure itself or take possession of the collateral. Collateral received that relates to OTC derivatives is primarily cash, which is recognised by KBC on the balance sheet (and is not included in the table). More details are provided in Note 4.3.

Collateral received (which may be sold or repledged in the absence of default by the owner) (in millions of EUR)	Fair value of collateral received		Fair value of collateral sold or repledged	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Financial assets	4 196	2 253	0	0
Equity instruments	0	0	0	0
Debt securities	4 196	2 253	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)	Subsidiaries and other entities of group 2023	Associated companies 2023	Joint ventures 2023	Other 2023	Total 2023	Subsidiaries and other entities of group 2022	Associated companies 2022	Joint ventures 2022	Other 2022	Total 2022
Assets	663	1	0	0	664	523	1	0	0	524
Loans and advances	335	0	0	0	335	336	0	0	0	336
Equity instruments (incl. investments in associated companies and jv)	80	1	0	0	81	66	1	0	0	67
Other	248	0	0	0	248	121	0	0	0	121
Liabilities	248	0	0	0	248	685	0	0	0	685
Deposits	218	0	0	0	218	643	0	0	0	643
Other financial liabilities	0	0	0	0	0	0	0	0	0	0
Other	30	0	0	0	30	42	0	0	0	42
Income statement	13	0	0	6	19	13	0	0	2	15
Net interest income	121	0	0	0	121	110	0	0	0	110
Interest income	*236*	*0*	*0*	*0*	*236*	*126*	*0*	*0*	*0*	*126*
Interest expense	*- 116*	*0*	*0*	*0*	*- 116*	*- 16*	*0*	*0*	*0*	*- 16*
Insurance revenu (before reinsurance)	11	0	0	1	13	9	0	0	0	9
Insurance service expenses (before reinsurance)	- 125	0	0	0	- 125	- 114	0	0	0	- 114
Dividend income	7	0	0	3	10	3	0	0	2	5
Net fee and commission income	44	- 1	0	2	45	42	0	0	0	42
Fee and commission income	*112*	*0*	*0*	*2*	*114*	*109*	*0*	*0*	*0*	*109*
Fee and commission expense	*- 68*	*- 1*	*0*	*0*	*- 69*	*- 66*	*0*	*0*	*0*	*- 66*
Net other income	0	0	0	0	0	0	0	0	0	0
Total Opex	- 45	0	0	0	- 45	- 37	0	0	- 1	- 37
Undrawn portion of loan commitments, financial guarantees and other commitments										
Given by the group	0	0	0	0	0	0	0	0	0	0
Received by the group	167	0	0	0	167	177	0	0	0	177

Transactions with key management (members of the Board of Directors and Executive Committee) (in millions of EUR) *	**2023**	**2022**
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)	**2023**	**2022**
KBC Insurance NV and its subsidiaries		
Standard audit services	1 517 116	1 656 652
Other services	88 968	25 870
Other certifications	88 968	25 870
Tax advice	0	0
Other non-audit assignments	0	0
KBC Insurance NV (alone)		
Standard audit services	643 559	800 982
Other services	20 390	20 332

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
UBB Pension Insurance Company 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
Agentuur 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 Travel 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 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	77,89	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 system
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 2023, KBC Insurance had received income from unconsolidated structured entities in the form of management fees (4.2 million euros).
    - At year-end 2023, KBC Insurance held 1.8 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

- 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).

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 2023, the Solvency II ratio came to 206%, more than double the minimum requirement of 100%.

Key solvency figures for KBC Insurance

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

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 (14 March 2024):

- 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 20 et seq. of the Articles of Association, which are available at www.kbc.com.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS’ MEETING OF KBC VERZEKERINGEN NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023

We present to you our statutory auditor’s report in the context of our statutory audit of the consolidated accounts of KBC 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 eight consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group’s consolidated accounts, which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cashflow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 35.338 million and a profit for the year (attributable to equity holders of the parent) of EUR 527 million.

In our opinion, the consolidated accounts give a true and fair view of the Group’s net equity and consolidated financial position as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the “*Statutory auditor’s responsibilities for the audit of the consolidated accounts”* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
Maatschappelijke zetel/Siège social: Culliganlaan 5, B-1831 Diegem
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCCBEBB

FREE TRANSLATION FROM THE DUTCH ORIGINAL

<u>Estimation uncertainty with respect to transition to and first time application of IFRS 17 and IFRS 9</u>

Description of the Key Audit Matter

The financial year ended 31 December 2023 is KBC Verzekeringen's first year of application of IFRS 17 "Insurance Contracts", which significantly modifies the accounting criteria for the recognition and measurement of insurance contracts compared to IFRS 4. On 1 January 2023, the Group also ceased applying the temporary overlay approach from the application of IFRS 9, thereby modifying the classification and breakdown of financial assets and liabilities in the Group's consolidated accounts.

As part of the initial application of these accounting standards, comparative information at 1 January 2022 (transition balance sheet) needs to be prepared and the year-end 2022 corresponding figures in the Group's consolidated accounts need to be restated. The transition to IFRS 17 and IFRS 9 has a significant impact on equity per 1 January 2022 and involves a complex process that requires the application of assumptions and estimates.

The transition to and first time application of IFRS 17 and IFRS 9 have therefore been considered a key audit matter.

Information regarding the transition to and first time application of IFRS 17 and IFRS 9, is disclosed in Note 1.5 to the consolidated accounts.

How our Audit addressed the Key Audit Matter

Our procedures on the transition to IFRS 17 and IFRS 9, mainly consisted of the following procedures:

- Evaluation of compliance of the Group's accounting policies with IFRS 17 and IFRS 9;
- Understanding and evaluation of the updated internal control environment related to the financial reporting process under IFRS 17 and IFRS 9;
- Assessment and testing of the applied transition methods to define the transition balance sheet;
- Assessment of the accounting policies, the methodology and reasonableness of the actuarial models and assumptions used in the calculations of the present value of fulfilment cash flows ("PVFCF"), Contractual Service Margin ("CSM") and the Risk Adjustment for non-financial risk ("RA");
- Reperforming actuarial calculations of the fulfilment cash flows, CSM and CSM release through coverage units, included in the liability for remaining coverage ("LRC") for a sample of contracts measured under the Building Block Approach ("BBA") and Variable Fee Approach ("VFA");
- Independently assessing the actuarial models used to value the liability for incurred claims ("LIC") measured under the Premium Allocation Approach ("PAA") for a risk based sample of a group of contracts;
- Assessment of the eligibility criteria for applying the PAA or the VFA; and
- Performing an analysis of the changes to the business model assessments and assessment of the fulfilment of the criteria for such changes in view of IFRS 9.

We also assessed the appropriateness of the disclosures in the consolidated accounts regarding the transition, considering the requirements of the International Financial Reporting Standards as adopted by the European Union.

Our internal actuarial experts assisted us in performing the above listed audit procedures.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

<u>Estimation uncertainty with respect to valuation of insurance contract liabilities</u>

Description of the Key Audit Matter

The LRC of contracts measured using the BBA (EUR 12.952 million) or the VFA (EUR 910 million) includes the PVFCF relating to future insurance services, as well as the CSM and the RA. The assumptions used for the projections of the said cash flows relate, mainly, to mortality, longevity, lapse, profitability, dormancy and the defining of directly attributable expenses. The actuarial calculation of the cash flows arising from such insurance contracts is complex and highly judgmental as it is based on assumptions which are affected by future economic and political conditions and government regulations. Furthermore, the determination of the appropriate discounting of the said cash flows using the top-down approach is considered complex and highly judgemental, leading us to consider this as a key audit matter.

The LIC of contracts measured using the PAA (EUR 2.260 million) accounts for the estimated cost of claims occurring up to the reporting date. The actuarial projection methods of the present value of expected future cash flows related to past insurance services arising from such insurance contracts are complex and highly judgmental as they are based on a number of key assumptions derived from historical information, mainly relating to the amount of the claim and claim payment patterns including expected future development. Furthermore, the determination of the appropriate discounting of the said cash flows using the bottom-up approach is considered complex and highly judgemental, leading us to consider this as a key audit matter.

Information on the valuation of insurance contract liabilities is included in Note 5.6.1 to the consolidated accounts, in application of the policies as described in Note 1.2 “Summary of significant accounting policies”.

How our Audit addressed the Key Audit Matter

We performed procedures on the design and operating effectiveness of the Group’s controls to ascertain that the data used in the valuation and measurement of the insurance contract liabilities are adequate and complete. We performed testing of the Group’s procedures to determine the aforementioned assumptions, testing of the assumptions based on market observable data and actuarial analysis through backtesting of the assumptions used.

Our substantive procedures on the LRC for insurance contracts measured under the BBA or the VFA mainly consisted of the following procedures:

- Assessing the accounting policies, the methodology and reasonableness of the actuarial models and assumptions used in the calculations of the PVFCF;
- Testing the completeness and accuracy of the data used in determining the assumptions, as well as data used in actuarial calculations;
- Verifying the accuracy of the fulfilment cash flows on a sample basis resulting from our risk assessment;
- Verifying the methodology and reasonableness of the RA;
- Performing a recalculation of the CSM for a sample of selected cohorts, including new business;
- Reviewing the analysis of change and recalculation of the release of the CSM based on coverage units, for a selected sample of units of account; and
- Verifying the locked-in and current discount rates (top-down).

Our substantive procedures on the LIC for insurance contracts measured under the PAA mainly consisted of the following procedures:

- Assessing the accounting policies, the methodology and reasonableness of the actuarial models and assumptions used in the calculations of the present value of fulfilment cash flows;
- Testing the completeness and accuracy of the data used in actuarial calculations;
- Independently assessing the actuarial models for a risk based sample of a group of contracts; and
- Verifying the locked-in and current discount rates (bottom-up).

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Finally, we assessed the completeness and accuracy of the disclosures regarding insurance contracts to assess compliance with disclosure requirements included in the International Financial Reporting Standards as adopted by the European Union

Our internal actuarial experts assisted us in performing our audit procedures.
We discussed the outcome of our actuarial analysis with the actuarial function holder of the Group.

Our procedures have allowed us to assess the valuation and measurement of the insurance contracts.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and of the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts and to report on these matters.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing the sections:

- "Company annual accounts";
- "Ratios used"

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, 29 March 2024

The statutory auditor
PwC Reviseurs d'Entreprises SRL/PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave*
Bedrijfsrevisor/Réviseur d'entreprises

*Acting on behalf of Damien Walgrave BV/SRL

Kurt Cappoen**
Bedrijfsrevisor/Réviseur d'entreprises

**Acting on behalf of Kurt Cappoen BV/SRL

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) 09/11/2023 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 24/04/2023

concerning the financial year covering the period from 1/01/2023 tot 31/12/2023

Previous period from 1/01/2022 tot 31/12/2022

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

A. Bostoen, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven

M. De Ceuster, Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven Since 26/04/2023

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

R. Sels, Delegated Director, Professor Roger Van Overstraetenplein 2 / 3000 Leuven Since 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

Recognised auditor

PwC Bedrijfsrevisoren

Culliganlaan 5 1831 DIEGEM BTW BE 0458.263.335, Lidmaatschapsnummer B00009

Represented by:

Damien Walgrave A02037

Kurt Cappoen A01969

- 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)

A/ B/ C/ 0403552563 2023-12-31 00014 EUR

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	0
I. Formation expenses	211	0	0
II. Intangible assets	212	0	0
1. Goodwill	212.1	0	0
2. Other intangible assets	212.2	0	0
3. Prepayments	212.3	0	0
C. Financial Assets (annex no. 1, 2 and 3)	**22**	18.565.491.444	19.011.081.049
I. Land and buildings (annex no. 1)	221	132.114.925	121.828.830
1. Property of own use	221.1	0	0
2. Other	221.2	132.114.925	121.828.830
II. Investments in affiliated undertakings and participations (annex no. 1, 2 and 18)	222	1.167.777.152	1.136.798.036
Affiliated undertakings	222.1	1.152.313.141	1.121.596.962
1. Shares	222.11	1.152.313.141	1.121.596.962
2. Debt securities, loans	222.12	0	0
- Other companies linked by participating interests	222.2	15.464.011	15.201.074
3. Shares	222.21	15.464.011	15.201.074
4. Debt securities, loans	222.22	0	0
III. Other financial assets	223	17.265.272.823	17.751.918.108

Liabilities	Code	Current year	Previous year
A. Equity (annex no 5)	**11**	1.367.776.639	1.368.154.575
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	1.085.606.052	1.085.606.053
III. Revaluation reserves	113	0	0
IV. Reserves	114	216.985.305	217.352.217
1. Legal reserves	114.1	6.515.617	6.515.617
2. Reserves not available for distribution	114.2	203.833.639	203.833.638
a) own shares	114.21	203.184.640	203.184.639
b) other	114.22	648.999	648.999
3. Untaxed reserves	114.3	6.636.049	7.002.962
4. Reserves available for distribution	114.4	0	0
V. Result brought forward	115	29.110	40.133
1. Profit from previous years	115.1	29.110	40.133
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	231.578.708

A/ B/ C/ 0403552563 2023-12-31 00014 EUR

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	968.790.869	966.277.843				
2. Debt securities and other fixed-income securities (annex no.1)	223.2	14.072.595.907	14.476.205.061	**C. Technical provisions (annex no. 7)**	**14**	16.525.997.151	16.405.274.234
				I. Provision for unearned premiums and provision for unexpired risk	141	296.364.730	277.562.907
3. Participation in investment pools	223.3	28.552.618	14.656.513	II. Life assurance provision	142	12.809.430.828	12.891.135.086
4. Loans guaranteed by mortgages	223.4	870.896.743	908.747.488	III. Provision for claims outstanding	143	2.712.607.677	2.589.759.040
5. Other loans	223.5	1.048.834.753	1.080.444.154				
6. Term deposits with credit institutions	223.6	275.000.000	305.000.000	IV. Provision for bonuses and rebates	144	46.786.544	38.528.154
7. Other investments	223.7	601.933	587.049	V. Equalization and catastrophe provision	145	394.632.497	348.864.929
IV. Deposits with ceding undertakings	224	326.544	536.075	VI. Other technical provisions	146	266.174.875	259.424.118
D. Assets held for unit-linked funds	**23**	13.435.676.106	11.998.416.368	**D. Technical provisions for unit-linked funds (annex no. 7)**	**15**	13.435.676.106	11.998.416.368
Dbis. Reinsurers' share in technical provisions	**24**	134.263.904	151.533.672	**E. Provisions other than technical provisions**	**16**	5.476.271	5.126.895
I. Provision for unearned premiums and provisions for unexpired risk	241	1.781.793	3.126.061	I. Provisions for pensions and other obligatory similar obligations	161	2.543.677	2.137.221
II. Life assurance provision	242	15.391.515	12.690.866	II. Provisions for deferred income tax	162	2.212.131	2.334.435
III. Provision for claims outstanding	243	116.997.180	135.569.743	III. Other provisions (annex no 6)	163	720.463	655.239
IV. Provision for bonuses and rebates	244	0	0	**F. Deposits received from reinsurers**	17	125.792.337	140.607.721
V. Other technical provisions	245	93.416	147.002				

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
VI. Technical provisions for unit-linked funds	246	0	0
E. Receivables (annex no. 18 en 19)	**41**	202.286.147	235.963.696
I. Direct insurance receivables	411	119.628.254	107.114.106
1. Receivables from policyholders	411.1	35.909.649	31.978.642
2. Receivables from insurance intermediaries	411.2	16.773.474	13.976.970
3. Other	411.3	66.945.131	61.158.494
II. Reinsurance receivables	412	31.003.189	62.748.356
III. Other receivables	413	51.654.704	66.101.234
IV. Called capital as yet unpaid	414	0	0
F. Other assets	**25**	544.164.438	426.038.517
I. Tangible assets	251	266.843	270.909
II. Cash	252	340.712.955	222.582.968
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***	180.021.905	182.314.550
I. Accrued interests and rent	431	176.811.936	179.695.034
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	3.209.969	2.619.516
TOTAL	***21/43***	33.061.903.944	32.005.347.852

Liabilities	Code	Current year	Previous year
G. Liabilities (annex no. 7 and 18)	**42**	850.700.578	1.331.190.316
I. Amounts payable regarding direct insurance operations	421	266.645.738	270.061.600
II. Amounts payable regarding reinsurance operations	422	40.815.676	23.149.527
III. Non subordinated bonds	423	0	0
1. Convertible bonds	423.1	0	0
2. Non convertible bonds	423.2	0	0
IV. Amounts owed to credit institutions	424	218.506.863	643.913.360
V. Other liabilities	425	324.732.301	394.065.829
1. Liabilities regarding taxes, wages and social security charges	425.1	34.835.119	33.729.652
a) taxes	425.11	10.282.336	10.648.497
b) wages and social security charges	425.12	24.552.783	23.081.155
2. Other	425.2	289.897.182	360.336.177
H. Accrued charges and deferred income (annex no 8)	***434/436***	18.906.154	24.999.035
TOTAL	***11/43***	33.061.903.944	32.005.347.852

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**	1.352.694.874	1.243.440.662
a) Gross written premium (annex no 10)	710.1	1.426.236.810	1.298.976.435
b) Share of reinsurers in written premium (-)	710.2	(53.395.844)	(42.618.747)
c) Change in gross provisions for unearned premiums and provisions for unexpired risk (increase -, decrease +)	710.3	-18.801.824	-13.444.241
d) Reinsurers' share in change of provision for unearned premiums and for in expired risk (increase+ , decrease -)	710.4	-1.344.268	527.215
2. Net returns on investment including costs, transferred from the non technical account (post 6)	**711**	0	0
2bis. Investment income	**712**	117.052.589	137.121.452
a) Income from investments in affiliated undertakings and participations	712.1	4.000.000	1.100.000
aa) Affiliated undertakings	712.11	4.000.000	1.100.000
1° shares	712.111	4.000.000	1.100.000
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
2° debt securities, loans	712.122	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
b) Income from other financial investments	712.2	99.805.659	106.364.493
aa) income from land and buildings	712.21	3.449.232	3.290.891
bb) income from other investments	712.22	96.356.427	103.073.602
c) Reversal of impairments on investments	712.3	6.930.950	1.509.665
d) Realised gains on investments	712.4	6.315.980	28.147.294
3. Other technical income net of reinsurance	**714**	513.062	478.180
4. Claims incurred, net of reinsurance (-)	**610**	(803.712.260)	(719.430.118)
a) Claims paid net of reinsurance	610.1	660.577.025	601.171.626
aa) claims paid gross (annex no 10)	610.11	675.819.488	673.204.043
bb) claims paid reinsurers' share (-)	610.12	(15.242.463)	(72.032.417)
b) Change in provision for claims outstanding net of reinsurance (increase +, decrease -)	610.2	143.135.235	118.258.492
aa) Change in provision for claims outstanding gross (annex no 10) (increase +, decrease -)	610.21	124.554.553	121.889.889
bb) Change in provision for claims outstanding reinsurers' share (increase -, decrease +)	610.22	18.580.682	-3.631.397
5. Change in other technical provisions - net of reinsurance (increase -, decrease +)	**611**	-6.870.526	-8.192.011

A/ B/ C/ 0403552563 00014 EUR

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
6.	**Bonuses and rebates - net of reinsurance (-)**		**612**	(36.038)	(-458.341)
7.	**Operating expenses (-)**		**613**	(422.313.322)	(378.118.683)
	a)	Acquisition costs	613.1	329.815.571	299.367.643
	b)	Change in activated acquisition costs (increase -, decrease +)	613.2	0	0
	c)	Administrative expenses	613.3	93.952.231	80.719.989
	d)	Reinsurance commissions and profit participations (-)	613.4	(1.454.480)	(1.968.949)
7bis.	**Costs on investments (-)**		**614**	(51.619.914)	(30.947.737)
	a)	Management and administrative expenses on investments	614.1	42.681.342	15.594.873
	b)	Impairments on investments	614.2	3.385.078	11.143.750
	c)	Realised losses on investments	614.3	5.553.494	4.209.114

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**	(22.361.445)	(25.920.523)
9.	**Change of equalisation provisions - net of reinsurance (increase -, decrease +)**	**619**	-45.767.569	-23.896.092
10.	**Result of the technical account Non-Life**			
	Profit (+)	*710 / 619*	117.579.451	194.993.471
	Loss (-)	*619 / 710*	(0)	(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			720	1.888.932.090	1.717.538.054
	a)	Gross written premium (annex no. 10)		720.1	1.920.285.040	1.746.785.205
	b)	Share of reinsurers in written premium (-)		720.2	(31.352.950)	(29.247.151)
2.	**Investment income**			**722**	810.996.811	713.968.191
	a)	Income from investments in affiliated undertakings and participations		722.1	533.648	4.900.000
		aa)	affiliated undertakings	722.11	533.648	4.900.000
			1° shares	722.111	533.648	4.900.000
			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	708.625.129	493.543.462
		aa)	income from land and buildings	722.21	7.288.979	6.950.223
		bb)	income from other investments	722.22	701.336.150	486.593.239
	c)	Reversal of impairments on investments		722.3	50.031.172	9.532.610
	d)	Realised gains on investments		722.4	51.806.862	205.992.119
3.	**Value adjustments on assets held for unit-linked funds (gains)**			**723**	1.800.726.020	877.270.980

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**	2.019.160	2.852.515
5. Claims incurred, net of reinsurance (-)	**620**	(1.640.042.266)	(1.867.689.757)
a) Claims paid net of reinsurance	620.1	1.643.394.464	1.873.219.742
aa) Claims paid gross	620.11	1.665.600.084	1.885.962.686
bb) claims paid reinsurers' share (-)	620.12	(22.205.620)	(12.742.944)
b) Change in provision for claims net of reinsurance (increase +, decrease -)	620.2	-3.352.198	-5.529.985
aa) Change in provision of claims outstanding gross (increase +, decrease -)	620.21	-3.386.988	-6.797.703
bb) Change in provision of claims outstanding reinsurers' share (increase -, decrease +)	620.22	34.790	1.267.718
6. Change in other technical provisions - net of reinsurance (increase -, decrease +)	**621**	-1.354.239.008	1.992.442.406
a) Change in provisions Life net of reinsurance (increase -, decrease +)	621.1	84.963.231	356.553.764
aa) change in provisions Life gross (increase -, decrease +)	621.11	82.262.582	353.382.984
bb) Change in provisions Life reinsurers' share (increase +, decrease -)	621.12	2.700.649	3.170.780

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
	b)	Change in other technical provisions - net of reinsurance (increase -, decrease +)	621.2	-1.439.202.239	1.635.888.642
7.	**Bonuses and rebates - net of reinsurance (-)**		**622**	(6.924.001)	(8.387.394)
8.	**Operating expenses (-)**		**623**	(167.320.929)	(138.003.304)
	a)	Acquisition costs	623.1	91.874.947	81.740.373
	b)	Change in activated acquisition costs (increase +, decrease -)	623.2	0	0
	c)	Administrative expenses	623.3	82.392.539	68.649.469
	d)	Reinsurance commissions and profit participations (-)	623.4	(6.946.557)	(12.386.538)
9.	**Costs on investments (-)**		**624**	(435.733.059)	(260.481.939)
	a)	Management and administrative expenses on investments	624.1	369.236.975	155.367.437
	b)	Impairments on investments	624.2	26.789.258	62.662.764
	c)	Realised losses on investments	624.3	39.706.826	42.451.738
10.	**Value adjustments on assets held for unit-linked funds (losses) (-)**		**625**	(745.771.475)	(2.770.076.783)

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
11.	**Other technical costs - net of reinsurance (-)**	**626**	(13.878.866)	(15.577.462)
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**	0	-50.000.000
13.	**Result of the technical account Life**			
	Profit (+)	***720 / 628***	138.764.477	193.855.507
	Loss (-)	***628 / 720***	(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
1.	**Result of the technical account non life (post 10)**				
	Profit (+)		*(710 / 619)*	117.579.451	194.993.471
	Loss (-)		*(619 / 710)*	(0)	(0)
2.	**Result of the technical account life (post 13)**				
	Profit (+)		*(720 / 628)*	138.764.477	193.855.507
	Loss (-)		*(628 / 720)*	(0)	(0)
3.	**Investment income**		**730**	285.103.859	373.291.426
	a)	Income from investments in affiliated undertakings and participations	730.1	227.067.816	129.466.931
	b)	Income from other financial investments	730.2	39.447.534	40.544.527
		aa) income from land and buildings	730.21	3.681.250	3.600.314
		bb) Income from other investments	730.22	35.766.284	36.944.213
	c)	Reversal of impairments on investments	730.3	16.156.861	203.015.869
	d)	Realised gains on investments	730.4	2.431.648	264.099
4.	**Net return on investments including costes transferred from the technical Life insurance account (post 12)**		**731**	0	0
5.	**Costs on investment (-)**		**630**	(22.781.148)	(15.049.915)

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) Management and administrative expenses on investments	630.1	17.740.389	12.117.194
	b) Impairments on investments	630.2	2.605.203	2.913.159
	c) Realised losses on investments	630.3	2.435.556	19.562
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**	4.915.341	4.813.995
8.	**Other operating expenses (annes no. 13) (-)**	**632**	(28.383.459)	(15.119.914)
8bis.	**Profit (losses) on ordinary activities before taxes**			
	Profit (+)	*710 / 632*	495.198.521	736.784.570
	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)
13.	**Extraordinary result**			
	Profit (+)	*733 / 633*	0	0
	Loss (-)	*633 / 733*	(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
14.	**-**	**-**		
15.	**Income Tax (-/+)**	**634 / 734**	-60.390.474	-75.591.367
15bis.	**Deferred Tax (-/+)**	**635 / 735**	122.304	122.304
16.	**Result for the period**			
	Profit (+)	*710 / 635*	434.930.351	661.315.507
	Loss (-)	*635 / 710*	(0)	(0)
17.				
	a) Transfer from tax-free reserves (+)	**736**	366.910	366.913
	b) Transfer to tax-free reserves (-)	**636**	(0)	(0)
18.	**Result for the period available for appropriation**			
	Profit (+)	*710 / 636*	435.297.261	661.682.420
	Loss (-)	*636 / 710*	(0)	(0)

A/	B/	C/	0403552563	00014	EUR

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**	435.382.414	661.744.526
	Loss to be appropriated (-)		**637.1 / 710**	(0)	(0)
	1.	Profit for the period available for appropriation	710 / 636	435.297.261	661.682.420
		Loss for the period available for appropriation (-)	636 / 710	(0)	(0)
	2.	Profit brought forward from previous year	737.1	85.153	62.106
		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	(74.131)	(85.153)
	2.	Loss to be carried forward	737.4	0	
E.	**Owner's contribution in respect of losses**		**737.5**		
F.	**Profit to be distributed**		**637.5 / 637.7**	(435.308.284)	(661.659.373)
	1.	Dividends	637.5	432.771.142	659.176.883
	2.	Director's or manager's entitlements	637.6		
	3.	Other beneficiaries	637.7	2.537.142	2.482.490

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	243.744.615	1.137.596.968
Movements during the period					
. Acquisitions		8.01.021		17.752.733	17.716.538
. New acquisition costs		8.01.022			
. Sales and disposals	(-)	8.01.023	(9.041.032)	(6.033.449)	(3.000.360)
. 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	304.000	255.463.899	1.152.313.146
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	0	0	0
c) DEPRECIATION AND AMOUNTS WRITTEN DOWN					
Depreciation and amounts written down at the end of prev.period		8.01.07	9.345.032	121.915.786	16.000.005
Movements during the period :					
. Recorded		8.01.081		6.797.067	
. Written back	(-)	8.01.082	( )	( )	(16.000.000)
. Acquisitions from third parties		8.01.083			
. Cancelled	(-)	8.01.084	(9.041.032)	(5.363.879)	( )
. Transfers from one heading to another	(+)(-)	8.01.085			
Depreciation and amounts written down at the end of period		8.01.09	304.000	123.348.974	5
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	0	132.114.925	1.152.313.141

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		28.862.941	
Movements during the period					
. Acquisitions		8.01.021			
. New acquisition costs		8.01.022			
. Sales and disposals	(-)	8.01.023	(0)	(1.737.063)	(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	27.125.878	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		0	
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		13.504.000	
Movements during the period	(+)(-)	8.01.11		-2.000.000	
Uncalled amounts at the end of the period		8.01.12		11.504.000	
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	15.464.011	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	1.062.078.718	14.478.040.234
Movements during the period				
. Acquisitions		8.01.021	148.462.389	6.791.160.114
. New acquisition costs		8.01.022		
. Sales and disposals	(-)	8.01.023	(175.821.045)	(7.245.047.393)
. Transfers from one heading to another	(+)(-)	8.01.024		
. Other movements	(+)(-)	8.01.025		51.807.627
Acquisition value at the end of the period		8.01.03	1.034.720.062	14.075.960.582
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	0	0
c) DEPRECIATION AND AMOUNTS WRITTEN DOWN				
Depreciation and amounts written down at the end of prev.period		8.01.07	95.800.875	562.025
Movements during the period :				
. Recorded		8.01.081	25.898.518	30.766
. Written back	(-)	8.01.082	(19.230.855)	( )
. Acquisitions from third parties		8.01.083		
. Cancelled	(-)	8.01.084	(36.539.345)	( )
. Transfers from one heading to another	(+)(-)	8.01.085		
Depreciation and amounts written down at the end of period		8.01.09	65.929.193	592.791
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		-1.273.149
Movements during the period	(+)(-)	8.01.14		-1.498.736
At he end of the period	(+)(-)	8.01.15		-2.771.885
NET BOOK VALUE AT THE END OF THE PERIOD				
(a) + (b) - (c) - (d) +/- (e)		8.01.16	968.790.869	14.072.595.906

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)	
KBC GROUP RE SA, 4 RUE DU FORT WALLIS, L-2714 LUXEMBOURG, LUXEMBURG	544,00	100,00		2022	EUR	51.319,00	-31,00
CSOB POIST'OVNA AS, ZIZKOVA 11, 811 020 BRATISLAVA, SLOVAKIJE	1.676,00	100,00		2022	EUR	41.296,00	9.524,00
K&H INSURANCE, LECHNER ODON FASOR 9, 1095 BUDAPEST, HONGARIJE	1.772,00	100,00		2022	HUF	34.445.000,00	6.236.000,00
OMNIA TRAVEL NV, MGR. LADEUZEPLEIN 15, 3000 LEUVEN	500,00	100,00		2022	EUR	2.763,00	322,00
ADD NV, INDUSTRIEWEG 1, 3001 HEVERLEE	10.000,00	100,00		2022	EUR	3,94	2,52
CSOB POJIST'OVNA A.S. CLEN HOLDINGU CSOB, MASARYKOVO NAM. 1458, 532 18	339,00	99,71		2022	CZK	7.648.801,00	2.152.644,00
DZI INSURANCE, 89B VITOSHA BLVD., 'MILENIUM' BUSINESS CENTER, SOFIA 1463,	13.639.150,00	100,00		2022	BGN	332.438,00	56.578,00
GROEP VTB-VAB NV, PASTOOR COPLAAN 100, 2070 ZWIJNDRECHT	13.777,00	100,00		2022	EUR	17.319,00	2.171,00
SPORTCOMPLEX HEIST-OP-DEN-BERG NV, HAVENLAAN 2, 1080 BRUSSEL	1.060,00	100,00		2022	EUR	8.055,00	293,00
AGENTUUR VOOR BRANDHERVERZEKERING CV, PROF. ROGER VAN OVERSTRAE	24.799,00	90,10		2022	EUR	2.500,00	666,00
AIA-POOL CVBA, CHAUSSEE DE JETTE 221, 1080 BRUSSEL	502,00	33,47		2022	EUR	370,00	-5,00
ASSURCARD NV, FONTEINSTRAAT 1A/301 , 3000 LEUVEN	900,00	20,00		2022	EUR	3.161,00	75,00
BUSINESS BREWERY, INTERLEUVENLAAN 62, 3001 LEUVEN	20,00	4,76		2022	EUR	1.376,00	-66,00
BEDR. CENTR. VILVOORDE NV, MECHELSESTEENWEG 277, 1800 VILVOORDE	300,00	8,26		2022	EUR	908,00	-73,00
BELGISCH GEMEENSCHAPPELIJK WAARBORGFONDS, LIEFDADIGHEIDSSTRAAT 3	1,00	2,56		2022	EUR	35,00	
DOUBLE U BUILDING BV, WATERMANWEG 92, 3067 GG ROTTERDAM, NEDERLAND	330.000,00	100,00		2022	EUR	44.219,00	686,00
BEM NV, LOMBARDSTRAAT 34-42, 1000 BRUSSEL	1.500,00	6,47		2022	EUR	3.516,00	-40,00
IMEC.XPAND, KAPELDREEF 75, 3001 HEVERLEE	100.000,00	8,56		2022	EUR	68.649,00	-2.516,00

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)	
IMEC.XPAND II COMMV, KAPELDREEF 75, 3001 HEVERLEE	100.000,00	7,21		2022	EUR	9.336,00	-1.397,00
RENAISSANCE MAGISTER INVEST, AVENUE DU PORT 2, 1080 MOLENBEEK-SAINT-	35.820,00	100,00		2022	EUR	39.672,00	1.210,00
VLAAMSE ENERGIE HOLDING B CV, NOORDLAAN 9, 8820 TORHOUT	163,00	11,04		2022	EUR	271.386,00	21.927,00
IMMO NIGHTINGALE, AVENUE DU PORT 2, 1080 MOLENBEEK-SAINT-JEAN BELGIQ	100,00	100,00		2022	EUR	12,00	-11,00
SPORTCOMPLEX AALST NV, HAVENLAAN 2, 1080 BRUSSEL	1.000,00	100,00		2022	EUR	13.349,00	562,00
RE-TAIL RETURN PARTNERS I, KLEISTRAAT 68, 1785 MERCHTEM	846.387,00	10,04		2022	EUR	8.896,00	-33,00

(*) according to the official codification

A/ B/ C/ 2023-12-31 00014 EUR

Nr. 3. Fair value of the investments (art. 38).

Assets	Codes	Amounts
C. Financial assets	8.03	18.057.091.527
I. Land and buildings.	8.03.221	245.264.227
II. Investments in affiliated undertakings and participations.	8.03.222	1.359.384.373
- Affiliated undertakings.	8.03.222.1	1.295.870.414
1. Shares	8.03.222.11	1.295.870.414
2. Debt securities, loans.	8.03.222.12	0
- Other companies linked by participating interests.	8.03.222.2	63.513.959
3. Shares	8.03.222.21	63.513.959
4. Debt securities, loans.	8.03.222.22	0
III. Other financial assets	8.03.223	16.452.116.383
1. Shares, participating interests and other variable-yield securities	8.03.223.1	1.201.296.040
2. Debt securities and other fixed-income securities.	8.03.223.2	13.163.441.568
3. Participation in joint investments.	8.03.223.3	24.770.747
4. Loans guaranteed by mortgages.	8.03.223.4	794.645.807
5. Other loans.	8.03.223.5	966.585.082
6. Term deposits with credit institutions.	8.03.223.6	300.775.206
7. Other.	8.03.223.7	601.933
IV. Deposits with ceding undertakings.	8.03.224	326.544

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	-2.347.166	13.334.376
Currency Interest Rate Swap	-6.044.139	-3.354.385

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	439.714.966	198.581.857

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.

A/ B/ C/ 0403552563 00014 EUR

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	2.683.999
Front-end fees	525.971

A/ B/ C/ 0403552563 2023-12-31 00014 EUR

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

A/	B/	C/	0403552563	00014	EUR

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	630.912
Other provisions	44.551
Other risks and charges	45.000

A/	B/	C/	0403552563	00014	EUR

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	

A/	B/	C/	00014	EUR

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	218.506.863
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	218.506.863
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	218.506.863

A/ **B/** **C/** **00014** **EUR**

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	10.282.336
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	24.552.783

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.	
Management fees	2.459.747
Pro rata interests to be paid	6.260.818
Back-end fees	5.786.539
Pro rata guarantee Vastgoed NL	3.400.000

A/ B/ C/ 0403552563 00014 EUR

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).

A/ B/ C/ 0403552563 2023-12-31 00014 EUR

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	1.426.236.808	1.415.885.328	229.286.901	249.358.763	190.264.162	1.680.950	514.385.181	102.197.847		24.853.527	70.222.483	33.635.514	10.351.480
2)Gross earned premium	8.10.02	1.407.434.986	1.397.122.800	227.320.101	247.841.901	186.718.577	1.634.461	505.585.718	101.474.694		24.284.727	69.324.453	32.938.168	10.312.186
3)Gross claims	8.10.03	800.374.040	794.827.248	125.223.379	202.329.769	141.954.226	295.993	182.975.270	54.982.392		13.466.603	54.082.398	19.517.218	5.546.792
4)Gross operating expenses	8.10.04	423.767.801	419.773.635	48.542.425	66.878.734	56.843.219	437.957	177.374.613	33.040.790		7.351.546	18.213.386	11.090.965	3.994.166
5)Reinsurance balance	8.10.05	-60.305.462	-61.683.358	-1.695.049	-2.701.203	-39.736		-47.429.041	-9.323.328		196.251	-222.788	-468.464	1.377.896
6)Commission (art. 37)	8.10.06		276.084.777											

A/ B/ C/ 2023-12-31 00014 EUR

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	1.920.282.769
a) 1. Individual premiums :	8.10.08	1.641.205.123
2. Premiums regarding group insurance contracts:	8.10.09	279.077.646
b) 1. Periodic premiums :	8.10.10	940.361.593
2. Single premiums :	8.10.11	979.921.176
c) 1. Premiums regarding non-bonus contracts :	8.10.12	337.576.260
2. Premiums regarding bonus contracts :	8.10.13	535.042.850
3. Premiums for unit-linked contracts :	8.10.14	1.047.663.659
2) Reinsurance balance :	8.10.15	152.555
3) Commissions (art. 37):	8.10.16	59.329.128
B. Reinsurance received		
Gross premiums :	8.10.17.720.1	2.271
III. Non-Life insurance and Life-Insurance, direct business		
Gross premiums :		
- in Belgium :	8.10.18	3.331.477.342
- in other Member States of E.E.C:	8.10.19	4.690.756
- 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	1.151	1.162
b)	the average number of employees employed by the company during the current year and during the previous	8.11.11	1.031	1.041
	- Management staff	8.11.11.1	11	9
	- Employees	8.11.11.2	1.020	1.032
	- Workers	8.11.11.3		
	- Others	8.11.11.4		
c)	number of working hours	8.11.12	1.393.682	1.375.622

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	3	16
b)	the average in number in full-time equivalents calculated as recorded in	8.11.21	11	17
c)	number of working hours	8.11.22	21.657	32.863

A/ B/ C/ 2023-12-31 00014 EUR

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	108.996.278
1. a)Salaries	8.12.111	76.396.997
b)Pension costs	8.12.112	
c)Other direct social benefits	8.12.113	
2.Employer's contribution for social security	8.12.12	19.774.149
3.Employer's contribution and premiums for extra-statutory insurance	8.12.13	6.362.507
4.Other personal charges	8.12.14	2.435.777
5.Provisions for pension costs, salaries and social charges	8.12.15	1.698.616
a)Allowances (+)	8.12.15.1	23.726.159
b)Decrease (-)	8.12.15.2	(22.027.543)
[6. Temporary personnel or persons at the disposal of the enterprise	8.12.16]	2.328.232
II. Services and other goods*	8.12.2	224.427.739
III. Depreciations and amounts written down on intangible fixed assets and tangible fixed assets, other than investments*	8.12.3	61.135
IV. Provisions for other liabilities and charges*	8.12.4	65.224
1.Allowances (+)	8.12.41	65.224
2.Decrease (-)	8.12.42	( )
V.Other current expenses*	8.12.5	12.306.259
1.Fiscal operating expenses*	8.12.51	6.262.009
a)Property taxes	8.12.511	694.079
b)Other	8.12.512	5.567.930
2.Contributions payed to public entities*	8.12.52	5.726.164
3.Theoretical costs*	8.12.53	
4.Other	8.12.54	318.086
VI. Recovered administration expenses and other current revenues (-)	8.12.6	(17.647.626)
1.Recovered administration expenses	8.12.61	17.034.135
a)Received renumerations for performances of management of collective pension funds on behalf of third parties	8.12.611	
b)Other*	8.12.612	17.034.135
2.Other current revenues.	8.12.62	613.491
TOTAL	8.12.7	328.209.009

As amended by article 10, § 2 of the Royal Decree of the 4th of August 1996.

A/	B/	C/	0403552563	00014	EUR

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 impairments doubtful receivables	1 906 467
Fee concerning bond lending	964 264
Capital gains on realisation intermediaries	1 112 801
B. Breakdown of the OTHER OPERATING EXPENSES (8. of the non technical account), if the amount is significant.	
Impairments doubtful receivables	2 027 733
Costs financial institutions	423 000
Interests on subordinated loans	25 598 528

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	61.197.053
1.Income taxes on the result of the current period:	8.15.1.634.1	60.221.269
a. Advance payments and refundable prepayments	8.15.1.634.11	64.774.719
b. Other deductible components	8.15.1.634.12	3.080.298
c. Surplus of the advance payments and/or of the refundable prepayments (-)	8.15.1.634.13	(7.633.748)
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	975.784
a) Additional taxes payed or payable :	8.15.1.634.21	975.784
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	

A/	B/	C/	0403552563	00014	EUR

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	25.855.399
Capital gains on shares to a specific tax regime, exemption reversal impairments, rejected impairments and realised losses on equity	-57.244.074
Non-taxable items DBI (after deductions made by the newly introduced bank and insurance tax)	-245.114.273
Non-deductible expenses (other than realised gains and depreciations on shares and corporation taxation)	10.811.537

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	132.649.177	123.219.753
2.Other taxes of the company itself	8.16.12	9.379.594	10.820.039
B. The deducted amounts supported by third parties by means of :			
1.Payroll withholding taxes	8.16.21	54.885.444	51.636.649
2.Withholding taxes on Investment Income (on dividends)	8.16.22		

A/ B/ C/ 0403552563 00014 EUR

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	458.115.291
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	4.226.756.255
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	5.999.636.868
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	36.199.095
e)Transactions on interest (purchases, ...) :	8.17.044	571.400.000
f)Transactions on interest (sales, ...) :	8.17.045	571.400.000
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	

A/ **B/** **C/** **0403552563** **00014** **EUR**

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	11.760.000
Cash collateral received		11.760.000

A/ B/ C/ 0403552563 00014 EUR

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	1.152.313.141	1.121.596.963	15.464.011	15.201.074
1 + 3 Participations	8.18.222.01	1.152.313.141	1.121.596.963	15.464.011	15.201.074
2 + 4 Debt securities, loans	8.18.222.02		0		0
- subordinated	8.18.222.021				
- other	8.18.222.022				
- D. II.Investments in affiliated undertakings and participations	8.18.232		0		0
1 + 3 Participations	8.18.232.01				
2 + 4 Debt securities, loans	8.18.232.02		0		0
- subordinated	8.18.232.021				
- other	8.18.232.022				
- E. Receivables	8.18.41	8.528.461	29.509.437	293.511	400.717
I. Direct insurance receivables	8.18.411	3.349.634	4.790.387		
II. Reinsurance receivables	8.18.412	3.072.740	22.155.484	293.511	400.717
III. Other receivables	8.18.413	2.106.087	2.563.566		

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
- B.	Subordinated liabilities		8.18.12	500.000.000	500.000.000		
- G.	Liabilities		8.18.42	483.761.353	979.509.030	0	1.000.983
	I.	Amounts payable regarding insurance operations	8.18.421	4.905.942	5.710.421		
	II.	Amounts payable regarding reinsurance operations	8.18.422	5.912.861	333.127	0	1.000.983
	III.	Non subordinated bonds	8.18.423				
	IV.	Amounts owed to credit institutions	8.18.424	218.506.863	643.913.360		
	V.	Other liabilities	8.18.425	254.435.687	329.552.122		

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	127.523.231	159.291.582
- 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	748.196	894.568
- Other investment income	8.18.54	231.590.123	135.455.591

A/ **B/** **C/** **0403552563** **00014** **EUR**

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	395.000
- 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	643559
2. Fees for exceptional services or special services provided to the company by the auditor(s)	8.19.6	20390
- Other audit services	8.19.61	20390
- 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 their expected useful life with a minimum of 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.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 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.

Core systems with a longer useful life are depreciated straight line over their expected useful life with a minimum of an eight-year period.

Core systems are normally used more than 8 years. It was therefore decided to use the expected useful life as a general rule, but always with a minimum of 8 years.

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
B.II.2 Other Intangible Assets	0		

(*) 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

A/	B/	C/	2023-12-31	00014	EUR

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 162.788.347 euro. at the 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

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	635,00	338,00	297,00
Part-time	1002	517,00	98,00	419,00
Total of full-time equivalents (FTE)	1003	1.031,00	412,00	619,00
Number of hours-actually worked				
Full-time	1011	880.119,00	481.311,00	398.808,00
Part-time	1012	513.563,00	93.945,00	419.618,00
Total	1013	1.393.682,00	575.256,00	818.426,00
Personnel costs				
Full-time	1021	67.203.895,00	38.144.631,00	29.059.264,00
Part-time	1022	36.531.621,00	7.317.738,00	29.213.883,00
Total	1023	103.735.516,00	45.462.369,00	58.273.147,00
Advantages in addition to wages	1033	1.910.990,00	837.497,00	1.073.493,00

During the previous period	Codes	P. Totaal	1P. Mannen	2P. Vrouwen
Average number of employees	1003	1.032,00	417,00	615,00
Number of hours actually worked	1013	1.375.622,00	578.986,00	796.636,00
Personnel costs	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

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	636,00	515,00	1.031,00
By nature of the employment contract				
Contract for an indefinite period	110	632,00	515,00	1.027,00
Contract for a definite period	111	4,00		4,00
Contract for the execution of a specifically assigned work	112			
Replacement contract	113			
According to the gender and by level of education				
Male	120	333,00	98,00	406,00
primary education	1200			
secondary education	1201	24,00	12,00	32,00
higher education (non-university)	1202	173,00	60,00	219,00
university education	1203	136,00	26,00	155,00
Female	121	303,00	417,00	625,00
primary education	1210			
secondary education	1211	24,00	58,00	65,00
higher education (non-university)	1212	161,00	280,00	378,00
university education	1213	118,00	79,00	182,00
By professional category				
Management staff	130	11,00		11,00
Employees	134	625,00	515,00	1.020,00
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	11	
Number of hours actually worked	151	21.657	
Charges of the enterprise	152	994.273	

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	71,00	29,00	96,00
By nature of the employment contract				
Contract for an indefinite period	210	68,00	29,00	93,00
Contract for a definite period	211	3,00		3,00
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	60,00	51,00	94,00
By nature of the employment contract				
Contract for an indefinite period	310	54,00	51,00	88,00
Contract for a definite period	311	6,00		6,00
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	12,00	22,00	23,00
Unemployment with company allowance	341			
Dismissal	342	2,00	2,00	3,00
Other reason	343	46,00	27,00	67,00
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	399,00	5811	657,00
Number of training hours	5802	6.723,00	5812	9.717,00
Costs for the company	5803	747.541,00	5813	1.230.913,00
of which gross costs directly linked to the training	58031	708.999,00	58131	1.167.449,00
of which paid contributions and deposits in collective funds	58032	38.542,00	58132	63.464,00
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	435,00	5831	701,00
Number of training hours	5822	7.354,00	5832	10.178,00
Costs for the company	5823	539.049,00	5833	868.674,00
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 2023

. The company annual accounts have been prepared according to Belgian accounting standards (B-GAAP).

(1) Balance sheet

KBC Insurance NV (x 1.000 EUR)	**31/12/2023**	**31/12/2022**	**Difference**	**% difference**
ASSETS	**33 061 904**	**32 005 348**	**1 056 556**	**3,3%**
Intangible assets	0	0	0	-
Financial Assets	18 565 491	19 011 081	-445 590	-2,3%
Assets held for unit-linked funds	13 435 676	11 998 416	1 437 260	12,0%
Reinsurers' share in technical provisions	134 264	151 534	-17 270	-11,4%
Receivables	202 286	235 964	-33 678	-14,3%
Other assets	544 164	426 039	118 126	27,7%
Deferred charges and accrued income	180 022	182 315	-2 293	-1,3%
LIABILITIES	**33 061 904**	**32 005 348**	**1 056 556**	**3,3%**
Equity	1 367 777	1 368 155	-378	0,0%
Result for the period	0	0	0	-
Subordinated liabilities	500 000	500 000	0	0,0%
Fund for future allocations	231 579	231 579	0	0,0%
Technical provisions	16 525 997	16 405 274	120 723	0,7%
Technical provisions for unit-linked funds	13 435 676	11 998 416	1 437 260	12,0%
Provisions other than technical provisions	5 476	5 127	349	6,8%
Deposits received from reinsurers	125 792	140 608	-14 815	-10,5%
Other liabilities	850 701	1 331 190	-480 490	-36,1%
Accrued charges and deferred income	18 906	24 999	-6 093	-24,4%

The balance sheet total increased by +1 057 million euros, with the increase in unit-linked investments (+1 437 million euros), partly offset by the decline in investments (-446 million euros), being the main factor on the assets side. The main factor on the liabilities side was the increase in technical provisions for unit-linked investments (+1 437 million euros), partly offset by the drop in amounts payable (-480 million euros).

1.1 Activa

Investments

(x 1.000 EUR)		31/12/2023	31/12/2022	Difference	% difference
22-23	**Investments**	**32 001 168**	**31 009 497**	**991 670**	**3,2%**
222	Investments in affiliated companies and participating interests	1 167 777	1 136 798	30 979	2,7% (1)
223.1	Shares	968 791	966 278	2 513	0,3% (2)
223.2	Bonds and other fixed-income securities	14 072 596	14 476 205	-403 609	-2,8% (3)
223.21	*- Bonds and other long-term investments*	13 809 409	14 476 205	-666 796	-4,6%
223.22	*- Commercial paper*	263 187	0	263 187	0,0%
23	Unit-linked	13 435 676	11 998 416	1 437 260	12,0% (4)
223.4	Mortgage loans	870 897	908 747	-37 851	-4,2% (5)
223.61	Deposits at credit institutions > 1 year (L&R deposits)	275 000	305 000	-30 000	-9,8% (6)
223.62	Deposits at credit institutions < 1 year	0	0	0	-
221	Real estate	132 115	121 829	10 286	8,4% (7)
223.52-53	Other loans	856 571	910 765	-54 195	-6,0% (8)
223-224	Other loans	221 745	185 458	36 287	19,6% (9)

(1) Investments in affiliated companies and participating interests' increased by +31 million euros, relating mainly to:

- The acquisition of the company Immo Nightingale NV (+18 million euros; this is an investment property);
- The reversal of impairment charges for ADD (+16 million euros);
- The capital increase at IMEX.XPAND CVA (+1 million euros) (80% of the initial 10-million-euro commitment has now been paid);
- The capital increase at IMEX.XPAND II CVA (+1 million euros) (15% of the initial 10-million-euro commitment has now been paid);
- The capital reduction at Double U Building (-3 million euros);
- The sale of Maison de L'Assurance (-2 million euros).

(2) 'Shares' were up +2.5 million euros (or +0.26% from their year-earlier level), primarily on account of the pursuit of an IFRS target volume of 1.05 billion euros, which is a reason to effect more sales than purchases in times of a favourable stock market climate, as was the case in 2023 (at year-end 2023, the performance of KBC Insurance's portfolio had improved by +18.9% compared to year-end 2022).

(3) 'Bonds and other fixed-income securities' decreased by -404 million euros year-on-year.

(x 1.000 EUR)	Bonds	Commercial paper	Real estates certificates
Bonds (including real estate certificates)	**-666 544**	**263 187**	**-252**
Expired, called and sold	-1 593 696	0	NA
Newly purchased	885 680	262 201	0
Evolution pari	49 133	986	NA
Repayments	-6 163	0	-221
Impairments (-) / Reversal (+)	0	0	-31
Exchange rate differences	-1 499	0	NA

Bonds with a nominal value of 456 million euros were sold in 2023:

- A number of bond positions were sold with the aim of creating a cash surplus to enable the full run-down of the long-term repo position and the upflow of the material dividend to KBC Group (total nominal value of 398 million euros; realised result of +0.7 million euros);

- Two bond positions on the KBC Blacklist were sold (nominal value of 36 million euros; realised loss of -2.4 million euros);
- One bond was derecognised after an early repayment by the debtor according to contract (nominal value of 6 million euros; realised loss of -0.1 million euros);
- One bond position was sold and the cash was reinvested in bonds with longer terms to maturity, with the aim of receiving higher total net interest income in the future (nominal value of 16 million euros; realised loss of -0.6 million euros).

(4) For unit-linked investments, see the liabilities side.

(5) 'Mortgage loans' fell by -38 million euros. This portfolio was mainly created through the monthly transfer of mortgage loans from KBC Bank to KBC Insurance in the period April 2016 to March 2019. The target volume was 1.2 billion euros; the portfolio was maintained at that level up to and including the first quarter of 2020. At that time, the economic impact of the coronavirus crisis led Group Treasury to adjust its liquidity policy for KBC Bank, entailing that no more additional mortgage loans would be transferred from KBC Bank to KBC Insurance from the second quarter of 2020. At the end of 2021, it was agreed that the internal transfer would be temporarily resumed for the purpose of the Treasury strategy review. This transfer – amounting to 50 million euros annually, of which 25 million euros in March and 25 million euros in September – slows down the decline in volume but does not offset the decline in full.

(6) 'Deposits at more than one year' fell by -30 million euros, fully due to two deposits reaching maturity (-10 million euros on 23 January 2023 and -20 million euros on 20 July 2023). These deposits were reinvested in other assets having higher yields than the current deposit rates.

(7) 'Real estate' grew by +10 million euros, with the main movements being:
- The purchase of investment property Flanders Make Kortrijk in the fourth quarter of 2023 (+17 million euros) (as this is a hire-purchase transaction, the property will be classified as a lease from the first quarter of 2024);
- Investments in our own (facility) buildings (+0.5 million euros) and in investment property (+0.4 million euros);
- The sale of investment property Pagodelaan Brussels in the second quarter of 2023 (-6 million euros; a gain of +3 million euros was realised on this transaction);
- Depreciation recognised (-2 million euros), partly for our own buildings (-3 million euros) and partly for investment property (+1 million euros), consisting of depreciation of -4 million euros and a reversal of the depreciation of Pagodelaan Brussels of +5 million euros.

(8) The 'Other loans' item fell by -54 million euros, related to secured and unsecured term loans. No new loans were granted. The long-term and gradual decrease in that portfolio was a result of the combination of loans being paid off according to contract and a lack of new business. In 2023, there was a +2-million-euro withdrawal of the capital still to be withdrawn; +9 million euros had yet to be withdrawn at 31 December 2023.

(9) Other investments rose by +36 million euros, largely as a result of:
- The increase in advances on the reserves for life insurance contracts of +22 million euros;
- The increase in the participation in investment pools (National Bank Fund) of +14 million euros.

Other asset items

'Reinsurers' share in technical provisions' fell by -17 million euros.

(x 1.000 EUR)		31/12/2023	31/12/2022	Difference	% difference
24	**Reinsurers' share in technical provisions**	**134 264**	**151 534**	**-17 270**	**-11,4%**
243	Provisions for claims outstanding	116 997	135 570	-18 573	-13,7% (1)
241	Provisions for unearned premiums and provision for unexpired risk	1 782	3 126	-1 344	-43,0% (2)
242	Life assurance provisions	15 392	12 691	2 701	21,3% (3)
245	Other technical provisions	93	147	-54	-36,5%

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).
A drop in this provision translates into a movement in amounts receivable in the income statement (+44 million euros).
(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 -34 million euros, owing to a decrease in debtors arising out of reinsurance operations (-32 million euros) and other receivables (-14 million euros), partly offset by an increase in debtors arising out of direct insurance operations (+12 million euros).

'Other asset items' went up by +118 million euros to 544 million euros (a snapshot and this item is very volatile).

The outstanding balance of deferred charges and accrued income (177 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)		31/12/2023	31/12/2022	Difference	% difference
11	**Equity**	**1 367 777**	**1 368 155**	**-378**	**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	216 985	217 352	-367	-0,2%
115	Profit (loss) carried forward	29	40	-11	-27,5%
	Result for the period	0	0	0	-

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)		31/12/2023	31/12/2022	Difference	% difference
13	**Fund for future appropriation**	**231 579**	**231 579**	**0**	**0,0%**

There were no transfers to or from this fund in 2023.

Technical provisions

(x 1.000 EUR)		31/12/2023	31/12/2022	Difference	% difference
	Total technical provisions (incl. unit-linked insurance)	**29 961 673**	**28 403 691**	**1 557 983**	**5,5%**
15	**Unit-linked insurance**	**13 435 676**	**11 998 416**	**1 437 260**	**12,0%** (7)
	Total technical provisions (excl. unit-linked insurance)	**16 525 997**	**16 405 274**	**120 723**	**0,7%**
141	risk	296 365	277 563	18 802	6,8% (1)
142	Life assurance provision	12 809 431	12 891 135	-81 704	-0,6% (2)
143	Provision for claims outstanding	2 712 608	2 589 759	122 849	4,7% (3)
144	Provision for profit sharing and rebates	46 787	38 528	8 258	21,4% (4)
145	Provision for equalization and catastrophe risks	394 632	348 865	45 768	13,1% (5)
146	Other technical provisions	266 175	259 424	6 751	2,6% (6)
	- Indexation reserve	*37 306*	*36 517*	*789*	*2,2%*
	- Ageing reserve	*169 807*	*163 739*	*6 068*	*3,7%*
	- Pension for white-collar workers (KB69)	*992*	*1 098*	*-107*	*-9,7%*
	- Premium deficiency reserve	*58 070*	*58 070*	*0*	*0,0%*

(1) The ‘Provision for unearned premiums and unexpired risk’ was up +19 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 +25 million euros; the commission reserve was up -5 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 -10 million euros at year-end 2022 and to -11 million euros at year-end 2023, i.e. an increase of -1 million euros.

(2) Life provisions:
The ‘Life insurance provision’ was down -82 million euros on its year-earlier level, owing primarily to the ‘modern portfolio’ having a net outflow of -246 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 +168 million euros for ‘uprenting’ costs and +21 million euros for profit-sharing. The ‘classic portfolio’ declined by -45 million euros. We also observe an increase in the ageing reserve (+7 million euros) and the invalidity allowance reserve (+13 million euros).

(3) The ‘Provision for claims outstanding’ – which relates to both the non-life and the life insurance business – increased by +123 million euros in 2023, of which +126 million euros related to the non-life insurance business and 3 million euros to the life insurance business. Movements in the claims provision are a snapshot and were due to a change in existing claims provisions resulting from a payment made, a change in the provision resulting from parameter updates, a change in the provision resulting from new estimates, the closure of existing claims and a provision for new claims files.

(4) The ‘Provision for profit sharing and rebates’ was up +8 million euros on its year-earlier figure.
Profit allocation of -21 million euros was recorded (interest under profit-sharing) and -1 million euros (death benefits under profit-sharing), as was a transfer for 2023 of +29 million euros (interest) and +1 million euros (death benefits).

(5) The ‘Provision for equalisation and catastrophe risks’ was up +46 million euros on its year-earlier level, mainly on account of a net transfer to the provision under the ‘Storm’ (+20 million euros), ‘Flood’ (+18 million euros), ‘Harvest’ (+3 million euros), ‘Civil liability’ (+1 million euros), ‘Attacks’ (+2 million euros) and ‘Acceptance’ (+2 million euros) classes.

(6) Other technical provisions
The +7-million-euro increase related primarily to the growth of the ageing reserve (+6 million euros) and the indexation provision (+1 million euros).

(7) The provisions for unit-linked life insurance (individual and group) were up +1 437 million euros on the year-earlier figure.
This was accounted for by the positive trend in share prices of +1 054 million euros (+1 042 million euros for individual and +12 million euros for group) and a net increase (+383 million euros) in purchases (premiums, internal transfers) relative to sales (payments) (+376 million euros for individual and +7 million euros for group).

Other liability items

‘Amounts payable’ fell by -480 million euros, due mainly to a drop in amounts payable to credit institutions (-425 million euros) and other liabilities (-69 million euros).
The decrease in amounts payable to credit institutions was the result of a decrease:

- In the repo position entered into with KBC Bank (-414 million euros). The repo volume was gradually run down, partly driven by the strong increase in short-term interest rates;
- In the cash collateral position for Surplus CSA (-11 million euros), related to cash collateral received for the purpose of ‘margining’ (*) on repo and reverse repo transactions.

The decrease in other liabilities was mainly the result of a decrease:

- In amounts payable for the dividend to be paid (-76 million euros): on 31 December 2022, this related to dividend payable in the context of the profit appropriation for 2022 of 309 million euros; on 31 December 2023, this related to dividend payable in the context of the profit appropriation for 2023 of 233 million euros.

We also observe a slight decrease in debtors arising out of direct insurance operations (-3 million euros) and an increase in debtors arising out of insurance operations (+18 million euros).

(*) ‘Margining’ is the mandatory exchange of collateral between the parties to such a transaction based on the market value of the transaction. This collateral may take the form of cash or securities.

(2) Income statement

Profit and loss reporting 31/12/2023				
(x 1.000 EUR)	**31/12/2023**	**31/12/2022**	**Difference**	**% difference**
Non life				
Net earned premiums	1 352 694,87	1 243 440,66	109 254	8,8%
Net claims	-878 234,77	-776 502,22	-101 733	13,1%
Net technical result	474 460,10	466 938,44	7 522	1,6%
Investment income & expense	65 432,67	106 173,72	-40 741	-38,4%
Net operating expenses	-422 313,32	-378 118,68	-44 195	11,7%
Result of the technical account Non-Life	**117 579,45**	**194 993,47**	**-77 414**	**-39,7%**
Net loss ratio non-life	61,6%	60,7%		
Net cost ratio non-life	30,8%	30,1%		
Combined ratio non-life	92,4%	90,8%		
Life				
Class 21 and 26				
Net earned premiums	841 300,94	842 359,87	-1 059	-0,1%
Net claims	-928 348,13	-929 927,28	1 579	-0,2%
Net technical result	-87 047,19	-87 567,41	520	-0,6%
Investment income & expense	312 940,51	394 174,10	-81 234	-20,6%
Net operating expenses	-130 978,30	-103 889,96	-27 088	26,1%
Fund for future appropriations	0,00	-50 000,00	50 000	-100,0%
Result class 21 and 26	94 915,02	152 716,73	-57 802	-37,8%
Class 23 : net result	43 849,46	41 138,78	2 711	6,6%
Result of the technical account Life	**138 764,48**	**193 855,51**	**-55 091**	**-28,4%**
Non - technical				
Net investment income	262 322,71	358 241,51	-95 919	-26,8%
Other income and expenses	-23 468,12	-10 305,92	-13 162	-127,7%
Extraordinary result	0,00	0,00	0,00	-
Result non-technical	**238 854,59**	**347 935,59**	**-109 081**	**-31,4%**
Result before taxes	**495 198,52**	**736 784,57**	**-241 586**	**-32,8%**
Taxes	-60 268,17	-75 469,06	15 201	-20,1%
Movement of tax free reserves	366,91	366,91	0	0,0%
Result for the period available for appropriation	**435 297,26**	**661 682,42**	**-226 385**	**-34,2%**

Total				
Net earned premiums	2 193 995,81	2 085 800,53	108 195	5,2%
Net technical charges	-1 806 582,91	-1 706 429,50	-100 153	5,9%
Net technical result	387 412,90	379 371,03	8 042	2,1%
Class 23 : net result	43 849,46	41 138,78	2 711	6,6%
Net investment income	640 695,89	858 589,32	-217 893	-25,4%
Other income and expenses	-23 468,12	-10 305,92	-13 162	127,7%
Net operating expenses	-553 291,62	-482 008,64	-71 283	14,8%
Fund for future appropriations	0,00	-50 000,00	50 000	-100,0%
Extraordinary result	0,00	0,00	0,00	-
Taxes and movement of tax free reserves	-59 901,26	-75 102,15	15 201	-20,2%
Result for the period available for appropriation	**435 297,26**	**661 682,42**	**-226 385**	**-34,2%**

The result for the financial year was -226 million euros lower than a year earlier (435 million euros compared to 662 million euros at year-end 2022). This decrease was accounted for by a decrease in the result for the non-life business (-77 million euros), a decrease in the result for the life business, including unit-linked products (-55 million euros), a decrease in the non-technical result (-109 million euros) and an increase in taxes (+15 million euros).

Non-life insurance

Net earned premiums in the non-life business were up +109 million euros on their level at year-end 2022. Gross earned premiums rose by +122 million euros, mainly due to:

- ‘Industrial accidents’ (+20 million euros): the increase resulted from a combination of new business, premium increases, higher provisional premiums and higher definitive settlements compared to last year (versus previously recognised provisions);
- ‘Fire’ (+52 million euros), with the estimated impact related to ABEX/premium increases being roughly +35 million euros;
- An increase in comprehensive insurance of +15 million euros, with the estimated impact related to premium increases being roughly +6 million euros;
- ‘General civil liability’ (+10 million euros): the increase resulted from a combination of new business, premium increases and higher premiums;
- An increase of +9 million euros in ‘Accidents & Health’, resulting from a combination of new business and premium increases.

Premiums transferred to reinsurance were -13 million higher than last year, mostly on account of inflation and more challenging market conditions in which contracts had to be negotiated with the reinsurer.

Net claims incurred in the non-life business were -102 million euros higher than their level at year-end 2022, on account of:

- A higher level of regular claims (-82 million euros), mainly due to a combination of a higher number of claims and a slightly higher average provision for the current year’s claims;
- A favourable gross impact of claims relating to storms (+80 million euros), mainly due to the absence of very severe storms in financial year 2023 (total storm impact of -20 million euros, mainly related to storm Ciaran and flooding in November), as opposed to the substantial impact of Eunice in February 2022 (total storm impact of -101 million euros);
- Gross large claims in line with last year (+0.3 million euros). Large claims were at a low level in both years;
- A parameter update of -2 million euros (-42 million euros in June and October 2023, as opposed to -40 million euros in September and November 2022), partly due to higher inflation (impact on higher wage loss compensation for victims, higher compensation for assistance provided to third parties) and changes in mortality tables;
- An update to the provision for statutory interest: -11 million euros;
- Higher IBNR provisions (-4 million euros) in line with the increase in the portfolio;
- Unfavourable impact on IBNER (-6 million euros), as
    - ✓ Financial year 2023 was characterised by an increase in the provisions of -1 million euros;
    - ✓ Financial year 2022 was characterised by a net reversal of provisions of +4 million euros;
    - ✓ Rest: -1 million euros, partly consisting of a reversal of the IBNER in financial year 2022 for guaranteed income (+0.4 million euros) and assistance provided to third parties (+0.4 million euros);
- Recourse (+6 million euros) and accepted business (+5 million euros);
- Lower ceded claims (-79 million euros) due to higher amounts recovered for storms and for large claims in financial year 2022 (recovered in relation to the storm impact in financial year 2022: +57 million euros, as opposed to a negligible amount in 2023);
- Other items (-9 million euros): equalisation provision (-22 million euros), provision for internal close-out costs (-6 million euros) and for indexation costs (+2 million euros), lower costs for the interim and final actuarial reserves (+14 million euros) and lower other technical costs mainly for industrial accidents (+3 million euros).

‘Net operating expenses’ rose by -44 million euros, owing to a higher net amount in fees paid (-26 million euros), mainly linked to a higher level of premium income, higher administrative expenses (-13 million euros) and higher acquisition costs (-5 million euros).

Life insurance – guaranteed-interest (class 21) and capitalization (class 26) products

Net earned premiums in the life business fell by -1 million euros.
The main movements were a decrease within regular life products (-30 million euros) and an increase in life experience products (+29 million euros). The drop in regular life products was primarily attributable to lower premiums in the individual pension scheme (-45 million euros) as a result of new regulations governing the tax deductibility of individual pension scheme premiums, lower premiums for mortgage protection cover (-3 million euros), in line with the lower production of mortgage loans, and lower life insurance premiums (-2 million euros). These drops were partly offset by an increase in funeral insurance (+2 million euros), the hospitalization plan (+2 million euros), the voluntary supplementary pension scheme for the self-employed (+11 million euros) and group insurance schemes (+6 million euros).
The increase in life experience products was linked to the investment option for three years and eight years becoming available for new sales in January 2023.

Net technical charges fell by +2 million euros,
chiefly attributable to lower ‘uprenting’ costs (+7 million euros), an increase in profit-sharing (-5 million euros), the higher level of technical charges for supplementary cover (-12 million euros) and higher technical charges recovered from the reinsurer (+10 million euros). ‘Other’ (+2 million euros) was the result of a decrease in costs for the deposit guarantee fund and an increase in the result for death benefits.

Net operating expenses rose by -27 million euros, owing to higher acquisition costs (-8 million euros) and administrative expenses (-14 million euros) and lower profit-sharing related to reinsurance contracts (-5 million euros).

Unit-linked life insurance products (class 23)

The result for unit-linked products was up +3 million euros, primarily on account of lower administrative expenses in the Irish business (+2 million euros). Higher entry fees (+2 million euros), higher net management fees received (+3 million euros) and higher operating expenses (-4 million euros) also contributed to this result.

Investment income and charges

At 617 million euros, net investment income (excluding unit-linked products) was down -231 million euros on its 2022 level. The main movements were:

- Less interest being paid on bonds (-37 million euros), mainly due to lower income from inflation-linked bonds (delta of approximately -35 million euros) as a result of the exceptionally large rise in inflation indices in 2022. Another factor was the impact of the portfolio development (-2 million euros), driven by lower outstanding volumes compared to financial year 2022, partly offset by a slightly higher average return;
- Less interest being generated by mortgage loans (-1 million euros) owing to the run-down of the portfolio;
- Less interest being paid on term loans and deposits (-4 million euros) as a result of a lower average volume;
- Interest paid on the purchase/repurchase of securities (-5 million euros), due to lower interest on the asset swap portfolio (-7 million euros), partly offset by higher interest on the collateral swap agreements (+2 million euros) as, on average, the portion withdrawn was higher than in financial year 2023;
- Higher interest being paid on the swaps (+8 million euros) as a result of the interest rate hikes;
- Interest paid on subordinated loans (-15 million euros);

- An increase in internal dividend income (+90 million euros): ČSOB Czech Republic (+103 million euros), DZI Life Insurance (+23 million euros), K&H Biztosito ZRT (+1 million euros), ČSOB Slovakia (-3 million euros), Double U Building BV (+1 million euros), KBC Group RE (-30 million euros), ADD (-1 million euros) and KBC Vastgoed Nederland (-5 million euros);
- An increase in external dividend income (+7 million euros), with the shares held in portfolio having an average market value of 1 109 million euros and an average dividend return of 2.82%. This figures includes a 'non-structural' dividend from Agentuur voor Brandherverzekering CV (+6 million euros) in the second quarter of 2023 resulting from a capital reduction;
- A decrease in indirect real estate dividends (-6 million euros);
- A net realised gain on shares (-133 million euros), driven by materially higher amounts realised in 2022 and by portfolio volume management;
- Impairment (provisioning and reversals) on shares and subsidiaries (-98 million euros): in 2023, we recorded a positive result (+46 million euros) due to a high reversal of impairment linked to the favourable performance of the total shares held in portfolio and a reversal of the total outstanding impairment charge for subsidiary ADD (+16 million euros), as the current valuation, which is considered to be valid for a long time, exceeds the acquisition value of 41 million euros.
  In 2022, the figure of +142 million euros was driven by the reversal of the full impairment charge for subsidiary DZI (+203 million euros) and high impairment (and limited reversal of impairment charges) as the total return of the shares held in portfolio dropped by -18.4%;
- Real estate results of +3 million euros;
- Divestments (-66 million euros) resulting from the sale of KBC Verzekeringen Vastgoed Nederland in 2022 (-71 million euros) and the partial release in 2023 of the outstanding guarantees for this subsidiary, which resulted in an additional realised gain of +5 million euros;
- A net realised result on bonds of +24 million euros, driven by the loss realised in 2022 on the sale of several bonds, mainly caused by the sale of several low-yielding long-term bonds (+26 million euros). A loss of just -2 million euros was realised in 2023;
- An impairment recognised in 2022 on intangible fixed assets related to the Irish business (+2 million euros).

FREE TRANSLATION FROM THE DUTCH ORIGINAL

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF KBC VERZEKERINGEN NV ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023

We present to you our statutory auditor's report in the context of our statutory audit of the 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 eight 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 2023, 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 EUR 33.061.903.944 and a profit and loss account showing a profit for the year of EUR 434.930.351.

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 2023, 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 (ISA) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory Auditor's responsibilities for the audit of the 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.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
Maatschappelijke zetel/Siège social: Culliganlaan 5, B-1831 Diegem
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCCBEBB

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Estimation uncertainty with respect to technical insurance provisions

Description of the Key Audit Matter

At year-end 31 December 2023 the technical insurance provisions (before reinsurance) amount to EUR 16.525.997.151. 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.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 ISA, 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.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

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 (ISA) 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.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

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 decisions of the board of directors dated 8 February 2023 and 16 March 2023 as described in section "Conflicts of interest that fell within the scope of article 7:115, 7:116 or 7:117 of the Belgian Companies and Associations Code" of the directors' report and we have no remarks to make in this respect.
- By virtue of article 7:213 of the Companies' and Associations' Code, 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, 29 March 2024

The statutory auditor
PwC Reviseurs d'Entreprises SRL/PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave*
Bedrijfsrevisor/Réviseur d'entreprises

*Acting on behalf of Damien Walgrave BV/SRL

Kurt Cappoen**
Bedrijfsrevisor/Réviseur d'entreprises

**Acting on behalf of Kurt Cappoen BV/SRL

<u>Appendix:</u> Statutory auditor's report on 7 November 2023 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

FREE TRANSLATION

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 2023 to the board of directors of KBC Verzekeringen NV (hereafter the "Company"), in accordance with article 7:213 of the Companies' and Associations' Code (hereafter "CAC") and the Company's articles of Articles of Association.

We have performed the review of the accompanying statement of assets and liabilities of the Company as of 30 September 2023 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 2023 in accordance with the financial reporting framework applicable in Belgium and with the principles of article 3:1, §1, 1° of the CAC, and for the compliance with the requirements of article 7:213 of the CAC.

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.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
Maatschappelijke zetel/Siège social: Culliganlaan 5, B-1831 Diegem
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

FREE TRANSLATION

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying statement of assets and liabilities of the Company as of 30 September 2023, showing a balance sheet total of EUR 32.331.464.814 and a result of the current period of 9 months of EUR 316.067.559, has not been prepared, in all material respects, in accordance with the financial reporting framework applicable in Belgium.

Limitation of use of our report

This report is prepared solely to address the requirements of article 7:213 of the CAC, and may not be used for any other purpose.

Diegem, 7 November 2023

The statutory auditor
PwC Bedrijfsrevisoren BV/PwC Reviseurs d'entreprises SRL
represented by

Kurt Cappoen
Bedrijfsrevisor

Damien Walgrave
Bedrijfsrevisor

Appendix: Statement of assets and liabilities as of 30 September 2023

KBC Verzekeringen NV

Statement of assets and liabilities as at 30-09-2023

*Amounts in units

Assets			Code	09-2023
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	18.621.962.841,47
I.	Land and buildings (annex no. 1)		221	116.728.178,64
1.	**Property of own use**		**221.1**	**0,00**
2.	**Other**		**221.2**	**116.728.178,64**
II.	Investments in affiliated undertakings and participations (annex no. 1, 2 and 18)		222	1.156.514.575,37
-	**Affiliated undertakings**		**222.1**	**1.139.313.501,13**
	1.	Shares	222.11	1.139.313.501,13
	2.	Debt securities, loans	222.12	0,00
-	**Other companies linked by participating interests**		**222.2**	**17.201.074,24**
	3.	Shares	222.21	17.201.074,24
	4.	Debt securities, loans	222.22	0,00
III.	Other financial assets		223	17.348.142.345,93
1.	**Shares, participating interests and other variable-yield securities (annex no 1)**		**223.1**	**971.612.734,30**
2.	**Debt securities and other fixed-income securities (annex no.1)**		**223.2**	**14.130.625.256,76**
3.	**Participation in investment pools**		**223.3**	**14.755.791,13**
4.	**Loans guaranteed by mortages**		**223.4**	**894.407.659,31**
5.	**Other loans**		**223.5**	**1.061.153.855,44**
6.	**Term deposits with credit institutions**		**223.6**	**275.000.000,00**
7.	**Other investments**		**223.7**	**587.048,99**
IV.	Deposits with ceding undertakings		224	577.741,53
D.	Assets held for unit-linked funds		23	12.632.507.665,72

Passief			Codes	09-2023
A.	Equity (annex no 5)		11	1.367.879.390,41
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	217.077.032,53
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**	**6.727.777,06**
4.	**Reserves available for distribution**		**114.4**	**0,00**
V.	Result brought forward		115	40.133,11
1.	**Profit from previous years**		**115.1**	**40.133,11**
2.	**Loss from previous years**		**115.2**	**0,00**
VI.	-		.	0,00
A'	Profit of the year			316.067.559,48
B.	Subordinated liabilities (annex no. 7 and 18)		12	500.000.000,00
Bbis.	Fund for future allocations		13	231.578.707,87
C.	Technical provisions (annex no. 7)		14	16.467.420.124,46
I.	Provision for unearned premiums and provision for unexpired risk		141	345.297.283,15
II.	Life assurance provision		142	12.770.298.148,78
III.	Provision for claims outstanding		143	2.666.122.293,40
IV.	Provision for bonuses and rebates		144	41.637.268,06
V.	Equalisation and catastrophe provision		145	379.991.556,90
VI.	Other technical provisions		146	264.073.574,71
D.	Technical provisions for unit-linked funds (annex no. 7)		15	12.632.507.665,72

Assets		Code	09-2023
Dbis.	Reinsurers' share in technical provisions	24	140.756.347,15
I.	Provision for unearned premiums and provisions for unexpired risk	241	2.883.070,93
II.	Life assurance provision	242	14.813.261,30
III.	Provision for claims outstanding	243	122.967.017,50
IV.	Provision for bonusses and rebates	244	0,00
V.	Other technical provisions	245	92.997,42
VI.	Technical provisions for unit-linked funds	246	0,00
E.	Receivables (annex no. 18 and 19)	41	240.943.682,16
I.	Direct insurance receivables	411	142.179.925,72
1.	**Receivables from policyholders**	**411.1**	**33.597.346,99**
2.	**Receivables from insurance intermediaries**	**411.2**	**45.758.862,26**
3.	**Other**	**411.3**	**62.823.716,47**
II.	Reinsurance receivables	412	39.774.642,04
III.	Other receivables	413	58.989.114,40
IV.	Called capital as yet unpaid	414	0,00
F.	Other assets	25	533.586.714,16
I.	Tangible assets	251	272.990,91
II.	Cash	252	330.129.083,69
III.	Own shares	253	203.184.639,56
IV.	Other	254	0,00
G.	Deferred charges and accrued income (annex no 4)	431/433	161.707.563,03
I.	Accrued interest and rent	431	158.009.686,98
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	3.697.876,05
G'	-		0,00
Total		**21/43**	**32.331.464.813,69**

Liabilities		Code	09-2023
E.	Provisions other than technical provisions	16	5.635.351,93
I.	Provisions for pensions and other obligatory similar obligations	161	2.718.243,62
II.	Provisions for deferred income tax	162	2.242.706,81
III.	Other provisions (annex no 6)	163	674.401,50
F.	Deposits received from reinsurers	17	125.274.164,18
G.	Liabilities (annex no. 7 and 18)	42	665.673.595,20
I.	Amounts payable regarding direct insurance operations	421	285.124.449,84
II.	Amounts payable regarding reinsurance operations	422	33.448.536,33
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	257.669.075,55
V.	Other liabilities	425	89.431.533,48
1.	**Liabilities regarding taxes, wages and social security charges**	**425.1**	**43.630.323,73**
a)	taxes	425.11	19.586.259,83
b)	wages and social security charges	425.12	24.044.063,90
2.	**Other**	**425.2**	**45.801.209,75**
H.	Accrued charges and deferred income (annex no 8)	434/436	19.428.254,44
H'	-		0,00
Total		**11/43**	**32.331.464.813,69**

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	294.561.486
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	4.236.782.507
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	5.825.107.334
E. Term transactions:		
a)Transactions on participations (purchases):	8.17.040	33.260.462
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	37.757.221
e)Transactions on interest (purchases, ...):	8.17.044	316.500.000
f)Transactions on interest (sales, ...):	8.17.045	316.500.000
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	2.022.730.000
IBS forward rev repo (deriv) betw tr and settle		857.900.802
IBS Debit amounts borrowed to be receiv. - repo		1.142.099.198
IBS Cash collateral received		22.730.000

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	2023	2022
Non-life PAA – Claims and claim related costs net of reinsurance (A)	Note 3.6.1, component of ‘Insurance revenues before reinsurance’ & of 'Net result from reinsurance contracts held'	1 204	1 080
+			
Costs other than claims and commissions (B)	Note 3.6.1, component of ‘Insurance Service Expenses’ & of 'Non-directly attributable income and expenses' & of 'Net result from reinsurance contracts held'	676	602
/			
Non-life PAA - Net earned expected premiums received (C)	Note 3.6.1, component of ‘Insurance revenues before reinsurance’ & of 'Net result from reinsurance contracts held'	2 160	1 943
= (A+B) / (C)		87.0%	86.6%

Solvency ratio

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

(In millions of EUR)	31-12-2023	31-12-2022
Available capital	4 130	3 721
Solvency Capital Requirement (SCR)	2 005	1 833
Solvency II ratio	206%	203%
Solvency surplus	2 125	1 888

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.’