KBC Group Quarterly Report 3Q2023

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KBC GROUP
3Q 2023 report

Report for 3Q2023

Consolidated financial statements

Additional information

Forward-looking statements

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

Management certification

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

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This report contains information that is subject to transparency regulations for listed companies. Date of release: 9 November 2023

Third-quarter result of 877 million euros

KBC Group – overview (consolidated, IFRS)	3Q2023	2Q2023	3Q2022	9M2023	9M2022
Net result (in millions of EUR)	877	966	752	2 725	2 091
Basic earnings per share (in EUR)	2.07	2.29	1.77	6.44	4.93
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*517*	*576*	*447*	*1 392*	*1 331*
Czech Republic	*200*	*276*	*170*	*661*	*612*
International Markets	*200*	*190*	*145*	*498*	*267*
Group Centre	*-41*	*-76*	*-10*	*174*	*-119*
Parent shareholders' equity per share (in EUR, end of period)	52.2	51.2	46.8	52.2	46.8

'We recorded an excellent net profit of 877 million euros in the third quarter of 2023. Compared to the result of the previous quarter, our total income benefitted from several factors, including better insurance results and a slightly higher level of net fee and commission income, though these were offset by lower levels of net interest income, trading and fair value income and dividend income (following the traditional peak in the previous quarter). Costs, including bank and insurance taxes, were down slightly quarter-on-quarter, while impairment charges went up. Consequently, when adding up the results for the first three quarters of the year, our net profit amounted to 2 725 million euros, up 30% year-on-year.

Our loan portfolio continued to expand, increasing by 2% compared to a year ago, with growth being recorded in each of the group's core countries. Customer deposits were down 2% year-on-year, as they were largely affected by deposit outflows caused by the issuance of the retail State Note ('Staatsbon') in Belgium at the start of September 2023.

On 11 August 2023, we started implementing our share buyback programme of 1.3 billion euros, which we announced in the previous quarter. By early November 2023, we had bought back approximately 5 million shares for a total consideration of around 0.3 billion euros. The share buyback is planned to run until 31 July 2024. In line with our general dividend policy, we will also pay out an interim dividend of 1 euro per share on 15 November 2023 as an advance on the total dividend for financial year 2023.

Our solvency position remained solid, with a fully loaded common equity ratio of 14.6% at the end of September 2023, which already fully incorporates the effect of the share buyback programme of 1.3 billion euros and the net increase in risk-weighted assets following the ECB's model review, as announced in August. Our liquidity position remained excellent, as illustrated by an NSFR of 139% and LCR of 157%.

Lastly, it gives me great pleasure to announce that the independent international research agency Sia Partners has once again named KBC Mobile the best mobile banking and insurance app in Belgium. KBC Mobile has further consolidated the leading position it held last year and secured a top-three position worldwide. And to top things off, Sia Partners also awarded our app with the title of best user experience for car and home insurance.

In that respect, I'd like to sincerely thank all our employees for their contribution to our group's continued success. I also want to thank all our customers, shareholders and all other stakeholders for their trust and support, and assure them that we remain committed to being the reference in bank-insurance and digitalisation in all our home markets.'

Johan Thijs
Chief Executive Officer

The cornerstones of our strategy

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

Financial highlights in the third quarter of 2023

Net interest income decreased by 2% quarter-on-quarter but was up 7% year-on-year. The net interest margin for the quarter under review amounted to 2.04%, down 7 basis points on the previous quarter and up 14 basis points on the year-earlier quarter. Loan volumes were up 1% quarter-on-quarter and 2% year-on-year. Deposits excluding debt certificates (and also excluding volatile low-margin short-term deposits at KBC Bank's foreign branches as they are driven by short-term cash management opportunities) were down 3% both quarter-on-quarter and year-on-year, due largely to the outflow of deposits caused by the issuance of a 1-year State Note in Belgium. Volume growth figures were calculated on an organic basis (excluding changes in the scope of consolidation and forex effects).

The insurance service result (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held) amounted to 138 million euros (compared to 122 million euros and 102 million euros in the previous and year-earlier quarters, respectively) and breaks down into 81 million euros for non-life insurance and 58 million euros for life insurance. The non-life combined ratio for the first nine months of 2023 amounted to an excellent 85%, compared to 87% for full-year 2022. Non-life insurance sales increased by 11% year-on-year, while life insurance sales were down 40% on the high level in the previous quarter and up 13% on the level recorded in the year-earlier quarter.

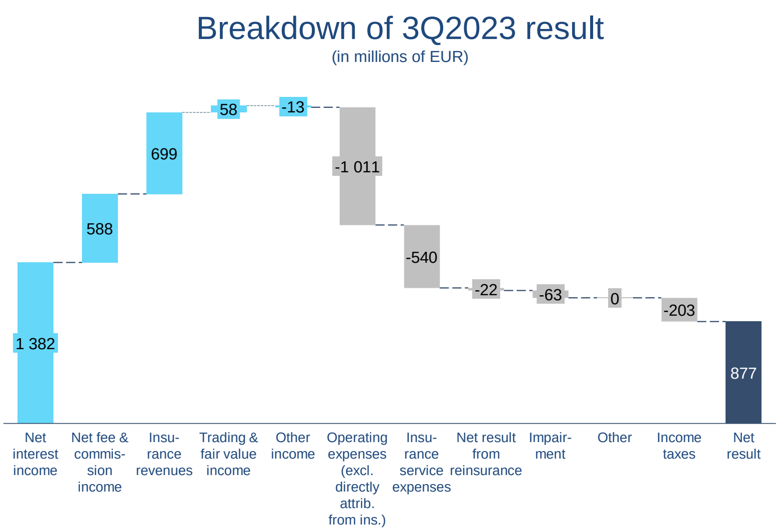
Net fee and commission income was up 1% and 6% on its level in the previous and year-earlier quarters, respectively. Fees for our asset management activities were down slightly quarter-on-quarter (-1%), while banking services-related fees were up 2%, due largely to one-off securities-related fees received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

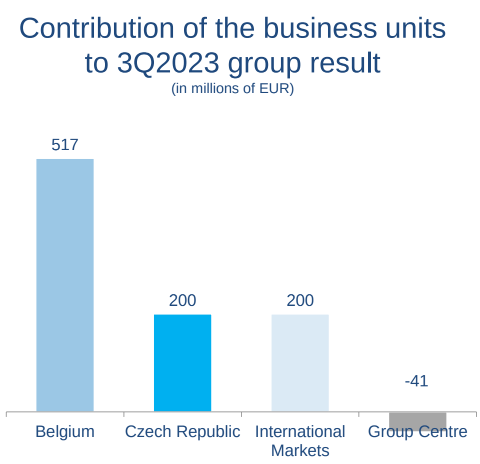
Trading & fair value income was down 50% on the high level recorded in the previous quarter but was up 65% year-on-year. **Net other income** was slightly below its normal run rate. **Dividend income** was down on the previous quarter's level, as the second quarter traditionally includes the bulk of dividend income for the full year.

Operating expenses including bank and insurance taxes were down 1% on their level in the previous quarter and up 6% on their year-earlier level. The cost/income ratio for the first nine months of 2023 came to 48%, compared to 49% for full-year 2022. In that calculation, certain non-operating items have been excluded and bank and insurance taxes spread evenly throughout the year. Excluding all bank and insurance taxes, the cost/income ratio for the first nine months of 2023 amounted to 41%, compared to 45% for full-year 2022.

The quarter under review included a 36-million-euro net **loan loss impairment charge**, compared to a net release of 23 million euros in the previous quarter and a net charge of 79 million euros in the year-earlier quarter. The credit cost ratio for the first nine months of 2023 amounted to 0.00%, compared to 0.08% for full-year 2022. Impairment on assets *other than loans* amounted to 27 million euros in the quarter under review, compared to 31 million euros in the previous quarter and 23 million euros in the year-earlier quarter.

Our **liquidity position** remained strong, with an LCR of 157% and NSFR of 139%. Our **capital base** remained robust, with a fully loaded common equity ratio of 14.6% (which already includes the full impact of the share buyback programme and the increase in net risk-weighted assets related to the ECB review, as announced in August 2023).





Overview of results and balance sheet

Consolidated income statement, IFRS, KBC Group (simplified; in millions of EUR)	3Q2023	2Q2023	1Q2023	4Q2022	3Q2022	9M2023	9M2022
Net interest income	1 382	1 407	1 324	1 417	1 297	4 113	3 746
Insurance revenues before reinsurance	699	666	631	621	621	1 996	1 802
Non-life	*587*	*567*	*543*	*526*	*527*	*1 696*	*1 524*
Life	*113*	*100*	*88*	*94*	*94*	*301*	*278*
Dividend income	10	30	8	10	22	47	50
Net result from financial instr. at fair value through P&L[1]	58	115	90	90	35	264	163
Net fee and commission income	588	584	576	549	557	1 749	1 669
Insurance finance income and expense	-67	-82	-66	-63	-39	-215	-33
Net other income	44	54	498	-103	3	596	119
Total income	2 715	2 775	3 060	2 520	2 496	8 550	7 515
Operating expenses (excl. directly attributable from insurance)	-1 011	-1 019	-1 501	-1 036	-952	-3 531	-3 291
Total operating expenses without bank and insurance taxes	*-1 101*	*-1 090*	*-1 077*	*-1 143*	*-1 041*	*-3 269*	*-3 016*
Total bank and insurance taxes	*-29*	*-51*	*-571*	*-15*	*-23*	*-651*	*-631*
Minus: op.expenses allocated to insurance service expenses	*119*	*123*	*147*	*121*	*112*	*389*	*356*
Insurance service expenses before reinsurance	*-540*	*-523*	*-490*	*-467*	*-504*	*-1 553*	*-1 441*
Of which Insurance commission paid	*-87*	*-82*	*-77*	*-79*	*-81*	*-246*	*-228*
Non-Life	*-485*	*-457*	*-418*	*-416*	*-445*	*-1 361*	*-1 317*
Life	*-55*	*-66*	*-72*	*-51*	*-59*	*-192*	*-124*
Net result from reinsurance contracts held	-22	-22	-30	-15	-15	-74	-5
Impairment	-63	-8	26	-132	-102	-46	-149
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-36*	*23*	*24*	*-82*	*-79*	*11*	*-72*
Share in results of associated companies & joint ventures	0	-1	-3	-2	-3	-4	-7
Result before tax	1 079	1 202	1 062	867	920	3 343	2 621
Income tax expense	-203	-236	-180	-139	-168	-619	-530
Result after tax	877	966	882	727	752	2 725	2 091
attributable to minority interests	0	0	0	0	0	-1	0
attributable to equity holders of the parent	**877**	**966**	**882**	**727**	**752**	**2 725**	**2 091**
Basic earnings per share (EUR)	2.07	2.29	2.08	1.71	1.77	6.44	4.93
Diluted earnings per share (EUR)	2.07	2.29	2.08	1.71	1.77	6.44	4.93

Key consolidated balance sheet figures, IFRS, KBC Group (in millions of EUR)	30-09-2023	30-06-2023	31-03-2023	31-12-2022	30-09-2022
Total assets	358 453	368 077	347 355	354 545	362 204
Loans & advances to customers, excl. reverse repos	181 821	182 005	179 520	178 053	177 098
Securities (equity and debt instruments)	72 764	71 839	70 291	67 160	65 730
Deposits from customers excl. debt certificates & repos	214 203	224 710	219 342	224 407	217 538
Insurance contract liabilities	15 920	16 295	16 282	16 158	16 298
Liabilities under investment contracts, insurance	12 655	12 751	12 164	12 026	12 004
Total equity	23 865	22 853	23 141	21 819	21 027

Selected ratios KBC Group (consolidated)	9M2023	FY2022
Return on equity[3]	17%	13%
Cost/income ratio, group		
- excl. non-operating items & evenly spreading bank & insurance taxes through the year	48%	49%
- excl. all bank and insurance taxes	41%	45%
Combined ratio, non-life insurance	85%	87%
Common equity ratio (CET1), Basel III, Danish Compromise		
- fully loaded	14.6%	15.3%
- transitional	13.5%	14.1%
Credit cost ratio[4]	0.00%	0.08%
Impaired loans ratio	2.0%	2.1%
for loans more than 90 days past due	1.1%	1.1%
Net stable funding ratio (NSFR)	139%	136%
Liquidity coverage ratio (LCR)	157%	152%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 16% in 9M2023 when non-operating items are also excluded and bank and insurance taxes are evenly spread throughout the year.
4 A negative figure indicates a net impairment release (positively affecting results).

Analysis of the quarter (3Q2023)

Total income: 2 715 million euros

-2% quarter-on-quarter and +9% year-on-year

Net interest income amounted to 1 382 million euros in the quarter under review, down 2% quarter-on-quarter but up 7% year-on-year. The quarter-on-quarter decrease was due mainly to lower interest income on inflation-linked bonds, the negative impact on deposits from the issuance of a 1-year Belgian State Note, slightly lower lending income (volume growth more than offset by pressure on lending margins in most core markets), the higher funding cost of participations, increased wholesale funding costs and higher costs related to the minimum required reserves held with the central banks in a number of our core countries. These items were partly offset by the positive impact of the higher commercial transformation result (driven by continued increasing reinvestment yields, and despite higher pass-through on savings accounts in Belgium), as well as the increase in customer term deposits and the higher number of days in the quarter. The year-on-year increase was attributable primarily to the higher transformation result (despite deposit outflows due to the issuance of the State Note in Belgium) and increased customer term deposits at better margins. These items were partly offset by lower lending income (volume growth more than offset by pressure on lending margins), the absence of a TLTRO impact, the sale of the remaining Irish portfolio in February 2023, lower net interest income on inflation-linked bonds, the higher funding cost of participations, increased wholesale funding costs and the higher cost related to the minimum required reserves held with the central banks in most of our core countries. Consequently, the net interest margin for the quarter under review amounted to 2.04%, down 7 basis points quarter-on-quarter but up 14 basis points year-on-year.

Customer loan volume was up 1% quarter-on-quarter and 2% year-on-year. Customer deposits excluding debt certificates were down 4% quarter-on-quarter and 2% year-on-year. When excluding volatile low-margin short-term deposits at KBC Bank's foreign branches (driven by short-term cash management opportunities), customer deposits were down 3% both quarter-on-quarter and year-on-year. These figures include the direct negative impact of the 5.7-billion-euro outflow of customer deposits to the Belgian State Note at the beginning of September 2023. In the growth figures above, the forex-related impact and the effects of changes in the scope of consolidation have been eliminated.

For an indication of the expected net interest income for full-year 2023 and 2024, please refer to the section entitled 'Our guidance'.

The **insurance service result** (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held; the two latter items are not part of total income) amounted to 138 million euros and breaks down into 81 million euros for non-life insurance and 58 million euros for life insurance. The **non-life** insurance service result decreased by 9% quarter-on-quarter, as higher service expenses more than offset the higher revenues. However, it was up 20% year-on-year, due to higher insurance revenues more than offsetting increased service expenses and the lower reinsurance result. The **life** insurance service result increased by 72% quarter-on-quarter and 67% year-on-year, due in both cases to a combination of higher revenues and lower insurance service expenses. **Insurance finance income and expense** amounted to -67 million euros in the quarter under review, compared to -82 million euros in the previous quarter and -39 million euros in the year-earlier quarter (changes related to interest rate movements and stock market developments).

The combined ratio of the non-life insurance activities amounted to an excellent 85% for the first nine months of 2023, compared to 87% for full-year 2022. Non-life insurance sales came to 558 million euros, up 11% year-on-year, with growth in all countries and classes. Sales of life insurance products amounted to 438 million euros and were down 40% on the level recorded in the previous quarter (as that quarter had benefitted from the successful launch of new structured products in Belgium), but up 13% on the year-earlier quarter (thanks mainly to higher sales of unit-linked products in Belgium and Bulgaria). Overall, the share of guaranteed-interest products and unit-linked products in our total life insurance sales in the quarter under review amounted to 49% and 44%, respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder.

Net fee and commission income amounted to 588 million euros, up 1% and 6% on its level in the previous and year-earlier quarters, respectively. Quarter-on-quarter, fees for our asset management activities fell slightly (-1%, due mainly to lower entry fees) while fees related to banking activities went up 2%, thanks primarily to one-off fees earned on securities (in particular on the sale of the Belgian State Note). Year-on-year, fees for both our asset management and banking activities increased by 5% (the latter again largely driven by fees earned on the sale of the State Note). At the end of September 2023, our total assets under management amounted to 227 billion euros, up 1% quarter-on-quarter (+2 percentage points related to net inflows and -1 percentage point related to the quarter-on-quarter market performance). Assets under management were up 11% year-on-year, with net inflows accounting for +6 percentage points and market performance for +5 percentage points.

Trading & fair value income amounted to 58 million euros, down 50% quarter-on-quarter but up 65% on the year-earlier quarter. The quarter-on-quarter decrease was attributable mainly to the lower dealing room result, the negative change in the market value of derivatives used for asset/liability management purposes and the lower result from investments backing unit-linked insurance contracts under IFRS 17, partly offset by the positive change in market value adjustments (xVA). Year-on-year, the higher dealing room result and the positive result from investments backing unit-linked insurance contracts under IFRS 17 more than offset the negative change in market value adjustments (xVA) and in the market value of derivatives used for asset/liability management purposes, among other factors.

The **other remaining income items** included dividend income of 10 million euros (down 20 million euros quarter-on-quarter as the bulk of dividend income is traditionally received in the second quarter of the year) and net other income of 44 million euros, somewhat below its 50-million-euro normal run rate (as it included some realised losses on the sale of bonds).

Total operating expenses including bank and insurance taxes: 1 130 million euros

-1% quarter-on-quarter and +6% year-on-year

Total operating expenses including bank and insurance taxes in the third quarter of 2023 amounted to 1 130 million euros, even down slightly by 1% on their level in the previous quarter. Excluding bank and insurance taxes, operating expenses were up only 1%, owing mainly to higher costs for staff, ICT, facilities and depreciation, and partly offset by lower costs for Ireland (consequent on the sale of the Irish portfolios), lower professional fees and seasonally lower marketing expenses.

Operating expenses including bank and insurance taxes were up 6% on their year-earlier level. Excluding bank and insurance taxes, operating expenses were also up 6%, due to higher staff costs (wage drift and indexation, despite the lower number of FTEs), as well as higher ICT costs, facility expenses (mainly energy costs) and depreciation expenses, partly offset by decreased costs for Ireland (given the sale of the Irish portfolios) and lower professional fees, among other things.

When certain non-operating items are excluded and bank and insurance taxes are spread evenly throughout the year, the cost/income ratio for the first nine months of 2023 amounted to 48%, compared to 49% for full-year 2022. When excluding all bank and insurance taxes, the cost-income ratio improved to 41%, compared to 45% for full-year 2022.

For an indication of the operating expenses for full-year 2023, please refer to the section entitled 'Our guidance'.

Loan loss impairment: 36-million-euro net charge

versus a 23-million-euro net release in the previous quarter and a 79-million-euro net charge in the year-earlier quarter

In the quarter under review, we recorded a 36-million-euro net loan loss impairment charge, compared with a net release of 23 million euros in the previous quarter and a net charge of 79 million euros in the year-earlier quarter. The net impairment charge in the quarter under review included a charge of 95 million euros in respect of our loan book, and a 59-million-euro release following the update of the reserve for geopolitical and emerging risks. As a consequence, the outstanding reserve for geopolitical and emerging risks amounted to 291 million euros at the end of September 2023.

For the entire group, the credit cost ratio amounted to 0.00% in the first nine months of 2023 (0.08% excluding the changes in the reserve for geopolitical and emerging risks), compared to 0.08% for full-year 2022 (0.00% excluding the changes in the reserves for geopolitical and emerging risks and for the coronavirus crisis). At the end of September 2023, 2.0% of our total loan book was classified as impaired ('Stage 3'), compared to 2.1% at year-end 2022. Impaired loans that are more than 90 days past due amounted to 1.1% of the loan book, unchanged on their level at year-end 2022.

For an indication of the expected impact of loan loss impairment for full-year 2023, please refer to the section entitled 'Our guidance'.

Impairment on assets *other than loans* amounted to 27 million euros, compared to 31 million euros in the previous quarter and 23 million euros in the year-earlier quarter. The figure for the quarter under review mainly included impairment on software in Belgium and Hungary.

Net result by business unit

Belgium 517 million euros; Czech Rep. 200 million euros; International Markets 200 million euros, Group Centre -41 million euros

Belgium: the net result (517 million euros) was down 10% quarter-on-quarter. This was due primarily to the combined effect of slightly lower total income (comprising higher insurance revenues and net fee and commission income, but lower net interest income, dividend income, trading & fair value income and net other income), somewhat higher costs and insurance service expenses after reinsurance, and higher net impairment charges.

Czech Republic: the net result (200 million euros) was down 26% quarter-on-quarter (excluding forex effects). This was essentially attributable to a combination of lower total income (caused mainly by lower trading & fair value income, net interest income and net other income), higher costs and insurance service expenses after reinsurance, and a small net impairment charge compared to a net release in the previous quarter.

International Markets: the 200-million-euro net result breaks down as follows: 25 million euros in Slovakia, 96 million euros in Hungary and 79 million euros in Bulgaria. For the business unit as a whole, the net result was up 5% on the previous quarter's result, due mainly to a combination of slightly higher total income, lower bank and insurance taxes (as the previous quarter had included an additional tax amount in Hungary), higher other costs and insurance service expenses after reinsurance, and lower net impairment charges.

Group Centre: the net result (-41 million euros) was 36 million euros higher than the figure recorded in the previous quarter owing to a combination of higher total income, lower costs and a small net impairment release compared to a net charge in the previous quarter).

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

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**9M2023**	**FY2022**	**9M2023**	**FY2022**	**9M2023**	**FY2022**
Cost/income ratio, group						
- excl. non-oper. items & spreading bank & ins. taxes evenly through the year	46%	47%	46%	44%	45%	47%
- excl. all bank and insurance taxes	40%	41%	44%	45%	38%	41%
Combined ratio, non-life insurance	83%	85%	83%	83%	96%[2]	91%
Credit cost ratio[1]	0.07%	0.03%	-0.19%	0.13%	-0.08%	0.31%
Impaired loans ratio	2.0%	1.9%	1.4%	1.7%	1.7%	1.9%

1 A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.
2 Impacted by an additional windfall insurance tax being recorded in Hungary in 9M2023. Excluding this item, the ratio for the first nine months of 2023 would be 92%.

Solvency and liquidity

Common equity ratio 14.6%, NSFR 139%, LCR 157%

At the end of September 2023, total equity came to 23.9 billion euros and comprised 21.6 billion euros in parent shareholders' equity and 2.3 billion euros in additional tier-1 instruments. Total equity was up 2.0 billion euros on its level at the end of 2022. This was accounted for by the combined effect of the inclusion of the profit for the first nine months of 2023 (+2.7 billion euros), the payment of the final dividend for 2022 in May 2023 and the interim dividend payable in November 2023 (-1.7 billion euros combined), the repurchase of own shares (-0.2 billion euros), a net increase in the revaluation reserves (+0.4 billion euros), the issuance of new additional tier-1 instruments in September 2023 (+0.75 billion euros) and a number of smaller items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

Our solvency position remained solid with a fully loaded common equity ratio (CET1) of 14.6% at 30 September 2023, down from 15.3% at the end of 2022. Note that, as of the third quarter, the ratio includes both the negative effect of the ECB supervisory decision following model reviews, as already announced in August 2023 (increase in risk-weighted assets of 8.2 billion euros, partly netted by a relief of 1.7 billion euros), as well as the full impact of the 1.3-billion-euro share buyback programme. The solvency ratio for KBC Insurance under the Solvency II framework was 202% at the end of September 2023, compared to 203% at the end of 2022. We have provided more details and additional information on solvency under 'Solvency' in the 'Additional information' section of the quarterly report.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 157% and an NSFR ratio of 139%, compared to 152% and 136%, respectively, at the end of 2022.

Analysis of the year-to-date period (9M2023)

Net result for 9M2023: 2 725 million euros

+30% year-on-year

Highlights (compared to the first nine months of 2022, unless otherwise stated):

Net interest income: up 10% to 4 113 million euros. This was attributable in part to the much higher commercial transformation result (despite deposit outflows due to the issuance of the State Note in Belgium), the consolidation of Raiffeisenbank Bulgaria (nine months in 2023 compared to three months in 2022) and the increase in term deposits at better margins, partly offset by lower lending income (as lower margins in most core markets more than offset volume growth), the absence of a TLTRO and ECB tiering impact, the sale of the remaining Irish portfolio in February 2023, lower net interest income on inflation-linked bonds, the higher funding cost of participations, increased wholesale funding costs and the higher cost related to the minimum required reserves held with the central banks in most of our core countries. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of customer loans rose by 2% whereas deposits excluding debt certificates were down 2% year-on-year, due largely to deposit outflows related to the issuance of the Belgian State Note in the third quarter of 2023. The net interest margin in the first nine months of 2023 came to 2.06%, up 15 basis points year-on-year.

Insurance service result (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held): up 4% to 369 million euros. The non-life combined ratio for the first nine months of 2023 amounted to an excellent 85%, compared to 87% for full-year 2022. Non-life insurance sales were up 12% to 1 802 million euros, while life insurance sales were up 22% to 1 643 million euros, due mainly to higher unit-linked insurance sales in Belgium.

Net fee and commission income: up 5% to 1 749 million euros. This was attributable primarily to higher fees for banking services (including the effect of the consolidation of Raiffeisenbank Bulgaria and the sale of the Belgian State Note) and also, to a lesser extent, to higher fees related to asset management services. At the end of September 2023, total assets under management were up 11% to 227 billion euros due to a combination of net inflows (+6 percentage points) and a positive price effect (+5 percentage points).

Trading & fair value income: up 62% to 264 million euros. This was due mainly to a higher result from investments backing unit-linked insurance contracts under IFRS 17 and a higher dealing room result, which more than offset the negative change in market value adjustments (xVA) and in the market value of derivatives used for asset/liability management purposes.

All other income items combined: up 215% to 428 million euros. This came about mainly because of higher net other income, which included a 0.4-billion-euro gain on the sale of the loan and deposit portfolios of KBC Bank Ireland in February 2023.

Operating expenses including bank and insurance taxes: up 7% to 3 920 million euros. This was due in part to the consolidation and integration of the former Raiffeisenbank Bulgaria, wage drift and inflation/indexation, higher ICT expenses, facility costs and depreciation expenses, as well as increased bank and insurance taxes. These items were only partly offset by the extraordinary profit bonus for staff in the reference period and the impact of the sale of the Irish portfolios in February 2023, among other factors. The year-to-date cost/income ratio amounted to 48% when certain non-operating items are excluded and bank and insurance taxes evenly spread throughout the year (49% for full-year 2022). When bank and insurance taxes are fully excluded, the cost-income ratio for the period under review amounted to 41% (45% for full-year 2022).

Loan loss impairment: net release of 11 million euros, compared to a net increase of 72 million euros in the reference period. The first nine months of 2023 included a net charge of 109 million euros in respect of our loan book and a net release of 120 million euros in the reserve for geopolitical and emerging risks. As a result, the credit cost ratio amounted to 0.00%, compared to 0.08% for full-year 2022. Impairment on assets other than loans amounted to 56 million euros, compared to 77 million euros in the reference period.

The **net result** of 2 725 million euros for the first nine months of 2023 breaks down as follows: 1 392 million euros for the Belgium Business Unit (up 61 million euros on its year-earlier level), 661 million euros for the Czech Republic Business Unit (up 49 million euros), 498 million euros for the International Markets Business Unit (up 231 million euros) and 174 million euros for the Group Centre (up 294 million euros, owing primarily to the gain realised on the sale of the loan and deposit portfolios of KBC Bank Ireland in February 2023).

ESG developments, risk statement and economic views

ESG developments

We continue to make progress on our sustainability journey for all our activities as a bank-insurer.
KBC Insurance, for instance, recently committed to invest up to 200 million euros in sustainable infrastructure funds in Europe through an investment facility managed by the European Investment Fund (EIF). This first ever EIF investment partnership with a private player in the climate and infrastructure asset class will support sustainable, climate-relevant infrastructure investments in a wide range of areas, including renewable energy production, storage and distribution, energy efficiency, smart green cities and digital and sustainable transport infrastructure. As regards the distribution of life insurance products to our own customers in Belgium, we have a clear focus on providing products in line with our responsible investing strategies and have received the esteemed 'Towards Sustainability' label for our branch 21 individual life insurance products.

Risk statement

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

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

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

Our view on economic growth

The US economy expanded strongly in the third quarter by 1.2% (non-annualised). This was driven mainly by growth in private consumption, based on what is currently still robust net job creation. However, partly as a result of the cumulative impact of Fed tightening and the strike in the automotive industry, quarter-on-quarter growth is expected to slow to 0.1% in the fourth quarter of 2023 and -0.1% in the first quarter of 2024.

Growth in the euro area amounted to -0.1% in the third quarter. We expect growth in the euro area to stagnate for the remainder of 2023, due to the impact of the ECB's tightening cycle on credit growth and the weakness in the manufacturing sector and increasingly in the service sector, too.

Third quarter-on-quarter growth in Belgium amounted to 0.5%. Relatively strong domestic demand (based on private consumption, investment and government spending) offset the continued weakness of net exports. For the remainder of 2023, we expect quarterly growth to remain broadly in line with that of the euro area. The Czech economy shrank by 0.3% in the third quarter of 2023 as a result of weakness in private consumption and in the manufacturing sector. We expect a return to modest positive quarter-on-quarter growth in the fourth quarter of 2023. Based on our latest estimates, quarterly growth for the third quarter in KBC's other Central European home markets was clearly positive (Bulgaria 0.2%, Slovakia 0.5% and Hungary 1.2%). This positive dynamic is expected to continue in the fourth quarter of 2023, and persist in 2024.

The main risks to our short-term outlook for European growth include the current geopolitical tensions, with an upside risk for energy and commodity prices. The stronger-than expected persistence of underlying core inflation and the uncertainty regarding the impact of the ECB's tightening cycle on the real economy are also playing a role. Additional risks include the increasing cost of financing high levels of sovereign debt in the euro area against a backdrop of tightened financing conditions and subdued economic growth.

Our view on interest rates and foreign exchange rates

The Fed's latest policy rate hike (to a range of 5.25%-5.50% in early July) is expected to be the peak rate in this hiking cycle. However, the run-down of the Fed's balance sheet (Quantitative Tightening) still contributes to the tightening of monetary policy. Meanwhile, the ECB raised its deposit rate to 4% in September 2023, which is also expected to be the peak in its rate-hiking cycle. Since July 2023, the ECB stopped the reinvestments of maturing assets from its Asset Purchase Programme (APP) portfolio, leading to a 'passive' run-down of this portfolio. Meanwhile, the flexible reinvestments of the ECB's Pandemic Emergency Purchase Programme (PEPP) portfolio will continue until at least the end of 2024.

Both 10-year US and German government bond yields continued their sharp rise during the third quarter, from respectively about 3.80% and 2.40% at the beginning of the third quarter to about 4.80% and 2.80% in late October 2023. The significant increase in US yields (by about 100 basis points) compared to German yields (by about 40 basis points) means that the US-German yield spread has widened considerably from about 140 basis points at the beginning of the third quarter to about 200 basis points by late October 2023.

Short and long-term US-German interest-rate differentials led to a sharp appreciation of the US dollar against the euro from mid-July 2023 on. For the remainder of 2023, we expect the US dollar to remain strong against the euro. However, the euro is expected to gradually start appreciating again from early 2024 on.

Since the start of the third quarter, the Czech koruna (CZK) has continued to depreciate against the euro. This was driven by higher inflation and narrowing short-term interest rate differentials with the euro area, due to the fact that the ECB further raised its deposit rate while the Czech National Bank (CNB) kept its policy rate unchanged at 7%. Expected interest rate support for the CZK decreased further due to the prospect of the CNB carrying out a first rate cut in the fourth quarter of 2023. Moreover, the abandonment by the CNB of its commitment to intervene, if necessary, on the FX markets to support the exchange rate of the CZK weighed on the currency. We expect the weakness of the Koruna to persist in the short term.

During the third quarter, the National Bank of Hungary (NBH) eased its overnight rate further, reducing it to 13% in September 2023. Since the overnight rate was then in line with the base rate, it was abandoned and the base rate resumed its traditional role of policy rate. On 24 October, the NBH continued its rate-cutting cycle by lowering the base rate by 75 basis points to 12.25%. Depending on the extent that inflation further decreases, additional rate cuts are likely by the end of the year.

On balance, the exchange rate of the Hungarian forint against the euro has depreciated since the start of the third quarter. As in previous quarters, this exchange rate was quite volatile. Against the background of still high inflation differentials with the euro area and the NBH's ongoing easing cycle, the forint is expected to remain weak (around current levels) for the remainder of 2023.

Our guidance

Guidance for full-year 2023

- Total income: approximately 11.15 billion euros *(unchanged),* approximately 5.4 billion euros of which in net interest income *(instead of approximately 5.6 billion euros previously, due to (i) the direct negative impact of the State Note issued in Belgium (-0.1 billion euros), (ii) the negative impact mainly from further shifts from current and savings accounts to term deposits and asset management (-0.1 billion euros), and (iii) higher costs related to the minimum required reserves held with central banks (-0.02 billion euros)).*
- Operating expenses without bank and insurance taxes, plus insurance commissions: approximately 4.75 billion euros *(unchanged).*
- Credit cost ratio: 10-15 basis points (excluding any movement in the ECL buffer) *(unchanged).*

Additional guidance

- Indicative impact for full-year 2024:
  - Net interest income: we expect a flattish evolution of net interest income (hence approximately 5.4 billion euros) for 2024, based on the following assumptions:
    - the market forward rates (for short term and long term interest rates)
    - commercial transformation result will continue to benefit from the positive impact of increasing reinvestment yields
    - the deposit outflows following the September 2023 Belgian State Note emission will continue to impact net interest income in 2024
    - conservative assumption re. deposit flow once the Belgian State Note matures
    - further shifts from current accounts and savings accounts to term deposits
    - higher pass-through rates on savings accounts
    - higher costs on minimum required reserves
    - loan volume growth at approximately 3% year-on-year in 2024
    - asset margins will (very) gradually improve
    - higher funding costs
  - Increased Belgian bank tax: the Belgian government recently decided to increase the national bank taxes by (1) higher bank taxes for deposits on the balance sheet above 50 billion euros and (2) the abolishment of the income tax deductibility of the bank taxes. The combined impact for us is roughly -40 million euros and is expected as of 2024 (of which roughly -30 million euros in banking and insurance taxes and -10 million euros in income tax expense). Additionally, a further increase of the bank taxes can be expected based on the latest discussion in the Belgian Parliament driven by an increase of the contribution to the Deposit Guarantee Scheme, which will result in approximately -10 million euros in the fourth quarter of 2023 and -24 million euros in 2024;
  - Liquidation of KBC Bank Ireland: based on the approval received from the Irish Department of Finance in September 2023, the main hurdles to start the legal liquidation process of KBC Bank Ireland have been overcome. The aim is to close this liquidation process in the course of 2024. The formal closing of the liquidation process can give rise to a tax-deductible loss in KBC Bank NV of about 1.3 billion euros in 2024 for which no deferred tax assets are yet recognised, as we consider this as a contingent asset at this moment subject to official authorization of the Irish tax authorities to liquidate KBC Bank Ireland. This could lead to a tax benefit in the income statement of approximately 0.3 billion euros in 2024.

- Indicative view on transitional risk-weighted assets (RWA) evolution under Basel IV (based on current EU consensus for Basel IV, a static balance sheet and all other parameters *ceteris paribus*, without any mitigating actions): on 1 January 2025, we expect a first-time application impact of approximately +2.5 billion euros and by 1 January 2033, we expect a further fully loaded impact of approximately +3.5 billion euros (of which around 2 billion euros due to the output floor).

- Please refer to the company presentation (on www.kbc.com) for details and background information.

Upcoming events	Interim dividend: ex-coupon 13 November 2023, record 14 November 2023, payment 15 November 2023 4Q2023 results: 8 February 2024 Annual report: 2 April 2024 AGM: 2 May 2024 1Q2024 results: 16 May 2024 Other events: www.kbc.com / Investor Relations / Financial calendar
More information on 3Q2023	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
Information on IFRS 17 implementation	Press release of 18 April 2023: www.kbc.com / Newsroom / Press release archive
Definitions of ratios	‘Details of ratios and terms at KBC Group level’ in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

3Q 2023 and 9M 2023

Section reviewed by the Auditor

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

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

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

For more information, see note 6.10.

Glossary:

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

Consolidated income statement

(in millions of EUR)	Note	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
Net interest income	3.1	4 113	3 746	1 382	1 407	1 297
Interest income	*3.1*	*14 779*	*7 753*	*5 399*	*5 075*	*2 897*
Interest expense	*3.1*	*-10 666*	*-4 007*	*-4 017*	*-3 668*	*-1 600*
Insurance revenues before reinsurance	3.7	1 996	1 802	699	666	621
Non-life	3.7	*1 696*	*1 524*	*587*	*567*	*527*
Life	3.7	*301*	*278*	*113*	*100*	*94*
Dividend income		47	50	10	30	22
Net result from financial instruments at fair value through profit or loss	3.3	264	163	58	115	35
Net fee and commission income	3.5	1 749	1 669	588	584	557
Fee and commission income	3.5	*2 220*	*2 085*	*751*	*737*	*693*
Fee and commission expense	3.5	*- 471*	*- 416*	*- 163*	*- 153*	*- 136*
Insurance finance income and expense (for insurance contracts issued)	3.7	- 215	- 33	- 67	- 82	- 39
Net other income	3.6	596	119	44	54	3
TOTAL INCOME		8 550	7 515	2 715	2 775	2 496
Operating expenses (excluding directly attributable from insurance)	3.8	-3 531	-3 291	-1 011	-1 019	- 952
Total Opex without banking and insurance tax	3.8	*-3 269*	*-3 016*	*-1 101*	*-1 090*	*-1 041*
Total banking and insurance tax	3.8	*- 651*	*- 631*	*- 29*	*- 51*	*- 23*
Minus: Opex allocated to insurance service expenses	3.8	*389*	*356*	*119*	*123*	*112*
Insurance service expenses before reinsurance	3.7	-1 553	-1 441	- 540	- 523	- 504
Of which insurance commissions paid	3.7	*- 246*	*- 228*	*- 87*	*- 82*	*- 81*
Non-Life	3.7	*-1 361*	*-1 317*	*- 485*	*- 457*	*- 445*
Of which Non-life - Claim related expenses	3.7	*- 829*	*- 830*	*- 308*	*- 284*	*- 281*
Life	3.7	*- 192*	*- 124*	*- 55*	*- 66*	*- 59*
Net result from reinsurance contracts held	3.7	- 74	- 5	- 22	- 22	- 15
Impairment	3.10	- 46	- 149	- 63	- 8	- 102
on FA at amortised cost and at FVOCI	3.10	*11*	*- 72*	*- 36*	*23*	*- 79*
on goodwill	3.10	*0*	*0*	*0*	*0*	*0*
other	3.10	*- 56*	*- 77*	*- 27*	*- 31*	*- 23*
Share in results of associated companies and joint ventures		- 4	- 7	0	- 1	- 3
RESULT BEFORE TAX		3 343	2 621	1 079	1 202	920
Income tax expense	3.12	- 619	- 530	- 203	- 236	- 168
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		2 725	2 091	877	966	752
attributable to minority interests		- 1	0	0	0	0
attributable to equity holders of the parent		**2 725**	**2 091**	**877**	**966**	**752**
Earnings per share (in EUR)						
Ordinary		6.44	4.93	2.07	2.29	1.77
Diluted		6.44	4.93	2.07	2.29	1.77

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

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
RESULT AFTER TAX	**2 725**	**2 091**	**877**	**966**	**752**
Attributable to minority interests	- 1	0	0	0	0
Attributable to equity holders of the parent	2 725	2 091	877	966	752
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**347**	**241**	**18**	**- 35**	**- 108**
Net change in revaluation reserve (FVOCI debt instruments)	- 85	- 1 991	- 182	- 11	- 458
Net change in hedging reserve (cashflow hedges)	245	121	141	36	- 63
Net change in translation differences	- 40	- 117	- 202	- 51	- 14
Hedge of net investments in foreign operations	16	- 12	32	16	- 34
Net insurance finance income and expense from (re)insurance contracts issued	212	2 256	233	- 27	464
Net insurance finance income and expense from reinsurance contracts held	0	- 17	- 2	- 1	- 4
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	- 1	1	- 3	2	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**79**	**- 89**	**- 54**	**47**	**- 89**
Net change in revaluation reserve (FVOCI equity instruments)	107	- 301	- 34	40	- 55
Net change in defined benefit plans	- 29	211	- 20	7	- 33
Net change in own credit risk	0	1	0	0	- 1
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**3 150**	**2 242**	**840**	**978**	**555**
Attributable to minority interests	- 1	0	0	0	0
Attributable to equity holders of the parent	3 150	2 242	840	978	555

The largest movements in other comprehensive income (9M 2023 and 9M 2022):

- Net change in revaluation reserve (FVOCI debt instruments): the -85 million euros in 9M 2023 is mainly explained by higher interest rates in Euro government bonds, partly offset by lower interest rates on Czech and Hungarian government bonds and the unwinding effect of the negative outstanding revaluation reserve. The -1 991 million euros in 9M 2022 is mainly explained by much higher interest rates, for the largest part related to government bonds of European countries.
- Net change in hedging reserve (cash flow hedge): the +245 million euros in 9M 2023 can for a large part be explained by the unwinding effect of the negative outstanding cash flow hedge reserve and the higher euro interest rates. The +121 million euros in 9M 2022 can mainly be explained by much higher interest rates.
- The net change in translation differences: the -40 million euros in 9M 2023 was mainly caused by the depreciation of the CZK versus the EUR, partly compensated by the appreciation of the HUF versus the EUR. This was partly offset by the hedge of net investments in foreign operations (+16 million euros). The -117 million euros in 9M 2022 was mainly caused by the depreciation of the HUF versus the EUR, partially compensated by the appreciation of the USD and the CZK. The hedge of net investments in foreign operations in 9M 2022 (-12 million euros) was negatively impacted due to the appreciation of the USD and CZK (only limited hedged volumes in HUF). The hedging policy of FX participations aims to stabilize the group capital ratio (and not parent shareholders' equity).
- The net change in net insurance finance income and expense from (re)insurance contracts issued and held in 9M 2023 of +212 million euros is explained by the EUR interest rate increase, partly offset by the unwinding effect of the outstanding positive IFIE through OCI. The net impact of +2 239 million euros in 9M 2022 is mainly explained by much higher interest rates.
- Net change in revaluation reserve (FVOCI equity instruments): the +107 million euros in 9M 2023 is mainly explained by positive fair value movements driven by better stock markets. The -301 million euros in 9M 2022 can be explained by negative fair value movements due to negative stock markets evolution.
- Net change in defined benefit plans: the -29 million euros in 9M 2023 is mainly explained by the impact of the higher inflation rate and the negative return of the plan assets, partly offset by higher discount rate applied on the obligations. The +211 million euros in 9M 2022 is mainly explained by the effect of the higher discount rate applied on the obligations, partly offset by the negative return of the plan assets and the impact of the higher inflation rate.

Consolidated balance sheet

(in millions of EUR)	Note	30-09-2023	31-12-2022
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		42 373	51 427
Financial assets	4.0	311 313	290 840
Amortised cost	*4.0*	*269 076*	*251 770*
Fair value through OCI	*4.0*	*17 441*	*16 617*
Fair value through profit or loss	*4.0*	*24 320*	*21 911*
of which held for trading	*4.0*	*10 009*	*8 471*
Hedging derivatives	*4.0*	*474*	*542*
Reinsurers' contract assets held		78	55
Profit/loss on positions in portfolios hedged for interest rate risk		-4 192	-4 335
Tax assets		974	1 175
Current tax assets		*194*	*174*
Deferred tax assets		*780*	*1 001*
Non-current assets held for sale and disposal groups	*5.11*	5	8 054
Investments in associated companies and joint ventures		34	32
Property, equipment and investment property		3 604	3 560
Goodwill and other intangible assets	*5.5*	2 439	2 331
Other assets		1 827	1 406
TOTAL ASSETS		358 453	354 545
LIABILITIES AND EQUITY			
Financial liabilities	4.0	315 783	312 759
Amortised cost	*4.0*	*293 335*	*289 885*
Fair value through profit or loss	*4.0*	*22 061*	*22 297*
of which held for trading	*4.0*	*8 122*	*9 096*
Hedging derivatives	*4.0*	*388*	*577*
Insurance contract liabilities	*5.6*	15 920	16 158
Non-life		*2 821*	*2 714*
Life		*13 099*	*13 444*
Profit/loss on positions in portfolios hedged for interest rate risk		- 934	-1 443
Tax liabilities		478	462
Current tax liabilities		*91*	*150*
Deferred tax liabilities		*387*	*312*
Liabilities associated with disposal groups	*5.11*	0	2 020
Provisions for risks and charges	5.7.3	206	418
Other liabilities		3 136	2 353
TOTAL LIABILITIES		334 589	332 727
Total equity	5.10	23 865	21 819
Parent shareholders' equity	5.10	21 614	20 319
Additional tier-1 instruments included in equity	5.10	2 250	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		358 453	354 545

The increase of the total liabilities in 9M 2023 can for the largest part be explained by higher repos, time deposits from customers, certificates of deposit and other issued bonds. This is partly offset by lower demand deposits and saving accounts from customers, partly driven by outflow to Belgian State Note (see note 3.1 for more details), and partial repayment of the TLTRO III.

Total assets increase thanks to higher reverse repos, higher loans and advances to customers and debt securities, partly offset by the closing of the sale of the Irish loan portfolios to Bank of Ireland Group and lower cash balances with central banks.

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

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
30-09-2023									
Balance at the beginning of the period	1 461	5 542	0	12 626	690	20 319	1 500	0	21 819
Net result for the period	0	0	0	2 725	0	2 725	0	- 1	2 725
Other comprehensive income for the period	0	0	0	- 1	426	425	0	0	425
Subtotal	0	0	0	2 724	426	3 150	0	- 1	3 150
Dividends	0	0	0	- 1 666	0	- 1 666	0	0	- 1 666
Coupon on AT1	0	0	0	- 34	0	- 34	0	0	- 34
Issue/repurchase of AT1 included in equity	0	0	0	-3	0	-3	750	0	747
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	29	- 29	0	0	0	0
Purchase/sale of treasury shares	0	0	- 152	0	0	- 152	0	0	- 152
Change in minorities interests	0	0	0	0	0	0	0	1	1
Total change	0	0	- 152	1 050	397	1 296	750	0	2 046
Balance at the end of the period	1 461	5 542	- 152	13 677	1 087	21 614	2 250	0	23 865
2022									
Balance at the beginning of the period	1 460	5 528	0	13 289	627	20 904	1 500	0	22 404
Net result for the period	0	0	0	2 818	0	2 818	0	0	2 818
Other comprehensive income for the period	0	0	0	1	215	217	0	0	217
Subtotal	0	0	0	2 819	215	3 035	0	0	3 035
Dividends	0	0	0	- 3 585	0	- 3 585	0	0	- 3 585
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	14	0	0	0	15	0	0	15
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	152	- 152	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	1	14	0	- 663	63	- 585	0	0	- 585
Balance at the end of the period	1 461	5 542	0	12 626	690	20 319	1 500	0	21 819
30-09-2022									
Balance at the beginning of the period	1 460	5 528	0	13 289	627	20 904	1 500	0	22 404
Net result for the period	0	0	0	2 091	0	2 091	0	0	2 091
OCI for the period	0	0	0	1	151	152	0	0	152
Subtotal	0	0	0	2 092	151	2 242	0	0	2 242
Dividends	0	0	0	- 3 585	0	- 3 585	0	0	- 3 585
Coupon on AT1	0	0	0	- 34	0	- 34	0	0	- 34
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	101	- 101	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	- 1 426	50	- 1 376	0	0	- 1 376
Balance at the end of the period	1 460	5 528	0	11 863	677	19 527	1 500	0	21 027

9M 2023

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

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

In line with our general dividend policy, we will also pay out an interim dividend of 1 euro per share mid November 2023 as an advance on the total dividend for financial year 2023 (deducted from retained earnings in 3Q 2023, based on the outstanding number of shares entitled to dividend, which excludes the shares bought in the share buyback programme, see further).

Treasury shares: within the framework of the share buyback programme of 1.3 billion euros announced on 10 August 2023, the total number of own shares bought by KBC related to the share buyback programme.
For more information: https://www.kbc.com/en/share-buy-back.

2022

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

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	30-09-2023	31-12-2022	30-09-2022
Total	1 087	690	677
Revaluation reserve (FVOCI debt instruments)	-1 180	-1 095	- 920
Revaluation reserve (FVOCI equity instruments)	162	84	97
Hedging reserve (cashflow hedges)	- 692	- 937	- 987
Translation differences	- 165	- 125	- 227
Hedge of net investments in foreign operations	91	75	67
Remeasurement of defined benefit plans	438	467	457
Own credit risk through OCI	0	0	0
Insurance finance income and expense through OCI after reinsurance	2 432	2 221	2 191

Consolidated cash flow statement

(in millions of EUR)	Note	9M 2023	9M 2022
OPERATING ACTIVITIES			
Result before tax	Cons. income stat.	3 343	2 621
Adjustments for non-cash items in profit & loss		- 608	1 128
Changes in operating assets (excluding cash and cash equivalents)		-4 914	-13 827
Changes in operating liabilities (excluding cash and cash equivalents)		-4 460	21 828
Income taxes paid		- 410	- 426
Net cash from or used in operating activities		-7 048	11 324
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	-3 654	-1 537
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		- 4	- 51
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		6 480	111
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)	—	- 242	- 29
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)	—	- 225	- 11
Other		89	44
Net cash from or used in investing activities		2 445	-1 475
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Cons. stat. of changes in equity	- 152	0
Issue or repayment of promissory notes and other debt securities	4.1	6 197	743
Proceeds from or repayment of subordinated liabilities	4.1	511	- 769
Proceeds from the issuance of share capital	Cons. stat. of changes in equity	0	0
Issue of additional tier-1 instruments	Cons. stat. of changes in equity	750	
Dividends paid	Cons. stat. of changes in equity	-1 252	-3 168
Coupon additional Tier-1 instruments	Cons. stat. of changes in equity	- 34	- 34
Net cash from or used in financing activities		6 021	-3 228
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		1 418	6 622
Cash and cash equivalents at the beginning of the period		67 481	63 554
Effects of exchange rate changes on opening cash and cash equivalents		- 78	- 115
Cash and cash equivalents at the end of the period		68 821	70 061
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Cons. balance sheet	42 373	49 759
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1 264	3 916
Reverse repos with credit institutions and investment firms at not more than three months	4.1	32 198	23 905
Deposits from banks repayable on demand	4.1	-7 015	-7 519
Cash and cash equivalents belonging to disposal groups		0	0
Total		68 821	70 061
of which not available		*0*	*0*

The net cash from operating activities in 9M 2023 (-7 048 million euros) mainly includes an increasing mortgage and term loan portfolio, a significant decrease of deposits due to a repayment of part of the amount borrowed under TLTRO III (-12.9 billion euros in 9M 2023) as well as lower demand deposits and saving accounts (partly driven by outflow to Belgian State Note, see note 3.1 for more details). This is partly compensated by growth of certificates of deposit and time deposits.

The net cash from operating activities in 9M 2022 (+11 324 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher demand and time deposits and repos, partly offset by an increasing mortgage and term loan portfolio.

Net cash from (used in) investing activities in 9M 2023 (+2 445 million euros) is mainly explained by the cash proceeds from closing of sale KBC Bank Ireland, partly offset by additional investments in debt securities at amortised cost. Net cash from (used in) investing activities in 9M 2022 (-1 475 million euros) is mainly explained by additional investments in debt securities at amortised cost, as well as -51 million euros mainly related to the acquisition of Raiffeisenbank Bulgaria (the acquisition price of 1 009 million euros for the shares and 58 million euros for the AT1 was almost offset by the available cash and cash equivalents on the Raiffeisenbank Bulgaria balance sheet – more details are provided in Note 6.6).

The net cash flow from financing activities in 9M 2023 (+6 021 million euros) mainly includes newly issued Senior Holdco instruments (+4.9 billion euros issued, partly offset by matured positions for -1 billion euros), higher outstanding covered bonds (+2 billion euros) and a newly issued Tier-1 (750 million euros) and Tier-2 instrument (500 million euros), partly compensated by the dividend payment (-1 252 million euros) and the share buyback (-152 million euros).

The net cash flow from financing activities in 9M 2022 (-3 228 million euros) mainly includes the dividend payment (-3 168 million euros), matured covered bond position (-2.3 billion euros) and the call of a Tier-2 instrument (-750 million euros) being partly compensated by an increase of the volume of Senior Holdco instruments (+3.1 billion euros). For more information concerning debt issuances: https://www.kbc.com/en/debt-issuance.

Notes to the accounting policies

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

The condensed interim financial statements of the KBC Group for the period ended 30 September 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

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

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

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

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

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

Main exchange rates used:

	Exchange rate at 30-09-2023		Average exchange rate in 9M 2023	
		Changes relative to 31-12-2022		Changes relative to the average 9M 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	24.339	-1%	23.774	4%
HUF	389.50	3%	380.77	1%

Notes on segment reporting

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

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

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

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
9M 2023									
Net interest income	2 439	949	871	*389*	*189*	*293*	- 146	*50*	4 113
Insurance revenues before reinsurance	1 222	414	351	*141*	*71*	*139*	10	*0*	1 996
Non-life	1 032	342	311	*126*	*58*	*127*	10	*0*	1 696
Life	190	71	40	*15*	*12*	*12*	0	*0*	301
Dividend income	42	1	1	*0*	*0*	*1*	3	*0*	47
Net result from financial instruments at fair value through profit or loss	15	97	88	*69*	*9*	*10*	63	*- 3*	264
Net fee and commission income	1 144	244	365	*191*	*63*	*112*	- 4	*- 1*	1 749
Insurance finance income and expense (for insurance contracts issued)	- 128	- 46	- 41	*- 31*	*- 3*	*- 7*	0	*0*	- 215
Net other income	178	2	15	*0*	*9*	*5*	401	*407*	596
TOTAL INCOME	4 912	1 660	1 650	*759*	*338*	*553*	328	*453*	8 550
Operating expenses (excluding directly attributable OPEX (insurance))	-1 949	- 655	- 741	*- 370*	*- 170*	*- 201*	- 186	*- 96*	-3 531
Total Opex without banking and insurance tax	*-1 820*	*- 679*	*- 585*	*- 199*	*- 184*	*- 202*	*- 184*	*- 91*	*-3 269*
Total Banking and insurance tax	*- 353*	*- 60*	*- 234*	*- 210*	*- 4*	*- 20*	*- 4*	*- 4*	*- 651*
Minus: Opex allocated to insurance service expenses	*224*	*84*	*79*	*39*	*18*	*21*	*2*	*0*	*389*
Insurance service expenses before reinsurance	- 944	- 307	- 300	*- 141*	*- 60*	*- 98*	- 2	*0*	-1 553
Of which insurance commissions paid	*- 163*	*- 44*	*- 39*	*- 9*	*- 7*	*- 24*	*- 1*	*0*	*- 246*
Non-Life	*- 811*	*- 268*	*- 279*	*- 133*	*- 53*	*- 93*	*- 2*	*0*	*-1 361*
Of which Non-life - Claim related expenses	*- 524*	*- 156*	*- 150*	*- 63*	*- 33*	*- 53*	*0*	*0*	*- 829*
Life	*- 133*	*- 39*	*- 20*	*- 9*	*- 7*	*- 5*	*0*	*0*	*- 192*
Net result from reinsurance contracts held	- 44	- 14	- 14	*- 2*	*- 3*	*- 9*	- 2	*0*	- 74
Impairment	- 86	56	- 13	*- 17*	*6*	*- 1*	- 3	*- 5*	- 46
of which on FA at AC and at fair value through OCI	*- 71*	*56*	*18*	*12*	*6*	*0*	*8*	*6*	*11*
Share in results of associated companies and joint ventures	- 3	- 1	0	0	0	0	0	0	- 4
RESULT BEFORE TAX	1 886	740	583	*228*	*110*	*245*	135	*353*	3 343
Income tax expense	- 494	- 79	- 85	*- 37*	*- 24*	*- 25*	39	*- 24*	- 619
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	1 392	661	498	*191*	*87*	*220*	174	*328*	2 725
attributable to minority interests	- 1	0	0	*0*	*0*	*0*	0	*0*	- 1
attributable to equity holders of the parent	**1 392**	**661**	**498**	***191***	***87***	***220***	**174**	***328***	**2 725**

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	Group Centre	*Of which: Ireland*	Total
9M 2022									
Net interest income	2 015	991	617	*300*	*169*	*148*	123	*183*	3 746
Insurance revenues before reinsurance	1 122	359	309	*121*	*64*	*124*	12	*0*	1 802
Non-life	946	294	272	*107*	*52*	*113*	12	*0*	1 524
Life	176	65	37	*14*	*13*	*11*	0	*0*	278
Dividend income	44	1	1	*0*	*0*	*1*	3	*0*	50
Net result from financial instruments at fair value through profit or loss	44	106	29	*26*	*26*	*- 23*	- 16	*- 4*	163
Net fee and commission income	1 143	220	309	*168*	*61*	*80*	- 2	*- 1*	1 669
Insurance finance income and expense (for insurance contracts issued)	- 93	5	55	*25*	*7*	*23*	0	*0*	- 33
Net other income	165	- 41	- 2	*- 9*	*3*	*4*	- 3	*- 7*	119
TOTAL INCOME	4 440	1 641	1 317	*631*	*330*	*356*	116	*172*	7 515
Operating expenses (excluding directly attributable OPEX (insurance))	-1 818	- 606	- 626	*- 337*	*- 167*	*- 122*	- 240	*- 167*	-3 291
Total Opex without banking and insurance tax	*-1 672*	*- 626*	*- 483*	*- 171*	*- 181*	*- 131*	*- 236*	*- 161*	*-3 016*
Total Banking and insurance tax	*- 349*	*- 60*	*- 215*	*- 199*	*- 7*	*- 10*	*- 6*	*- 6*	*- 631*
Minus: Opex allocated to insurance service expenses	*202*	*80*	*72*	*32*	*21*	*19*	*2*	*0*	*356*
Insurance service expenses before reinsurance	- 897	- 273	- 260	*- 113*	*- 51*	*- 97*	- 10	*0*	-1 441
Of which insurance commissions paid	*- 146*	*- 33*	*- 49*	*- 23*	*- 5*	*- 21*	*- 1*	*0*	*- 228*
Non-Life	*- 845*	*- 231*	*- 231*	*- 102*	*- 42*	*- 87*	*- 10*	*0*	*-1 317*
Of which Non-life - Claim related expenses	*- 569*	*- 131*	*- 122*	*- 47*	*- 24*	*- 52*	*- 8*	*0*	*- 830*
Life	*- 52*	*- 42*	*- 29*	*- 11*	*- 9*	*- 10*	*0*	*0*	*- 124*
Net result from reinsurance contracts held	37	- 7	- 11	*- 2*	*- 2*	*- 6*	- 24	*0*	- 5
Impairment	- 3	- 31	- 89	*- 61*	*- 12*	*- 16*	- 26	*- 22*	- 149
of which on FA at AC and at fair value through OCI	*4*	*- 23*	*- 51*	*- 24*	*- 11*	*- 16*	*- 2*	*1*	*- 72*
Share in results of associated companies and joint ventures	- 6	- 1	0	0	0	0	0	0	- 7
RESULT BEFORE TAX	1 752	722	331	*117*	*98*	*115*	- 184	*- 17*	2 621
Income tax expense	- 421	- 110	- 64	*- 29*	*- 23*	*- 12*	65	*21*	- 530
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	1 331	612	267	*89*	*75*	*103*	- 119	*4*	2 091
attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
attributable to equity holders of the parent	**1 331**	**612**	**267**	***89***	***75***	***103***	**- 119**	***4***	**2 091**

Other notes

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

(in millions of EUR)	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
Total	4 113	3 746	1 382	1 407	1 297
Interest income	14 779	7 753	5 399	5 075	2 897
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	7 545	5 398	2 650	2 538	2 049
Financial assets at FVOCI	261	282	89	95	93
Hedging derivatives	3 579	1 180	1 556	1 163	467
Financial liabilities (negative interest)	9	243	2	4	53
Other	1 668	71	551	634	25
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	40	24	14	13	9
Financial assets held for trading	1 676	553	538	628	201
Of which economic hedges	*1 554*	*461*	*490*	*590*	*161*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-10 666	-4 007	-4 017	-3 668	-1 600
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	-4 903	-1 267	-1 812	-1 694	- 650
Financial assets (negative interest)	- 1	- 93	0	0	- 16
Hedging derivatives	-3 735	-1 278	-1 604	-1 220	- 501
Other	- 4	- 2	- 1	- 1	- 1
Interest expense on other financial instruments					
Financial liabilities held for trading	-1 979	-1 346	- 584	- 737	- 421
Of which economic hedges	*-1 942*	*-1 310*	*- 570*	*- 724*	*- 412*
Other financial liabilities at FVPL	- 50	- 21	- 18	- 17	- 10
Net interest expense relating to defined benefit plans	6	- 1	3	2	0

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

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

- Client deposits outflow of 5.7 billion euros
- -22 million euros negative impact on net interest income in 3Q 2023 (only 1 month impact, hence a larger (direct) impact on net interest income can be expected in the next quarters).
- +11 million euros one-off positive impact on net fee and commission income (securities fees) in 3Q 2023

Different Central Banks decided to increase the Minimum Reserve Requirements (MRR) and/or reduce the remuneration on these deposits. This results in a negative impact on net interest income of about 31 million euros in 3Q 2023, compared to about 26 million euros in 2Q 2023.

Česká Národní Banka in Czech Republic will end remuneration of minimum reserves as of 5 October 2023.

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

(in millions of EUR)	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
Total	264	163	58	115	35
Breakdown by driver					
Dealing room income	210	155	47	69	- 5
MTM ALM derivatives and other	- 29	9	- 18	13	16
Market value adjustments (xVA)	26	79	17	5	28
Result on investment backing UL contracts - under IFRS17	56	- 81	11	29	- 5

The result from financial instruments at fair value through profit or loss in 3Q 2023 is 57 million euros lower compared to 2Q 2023

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

- Lower dealing room income in Czech Republic and to a lesser extent in Belgium and Hungary
- Negative MTM ALM derivatives and other income in 3Q 2023 compared to a positive amount in 2Q 2023
- Lower fair value result on investments backing unit-linked contracts under IFRS 17 (compensated by less negative insurance finance income and expenses; for more information see note 3.7 further in this report)

Partly compensated by

- More positive impact from market value adjustments (xVA) in 3Q 2023 compared to 2Q 2023

The result from financial instruments at fair value through profit or loss in 9M 2023 is 101 million euros higher compared to 9M 2022, for a large part explained by:

- Much better result on investments backing unit-linked contracts under IFRS 17 in 9M 2023 compared to 9M 2022 thanks to improved financial markets in 9M 2023 while depressed financial markets in 9M 2022
- Higher dealing room income in 9M 2023 in Belgium, partly offset by lower dealing room income in Czech Republic and Hungary

Partly offset by

- Lower positive impact from market value adjustments (xVA) in 9M 2023 compared to 9M 2022
- Negative MTM ALM derivatives and other income in 9M 2023 compared to positive impact in 9M 2022

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

(in millions of EUR)	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
Total	1 749	1 669	588	584	557
Fee and commission income	2 220	2 085	751	737	693
Fee and commission expense	- 471	- 416	- 163	- 153	- 136
Breakdown by type					
Asset Management Services	923	909	308	311	293
Fee and commission income	*968*	*954*	*324*	*324*	*300*
Fee and commission expense	*- 44*	*- 45*	*- 16*	*- 13*	*- 6*
Banking Services	792	734	268	262	255
Fee and commission income	*1 211*	*1 096*	*414*	*401*	*383*
Fee and commission expense	*- 419*	*- 362*	*- 146*	*- 139*	*- 128*
Other	33	26	12	11	9
Fee and commission income	*41*	*35*	*13*	*12*	*10*
Fee and commission expense	*- 8*	*- 9*	*- 1*	*- 1*	*- 1*

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

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

(in millions of EUR)	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
Total	596	119	44	54	3
of which gains or losses on					
Sale of financial assets measured at amortised cost	- 18	- 30	- 12	- 2	- 20
Sale of debt instruments at FVOCI	- 6	- 68	- 7	0	- 30
Repurchase of financial liabilities measured at amortised cost	0	0	0	0	1
of which other, including:	620	217	63	56	52
Income from operational leasing activities	82	78	32	25	28
Income from VAB Group	29	40	8	11	12
Gain on sale real estate subsidiary at KBC Insurance	0	68	0	0	0
Legacy legal cases excl. ICEC-Holding	0	7	0	0	0
Gain on sale in Ireland	405	0	0	0	0
Recuperation Belgian Banking taxes (including moratorium interests)	48	0	0	0	0

In 9M 2023:

- Gain on sale in Ireland: positive one-off impact of the sale transaction of KBC Bank Ireland’s loan assets and its deposit book (+405 million euros in 1Q 2023) (for more information, see note 6.6).
- Recuperation of Belgian banking taxes (2016) and linked moratorium interests (+48 million euros) in 1Q 2023
- Realised loss on sale of low yielding bonds at amortised cost and FVOCI in Belgium, Czech Republic, Hungary and Group Re (total -23 million euros, mainly in 3Q 2023)

In 9M 2022:

- Gain on sale of a real estate subsidiary at KBC Insurance (KBC Vastgoed Nederland) (+68 million euros)
- Realised loss on sale of low yielding bonds at FVOCI and amortised cost mainly in Belgium, Czech Republic, Slovakia and Hungary (total -98 million euros, mainly in 2Q and 3Q 2022)
- Legacy legal case in Czech Republic (+7 million euros in 1Q 2022)

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

The table below includes intragroup transactions between bank and insurance entities (the results for insurance contracts concluded between the group's bank and insurance entities, interest that insurance companies receive on their deposits with bank entities, distribution commissions intra-group…) in order to give a more accurate view of the profitability of the insurance business.

(in millions of EUR)	Life	*of which life direct participating (VFA)*	Non-Life	Non-Technical	Total
9M 2023					
Insurance service result	**108**	***10***	***341***	**—**	**449**
Insurance revenues before reinsurance	*301*	*19*	*1 704*	*—*	*2 004*
Insurance service expenses	*- 192*	*- 9*	*- 1 363*	*—*	*- 1 555*
Of which Non-life - Claim related expenses	*—*	*—*	*- 831*	*—*	*- 831*
Investment result on assets	**310**	***56***	***68***	***20***	***398***
Net interest income	*226*	*0*	*63*	*5*	*294*
Dividend income	*17*	*0*	*3*	*11*	*32*
Net result from financial instruments at fair value through P&L	*58*	*56*	*0*	*4*	*63*
Net other income	*8*	*0*	*1*	*0*	*9*
Impairment	*0*	*0*	*0*	*0*	*0*
Total insurance finance income and expense before reinsurance	**- 194**	***- 56***	***- 21***	**—**	**- 215**
Interest accretion	*- 137*	*—*	*- 21*	*—*	*- 158*
Effect of changes in financial assumptions and foreign exchange differences	*- 1*	*0*	*0*	*—*	*0*
Changes in fair value of underlying assets of contracts measured under VFA	*- 56*	*- 56*	*—*	*—*	*- 56*
Net insurance and investment result before reinsurance	**224**	***10***	**389**	**20**	**632**
Net result from reinsurance contracts held	**- 2**	**—**	**- 72**	**—**	**- 74**
Premiums paid to the reinsurer	*- 23*	*—*	*- 71*	*—*	*- 94*
Commissions received	*5*	*—*	*7*	*—*	*11*
Amounts recoverable from reinsurer	*17*	*—*	*- 6*	*—*	*11*
Total (ceded) reinsurance finance income and expense	*0*	*—*	*- 2*	*—*	*- 2*
Net insurance and investment result after reinsurance	**222**	***10***	**317**	**20**	**559**
Non-directly attributable income and expenses	**7**	***- 1***	**- 32**	**8**	**- 18**
Net fee and commission income	*50*	*0*	*- 1*	*20*	*68*
Net other income	*—*	*—*	*—*	*49*	*49*
Operating expenses (incl. banking and insurance tax)	*- 34*	*- 1*	*- 31*	*- 60*	*- 125*
Impairment - Other	*- 9*	*0*	*0*	*0*	*- 9*
Share in results of assoc. comp & joint-ventures	*—*	*—*	*—*	*0*	*0*
Income tax	**—**	**—**	**—**	**- 122**	**- 122**
Result after tax	**229**	**9**	**285**	**- 95**	***419***
attributable to minority interest	*—*	*—*	*—*	*0*	*0*
attributable to equity holders of the parent	**—**	**—**	**—**	**- 95**	***419***

(in millions of EUR)	Life	of which life direct participating (VFA)	Non-Life	Non-Technical	Total
9M 2022					
Insurance service result	**154**	***7***	**209**	**—**	**364**
Insurance revenues before reinsurance	*278*	*19*	1 528	—	1 806
Insurance service expenses	*- 124*	*- 12*	*- 1 318*	—	*- 1 442*
Of which Non-life - Claim related expenses	—	—	*- 831*	—	*- 831*
Investment result on assets	**171**	***- 81***	**66**	**32**	**269**
Net interest income	*227*	*0*	78	18	324
Dividend income	*17*	*0*	3	13	32
Net result from financial instruments at fair value through P&L	*- 79*	*- 81*	5	- 4	- 78
Net other income	*8*	*0*	- 21	2	- 11
Impairment	*- 3*	*0*	0	3	1
Total insurance finance income and expenses before reinsurance	**- 32**	***81***	**- 1**	**—**	**- 33**
Interest accretion	*- 113*	—	- 1	—	- 114
Effect of changes in financial assumptions and foreign exchange differences	*0*	*0*	0	—	0
Changes in fair value of underlying assets of contracts measured under VFA	*81*	*81*	—	—	81
Net insurance and investment result before reinsurance	**293**	***7***	**274**	**32**	**599**
Net result from reinsurance contracts held	**- 1**	**—**	**- 4**	**—**	**- 5**
Premiums paid to the reinsurer	*- 22*	—	- 60	—	- 82
Commissions received	*10*	—	7	—	17
Amounts recoverable from reinsurer	*11*	—	50	—	61
Total (ceded) reinsurance finance income and expense	*0*	—	- 1	—	- 1
Net insurance and investment result after reinsurance	**293**	***7***	**270**	**32**	**594**
Non-directly attributable income and expenses	**14**	***- 1***	**- 26**	**10**	**- 2**
Net fee and commission income	*46*	*0*	- 1	15	59
Net other income	—	—	—	47	47
Operating expenses (incl. banking and insurance tax)	*- 32*	*- 1*	- 24	- 52	- 108
Impairment - Other	*0*	*0*	0	0	0
Share in results of assoc. comp & joint-ventures	—	—	—	0	0
Income tax	**—**	**—**	**—**	**- 128**	**- 128**
Result after tax	**306**	***7***	**244**	**- 86**	**465**
attributable to minority interest	—	—	—	0	0
attributable to equity holders of the parent	**—**	**—**	**—**	**- 86**	**465**

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

In 9M 2022, the insurance service result non-life was negatively impacted by storms mainly in 1Q 2022 in Belgium (-59 million euros before reinsurance or -24 million euros after reinsurance). In 9M 2023, there was no major impact of storms.

In 9M 2022, the insurance service result life was positively impacted by a reversal of loss component for an amount of 80 million euros (before tax) on modern saving products in Belgium driven by increased interest rates (booked in 2Q 2022).

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

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

(in millions of EUR)	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
Total Operating expenses by nature	**-3 920**	**-3 647**	**-1 130**	**-1 142**	**-1 064**
Staff Expenses	-2 010	-1 899	- 682	- 665	- 644
General administrative expenses	-1 619	-1 476	- 351	- 384	- 330
ICT Expenses	- 466	- 398	- 164	- 161	- 138
Facility Expenses	- 193	- 161	- 66	- 63	- 59
Marketing & communication expenses	- 69	- 67	- 24	- 26	- 23
Professional fees	- 98	- 104	- 29	- 40	- 40
Banking and insurance tax	- 651	- 631	- 29	- 51	- 23
Other	- 142	- 113	- 39	- 43	- 46
Depreciation and amortisation of fixed assets	- 291	- 272	- 97	- 93	- 90

The operating expenses for 3Q 2023 include 29 million euros related to bank and insurance levies (51 million euros in 2Q 2023; 23 million euros in 3Q 2022). Application of IFRIC 21 (Levies) has as a consequence that the majority of the levies are taken upfront in expense of the first quarter of the year.

On 4 June 2022 the Hungarian government has adopted a decree, levying extra profit surtaxes, affecting several sectors, of which also the banking and insurance sector. For K&H, the extraordinary sectoral tax amounts to 101 million euros in 9M 2023 (of which 79 million euros included in the result of 1Q 2023 and 22 million euros included in the result of 2Q 2023, driven by a change in calculation method), compared to 78 million euros in 9M 2022 (fully included in the result of 2Q 2022).

The Belgian government decided recently to increase the national bank taxes by: (1) higher bank taxes for deposits on the balance sheet above 50 billion EUR and (2) abolishment of the income tax deductibility of the banking taxes (see note 3.12 further in this report). The combined impact for KBC is roughly -40 million euros and expected as of 2024 (of which roughly -30 million euros in banking and insurance tax). Additionally, a further increase of the bank taxes can be expected based on a latest discussion in the Belgian Parliament driven by an increase of the contribution to the Deposit Guarantee Scheme, which will result in roughly -10 million euros in 4Q 2023 and -24 million euros in 2024.

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

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

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

(in millions of EUR)	9M 2023	9M 2022	3Q 2023	2Q 2023	3Q 2022
Total	**- 46**	**- 149**	**- 63**	**- 8**	**- 102**
Impairment on financial assets at AC and at FVOCI	11	- 72	- 36	23	- 79
By IFRS category					
Impairment on financial assets at AC	*11*	*- 73*	*- 36*	*23*	*- 79*
Impairment on financial assets at FVOCI	*0*	*1*	*0*	*0*	*0*
By product					
Loans and advances	*- 19*	*- 96*	*- 48*	*24*	*- 106*
Debt securities	*10*	*- 2*	*8*	*3*	*- 3*
Off-balance-sheet commitments and financial guarantees	*19*	*24*	*5*	*- 4*	*30*
By type					
Stage 1 (12-month ECL)	*- 45*	*- 18*	*2*	*- 49*	*- 9*
Stage 2 (lifetime ECL)	*100*	*- 51*	*10*	*86*	*- 95*
Stage 3 (non-performing; lifetime ECL)	*- 35*	*- 7*	*- 42*	*- 13*	*26*
Purchased or originated credit impaired assets	*- 9*	*2*	*- 7*	*- 2*	*- 1*
By division/country					
Belgium	*- 71*	*4*	*- 42*	*- 39*	*- 21*
Czech Republic	*56*	*- 23*	*- 4*	*53*	*- 31*
International Markets	*18*	*- 51*	*7*	*8*	*- 27*
Slovakia	*6*	*- 11*	*- 2*	*9*	*- 6*
Hungary	*13*	*- 24*	*6*	*- 5*	*- 17*
Bulgaria	*0*	*- 16*	*2*	*4*	*- 3*
Group Centre	*8*	*- 2*	*2*	*1*	*0*
Of which Ireland	*6*	*1*	*3*	*0*	*0*
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 56	- 77	- 27	- 31	- 23
Intangible fixed assets (other than goodwill)	- 27	- 22	- 26	0	1
Property, plant and equipment (including investment property)	- 10	- 9	- 1	- 11	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 20	- 46	0	- 20	- 24

The impairment on financial assets at AC and at FVOCI in 9M 2023 includes:

- A net impairment release of 120 million euros for the geopolitical and emerging risks (of which 21 million euros in 1Q 2023, 40 million in 2Q 2023 and 59 million in 3Q 2023), compared to a 116 million net impairment charge for the Covid, geopolitical and emerging risks in 9M 2022 (of which 18 million euros charge in 1Q 2022, 5 million euros release in 2Q 2022 and 103 million euros charge in 3Q 2022). The outstanding balance of ECL for the geopolitical and emerging risks amounts to 291 million euros at the end of 9M 2023. As a reminder, this is determined based on individual counterparties and sectors deemed to have incurred an increase in credit risk because they are either exposed to the current emerging risks (high inflation, increasing interest rates, high(er) energy prices, supply chain disruption) or indirectly exposed to Russia, Ukraine and Belarus (i.e. related to military conflict). The 59 million ECL release for geopolitical & emerging risks in 3Q 2023 is driven mainly by improved micro- and macroeconomic indicators.

- Additionally, the impairments on financial assets at AC and at FVOCI in 9M 2023 include 109 million euros charge (a net release of 3 million euros in 1Q 2023, 17 million euros charge in 2Q 2023 and 95 million euros charge in 3Q 2023), largely in stage 3 mainly related to a number of corporate and retail files in Belgium and Bulgaria, compared to +43 million euros net releases in 9M 2022, largely in stage 3 mainly related to a number of corporate and retail files in Czech Republic and Belgium (33 million euros release in 1Q 2022, 14 million euros charge in 2Q 2022 and 24 million euros release in 3Q 2022).

The impairments on property and equipment and intangible assets in 9M 2023 (-37 million euros) include -27 million euros impairments on software in Belgium and Hungary (in 3Q 2023) and -11 million euros related to the full write down of leased assets in Ireland (in 2Q 2023). 9M 2022 included -32 million euros related to impairments on property and equipment and intangible assets, of which -24 million euros in Ireland in 1Q 2022.

The impairment on other (Other) in 9M 2023 of -20 million euros include -19 million euros modification losses (in 2Q 2023), related to the latest extension of the interest cap regulation in Hungary until year-end 2023. The impairment on other (Other) in 9M 2022 include -38 million euros modification losses, largely related to the extension of the interest cap regulation in Hungary (interest cap was extended until June 2023).

Income tax expense (note 3.12 in the annual accounts 2021)

In 9M 2023, income tax expense is impacted by the non-tax deductibility as of 2023 (for 80%) of the Belgian national banking and insurance taxes, increasing the income tax expenses with about 36 million euros (impact fully in 1Q 2023). The Belgian government decided recently to abolish the remainder of the tax deductibility of the banking taxes (versus the current 20%) as of 2024.

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

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

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Mandatorily measured at fair value through profit or loss (MFVPL) excl. HFT	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL ASSETS, 30-09-2023							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	2 718	0	0	1	0	0	2 719
of which repayable on demand and term loans at not more than three months							*1 264*
Loans and advances to customers (excl. reverse repos)	181 060	0	756	5	0	0	181 821
Trade receivables	*2 474*	*0*	*0*	*0*	*0*	*0*	*2 474*
Consumer credit	*6 555*	*0*	*541*	*0*	*0*	*0*	*7 097*
Mortgage loans	*74 891*	*0*	*214*	*0*	*0*	*0*	*75 105*
Term loans	*84 287*	*0*	*0*	*0*	*0*	*0*	*84 287*
Finance lease	*6 974*	*0*	*0*	*0*	*0*	*0*	*6 974*
Current account advances	*5 126*	*0*	*0*	*0*	*0*	*0*	*5 126*
Other	*752*	*0*	*0*	*5*	*0*	*0*	*758*
Reverse repos	32 407	0	0	1 074	0	0	33 480
with credit institutions and investment firms	*32 287*	*0*	*0*	*1 074*	*0*	*0*	*33 360*
with customers	*120*	*0*	*0*	*0*	*0*	*0*	*120*
Equity instruments	0	1 644	9	508	0	0	2 161
Investment contracts (insurance)	0	0	13 529	0	0	0	13 529
Debt securities issued by	51 974	15 798	17	2 815	0	0	70 603
Public bodies	*43 706*	*12 147*	*0*	*2 646*	*0*	*0*	*58 500*
Credit institutions and investment firms	*5 711*	*1 709*	*0*	*9*	*0*	*0*	*7 429*
Corporates	*2 557*	*1 942*	*17*	*159*	*0*	*0*	*4 675*
Derivatives	0	0	0	5 607	0	474	6 082
Other	917	0	0	0	0	0	917
Total	269 076	17 441	14 311	10 009	0	474	311 313
FINANCIAL ASSETS, 31-12-2022							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	4 240	0	13	1	0	0	4 254
of which repayable on demand and term loans at not more than three months							*1 237*
Loans and advances to customers (excl. reverse repos)	177 427	0	625	0	0	0	178 053
Trade receivables	*2 818*	*0*	*0*	*0*	*0*	*0*	*2 818*
Consumer credit	*6 222*	*0*	*430*	*0*	*0*	*0*	*6 652*
Mortgage loans	*73 465*	*0*	*196*	*0*	*0*	*0*	*73 660*
Term loans	*82 894*	*0*	*0*	*0*	*0*	*0*	*82 894*
Finance lease	*6 368*	*0*	*0*	*0*	*0*	*0*	*6 368*
Current account advances	*4 886*	*0*	*0*	*0*	*0*	*0*	*4 886*
Other	*774*	*0*	*0*	*0*	*0*	*0*	*774*
Reverse repos	20 186	0	0	33	0	0	20 219
with credit institutions and investment firms	*20 018*	*0*	*0*	*33*	*0*	*0*	*20 050*
with customers	*168*	*0*	*0*	*0*	*0*	*0*	*168*
Equity instruments	0	1 552	13	430	0	0	1 994
Investment contracts (insurance)	0	0	12 772	0	0	0	12 772
Debt securities issued by	48 356	15 065	17	1 728	0	0	65 166
Public bodies	*40 750*	*11 225*	*0*	*1 667*	*0*	*0*	*53 642*
Credit institutions and investment firms	*5 022*	*1 743*	*0*	*9*	*0*	*0*	*6 774*
Corporates	*2 583*	*2 097*	*17*	*53*	*0*	*0*	*4 750*
Derivatives	0	0	0	6 279	0	542	6 821
Other	1 561	0	0	0	0	0	1 561
Total	251 770	16 617	13 440	8 471	0	542	290 840

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL LIABILITIES, 30-09-2023					
Deposits from credit institutions and investment firms (excl. repos)	16 580	0	0	0	16 580
of which repayable on demand					*7 015*
Deposits from customers and debt securities (excl. repos)	258 982	92	1 309	0	260 383
Demand deposits	*107 603*	*0*	*0*	*0*	*107 603*
Time deposits	*35 131*	*92*	*124*	*0*	*35 347*
Savings accounts	*71 252*	*0*	*0*	*0*	*71 252*
Subtotal deposits of clients, excl. repos	*213 987*	*92*	*124*	*0*	*214 203*
Certificates of deposit	*20 407*	*0*	*6*	*0*	*20 413*
Savings certificates	*84*	*0*	*0*	*0*	*84*
Non-convertible bonds	*21 824*	*0*	*1 063*	*0*	*22 886*
Non-convertible subordinated liabilities	*2 680*	*0*	*116*	*0*	*2 796*
Repos	15 041	191	0	0	15 232
with credit institutions and investment firms	*7 147*	*191*	*0*	*0*	*7 338*
with customers	*7 893*	*0*	*0*	*0*	*7 893*
Liabilities under investment contracts	26	0	12 630	0	12 655
Derivatives	0	6 495	0	388	6 883
Short positions	0	1 345	0	0	1 345
In equity instruments	*0*	*6*	*0*	*0*	*6*
In debt securities	*0*	*1 339*	*0*	*0*	*1 339*
Other	2 706	0	0	0	2 706
Total	293 335	8 122	13 939	388	315 783
FINANCIAL LIABILITIES, 31-12-2022					
Deposits from credit institutions and investment firms (excl. repos)	24 819	0	0	0	24 819
of which repayable on demand					*5 085*
Deposits from customers and debt securities (excl. repos)	251 496	44	1 205	0	252 746
Demand deposits	*125 030*	*0*	*0*	*0*	*125 030*
Time deposits	*22 280*	*44*	*73*	*0*	*22 397*
Savings accounts	*76 979*	*0*	*0*	*0*	*76 979*
Subtotal deposits of clients, excl. repos	*224 290*	*44*	*73*	*0*	*224 407*
Certificates of deposit	*9 321*	*0*	*1*	*0*	*9 322*
Savings certificates	*104*	*0*	*0*	*0*	*104*
Non-convertible bonds	*15 621*	*0*	*1 006*	*0*	*16 627*
Non-convertible subordinated liabilities	*2 160*	*0*	*126*	*0*	*2 285*
Repos	11 091	7	0	0	11 097
with credit institutions and investment firms	*10 852*	*7*	*0*	*0*	*10 859*
with customers	*239*	*0*	*0*	*0*	*239*
Liabilities under investment contracts	30	0	11 996	0	12 026
Derivatives	0	8 038	0	577	8 615
Short positions	0	1 007	0	0	1 007
In equity instruments	*0*	*5*	*0*	*0*	*5*
In debt securities	*0*	*1 002*	*0*	*0*	*1 002*
Other	2 448	0	0	0	2 448
Total	289 885	9 096	13 201	577	312 759

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme. In 9M 2023 an amount of 12.9 billion euros was repaid (of which 10.9 billion euros at maturity in 2Q 2023 and 2 billion euros in 1Q 2023), leaving 2.6 billion euros outstanding.

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

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
30-09-2023			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	218 715	- 2 530	216 185
Stage 1 (12-month ECL)	182 050	- 153	181 897
Stage 2 (lifetime ECL)	32 643	- 554	32 089
Stage 3 (lifetime ECL)	3 602	- 1 737	1 865
Purchased or originated credit impaired assets (POCI)	421	- 86	335
Debt Securities	51 983	- 8	51 974
Stage 1 (12-month ECL)	51 861	- 6	51 855
Stage 2 (lifetime ECL)	122	- 2	119
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	15 802	- 4	15 798
Stage 1 (12-month ECL)	15 753	- 3	15 750
Stage 2 (lifetime ECL)	48	- 1	47
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0
31-12-2022			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	204 472	- 2 619	201 853
Stage 1 (12-month ECL)	163 846	- 110	163 735
Stage 2 (lifetime ECL)	36 577	- 635	35 941
Stage 3 (lifetime ECL)	3 616	- 1 796	1 820
Purchased or originated credit impaired assets (POCI)	434	- 77	357
Debt Securities	48 374	- 18	48 356
Stage 1 (12-month ECL)	48 220	- 7	48 213
Stage 2 (lifetime ECL)	146	- 4	141
Stage 3 (lifetime ECL)	8	- 7	1
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	15 069	- 4	15 065
Stage 1 (12-month ECL)	15 019	- 3	15 016
Stage 2 (lifetime ECL)	50	- 2	49
Stage 3 (lifetime ECL)	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0

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

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

- vulnerable to the emerging risks or
- indirectly exposed to Russia, Ukraine and Belarus (i.e. related to military conflict).

For more information, see note 3.10.

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

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

(in millions of EUR)				30-09-2023				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)	13 404	137	770	14 311	12 651	146	643	13 440
Held for trading	3 025	6 301	684	10 009	1 912	5 825	733	8 471
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	14 262	2 522	657	17 441	13 350	2 645	622	16 617
Hedging derivatives	0	474	0	474	0	542	0	542
Total	30 690	9 435	2 111	42 236	27 913	9 159	1 998	39 070
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 343	5 748	1 032	8 122	885	7 086	1 125	9 096
Designated at fair value	12 630	130	1 179	13 939	11 996	74	1 131	13 201
Hedging derivatives	0	327	60	388	0	479	98	577
Total	13 972	6 205	2 271	22 449	12 881	7 638	2 355	22 874

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

During 9M 2023, KBC transferred about 206 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 120 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

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

In 9M 2023 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets measured at fair value through profit and loss: the fair value of loans and advances increased by 130 million euros, mostly due to new transactions and changes in market parameters, only partially offset by instruments that reached maturity.
- Financial assets held for trading: the fair value of derivatives decreased by 50 million euros, primarily due to sales of existing positions and changes in market parameters, not fully offset by new acquisitions.
- Financial assets measured at fair value through other comprehensive income: the fair value of debt securities has decreased by 46 million euros, primarily due to instruments that reached maturity and sales of existing positions. The fair value of equity instruments increased by 82 million euros, mostly due to acquisitions and changes in market parameters.
- Financial liabilities designated at fair value: the fair value of debt securities issued increased by 48 million euros, primarily due to acquisitions and changes in market parameters, only partially offset by deals that reached maturity and sales of existing positions.
- Financial liabilities in hedge accounting: the fair value of derivatives decreased by 38 million euros due to changes in market parameters.

Goodwill and other intangible assets (note 5.5 in the annual accounts 2022)

ČSOB Stavební spořitelna (or ČSOB Stavební, subsidiary of ČSOB Czech Republic) is facing the risk of the modification of building saving state subsidy in the Czech Republic with potential impact on the outstanding goodwill of 174 million euros (based on the exchange rate of 30 September 2023). This goodwill was created in June 2019 during the full acquisition of ČSOB Stavební (former ČMSS), partially via the revaluation of the group's existing 55% stake at that moment in ČMSS which generated a one-off gain of 82 million euros. The Lower House of Czech Parliament approved on 13 October 2023 the fiscal stabilisation package of the Czech Government coalition, which includes a proposal for the reduction of the building saving state subsidy. The legislation process will continue in the Upper House of Parliament and finally the Act has to be signed by the President. Significant change of the state subsidy can have a substantial negative impact to the future projected earnings of ČSOB Stavební and may trigger the impairment of (part of) the goodwill, which will be evaluated in the coming quarter(s) depending on the timing of the finalisation of the legislative process.

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

The Contractual Service Margin (CSM) as included in the insurance contract liabilities, evolved from 2 061 million euros at the end of 2022 to 2 163 million euros at 30 September 2023, or an increase of 102 million euros. This increase is mainly explained by the positive change in best estimates reflected in the CSM mainly driven by a parameter update (in 2Q 2023) and positive non-economic & experience variance (in 3Q 2023) for Life in Belgium, partly offset by negative impact of changes in contract composition (amongst others change in premiums and change in death covers) on the portfolio death coverages and fiscal saving contracts. Furthermore, CSM of new business was slightly higher compared to the CSM release in the income statement, reinforced by positive interest accretion (time value) on the CSM.

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

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

For events before 2023 we refer to the annual report.

Recent developments: On 26 April 2023 the Bankruptcy Court judge dismissed the motion. So the procedure on the merits of the case continues. End of June 2023 KBC filed an answer to the amended complaint. A case management plan was agreed upon with the Trustee with deadlines for completion of pretrial discovery on the asserted claims and defences. The deadline for fact discovery under this plan is end of September 2025. KBC still believes, although the burden of proof has been increased, it has good and credible defenses, including demonstrating its good faith. The procedure may still take several years.

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

Quantities	30-09-2023	31-12-2022
Ordinary shares	417 169 414	417 169 414
of which ordinary shares that entitle the holder to a dividend payment	*414 301 649*	*417 169 414*
of which treasury shares	*2 872 012*	*2*
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on Euronext Brussels.
The treasury shares largely relate to shares bought in the share buyback programme (end of September 2023) and to a lesser extent to positions in shares of KBC Group to hedge outstanding derivatives on indices that include KBC Group shares.

In September 2023, KBC issued AT1 securities for 750 million euros (perpetual with an first callable after 5 years; temporary write-down trigger should the common equity ratio fall below 5.125%; initial coupon of 8.00% per year payable every six months).

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

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

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

KBC Bank Ireland:

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

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

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

The transaction had an impact on KBC Group's P&L (1Q 2023) of +0.4 billion euros (for more information on the impact on the P&L of 2022 and 9M 2023, see table below). Combined with the reduction of risk-weighted assets by c.4 billion euros, this improved KBC's solid capital position in 1Q 2023, with a positive impact of 0.9% pt. on the CET1 ratio (fully loaded).

Impact of transactions relating to Ireland non-recurring items (in millions of EUR)	Sale of loans and deposits to BOI and planned wind-down
9M 2023	
Total income	409
of which net other income	*408*
Operating expenses	- 9
Impairment	- 7
on financial assets at AC and at FVOCI	*4*
other	*- 11*
Income tax expense	- 28
RESULT AFTER TAX	365
FY 2022	
Total income	1
Operating expenses	- 32
Impairment	- 38
on financial assets at AC and at FVOCI	*- 15*
other	*- 24*
Income tax expense	36
RESULT AFTER TAX	-35

Bulgarian operations of Raiffeisen Bank International:

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

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

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

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

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

Significant non-adjusting event between the balance sheet date (30 September 2023) and the publication of this report (9 November 2023):

- The Lower House of Czech Parliament approved on October 13 the fiscal stabilisation package of the Czech Government coalition. This might may trigger the impairment of (part of) the goodwill on ČSOB Stavební, which will be evaluated in the coming quarter(s) depending on the timing of the finalisation of the legislative process. For more information, see note 5.5 in this report.

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

Background information

On 1 January 2023, the new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) are mandatory for the reporting period beginning on 1 January 2023, replacing IFRS 4. The reference figures of 2022 in this report have been restated accordingly.

IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

For more information see 'Summary of significant accounting policies' in this report.

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

The full net impact (after tax) on parent shareholders' equity of the transition to IFRS 17, including the reclassification of financial assets (IFRS 9) came to -673 million euros, as a result of:

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

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

FY 2022 restated figures for IFRS 17

As a consequence of the IFRS 17 implementation, the income statement of KBC Group, being an integrated bank-insurer, has been updated to include the new items introduced by IFRS 17 (e.g. insurance revenues, insurance finance income and expense and insurance service expenses). Other income statement lines that were related to IFRS 4 have been excluded or represented differently.

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

- IFRS 17 valuation differences: the positive impact on result after tax (+223 million euros before tax) caused by the transition to IFRS 17 is attributable to the life business (+166 million euros before tax) and the non-life business (+57 million euros before tax)

- The abolition of ‘Financial assets at fair value – overlay approach’ (leading to a transfer of the equity instruments to FVOCI) had a negative impact on the result before tax of 2022 of -86 million euros, as realized gains and impairments on these transferred equity instrumentes are no longer transferred to the income statement.
- Deferred income tax on these items: -62 million euros.

Parent shareholders’ equity per 31 December 2022 under IFRS 17 came to 20 319 million euros, +1 012 million euros compared to parent shareholders’ equity under IFRS 4 on the same date, as a result of (all amounts after tax):

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

For more information, see the press release issued on 18 April 2023 on the website of KBC under the secton Investor Relations (‘KBC discloses the impact of IFRS 17 on the income statement with restated comparative results, key ratios and short-term and long-term financial guidance’).

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2023 AND FOR THE NINE-MONTHS' PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the nine-months' period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine-months' period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 358,453 million and a consolidated profit (attributable to equity holders of the parent) for the nine-months' period then ended of EUR 2,725 million.

The board of directors is responsible for the preparation and fair presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" applicable to review engagements. A review of interim financial information 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 the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Diegem, 8 November 2023

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

DocuSigned by:
07FB08B09FE24A7...
Damien Walgrave
Accredited auditor

DocuSigned by:
BE79946D8858484...
Jeroen Bockaert
Accredited auditor

KBC Group

Additional Information

3Q 2023 and 9M 2023

Section not reviewed by the Auditor

Credit risk

Snapshot of the loan portfolio (banking activities)

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

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

Credit risk: loan portfolio overview	30-09-2023	31-12-2022	Pro forma excl. Ireland 31-12-2022
Total loan portfolio (in billions of EUR)[1]			
Amount outstanding and undrawn	256	259	251
Amount outstanding	202	206	198
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)			
Belgium	64.8%	62.7%	65.3%
Czech Republic	19.4%	18.6%	19.4%
International Markets	15.2%	13.9%	14.5%
Group Centre[2]	0.6%	4.7%	0.8%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)			
Private individuals	40.8%	43.2%	40.9%
Finance and insurance	6.9%	5.9%	6.1%
Governments	2.6%	3.1%	3.2%
Corporates	49.7%	47.9%	49.9%
Services	10.5%	9.9%	10.2%
Distribution	8.3%	8.2%	8.5%
Real estate	6.7%	6.3%	6.6%
Building & construction	4.5%	4.2%	4.4%
Agriculture, farming, fishing	2.8%	2.8%	2.9%
Automotive	2.5%	2.5%	2.6%
Electricity	1.7%	1.7%	1.7%
Food Producers	1.7%	1.7%	1.8%
Metals	1.6%	1.6%	1.6%
Chemicals	1.3%	1.4%	1.5%
Machinery & Heavy equipment	1.0%	0.9%	0.9%
Oil, gas & other fuels	0.9%	0.9%	0.9%
Shipping	0.8%	0.7%	0.8%
Hotels, bars & restaurants	0.7%	0.7%	0.7%
Electrotechnics	0.6%	0.5%	0.6%
Other[3]	4.1%	4.1%	4.2%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)			
Belgium	54.3%	52.7%	54.8%
Czech Republic	18.5%	18.2%	18.9%
Slovakia	6.2%	5.8%	6.1%
Hungary	4.1%	3.6%	3.8%
Bulgaria	5.0%	4.5%	4.7%
Rest of Western Europe	8.3%	11.0%	7.3%
Rest of Central and Eastern Europe	0.2%	0.4%	0.4%
of which: Russia and Ukraine	0.01%	0.01%	0.01%
North America	1.4%	1.4%	1.4%
Asia	0.9%	1.2%	1.3%
Other	1.1%	1.2%	1.3%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)			
Retail	40.8%	43.2%	40.9%
of which: mortgages	37.0%	39.6%	37.2%
of which: consumer finance	3.8%	3.5%	3.6%
SME	21.6%	20.9%	21.8%
Corporate	37.6%	35.9%	37.4%

	30-09-2023	31-12-2022	Pro forma excl. Ireland 31-12-2022
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)			
Stage 1 (credit risk has not increased significantly since initial recognition)	80.5%	78.0%	77.4%
of which: PD 1 - 4	64.2%	61.4%	63.6%
of which: PD 5 - 9 including unrated	16.3%	16.6%	13.8%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI[4]	17.5%	19.9%	20.5%
of which: PD 1 - 4	5.2%	6.1%	6.4%
of which: PD 5 - 9 including unrated	12.3%	13.8%	14.1%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI[4]	2.0%	2.1%	2.1%
of which: PD 10 impaired loans	0.9%	1.0%	1.0%
of which: more than 90 days past due (PD 11+12)	1.1%	1.1%	1.1%
Impaired loan portfolio (in millions of EUR)			
Impaired loans (PD10 + 11 + 12)	4 065	4 350	4 119
of which: more than 90 days past due	2 164	2 289	2 157
Impaired loans ratio (%)			
Belgium	2.0%	1.9%	1.9%
Czech Republic	1.4%	1.7%	1.7%
International Markets	1.7%	1.9%	1.9%
Group Centre[2]	32.7%	6.6%	26.4%
Total	2.0%	2.1%	2.1%
of which: more than 90 days past due	1.1%	1.1%	1.1%
Loan loss impairment (in millions of EUR)			
Loan loss Impairment for Stage 1 portfolio	174	134	128
Loan loss Impairment for Stage 2 portfolio	572	694	674
Loan loss Impairment for Stage 3 portfolio	1 873	2 048	1 921
of which: more than 90 days past due	1 500	1 547	1 466
Cover ratio of impaired loans (%)			
Loan loss impairments for stage 3 portfolio / impaired loans	46.1%	47.1%	46.6%
of which: more than 90 days past due	69.3%	67.6%	68.0%
Cover ratio of impaired loans, mortgage loans excluded (%)			
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	49.1%	49.7%	49.6%
of which: more than 90 days past due	72.1%	70.6%	70.5%
Credit cost ratio (%)			
Belgium	0.07%	0.03%	0.03%
Czech Republic	-0.19%	0.13%	0.13%
International Markets	-0.08%	0.31%	0.31%
Slovakia	-0.07%	0.17%	0.17%
Hungary	-0.20%	0.42%	0.42%
Bulgaria	-0.01%	0.43%	0.43%
Group Centre	-0.14%	-0.04%	0.10%
Total	0.00%	0.08%	0.09%

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

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

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

[4] Purchased or originated credit impaired assets

As of 2022, a collective shift to stage 2 has been applied for the stage 1 portfolios that are indirectly exposed to Russia, Ukraine and Belarus or vulnerable to the emerging risks (for more information see note 4.2.1). The remaining direct exposure to these countries (100% stage 3) is 17 million euros or 0.01% of the outstanding loan portfolio in 9M 2023.

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

Loan portfolio per Business Unit (banking activities)

Legend:

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

Loan portfolio per Business Unit 30-09-2023, in millions of EUR	**Business Unit Belgium[1]**			**Business Unit Czech Republic**			**Business Unit International Markets**			**Business Unit Group Centre[2]**		
Total portfolio outstanding	**131 104**			**39 311**			**30 734**			**1 240**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.	
retail	45 996	35%		22 808	58%		13 773	45%		0	0%	
o/w mortgages	44 311	34%		20 250	52%		10 366	34%		0	0%	
o/w consumer finance	1 686	1%		2 558	7%		3 407	11%		0	0%	
SME	34 784	27%		5 708	15%		3 291	11%		0	0%	
corporate	50 323	38%		10 794	27%		13 671	44%		1 240	100%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	44 311	34%	56%	20 250	52%	54%	10 366	34%	59%	0	0%	0%
o/w FX mortgages	0	0%	-	0	0%	-	103	0%	46%	0	0%	-
o/w ind. LTV > 100%	441	0%	-	20	0%	-	91	0%	-	0	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	99 761	76%		22 530	57%		17 304	56%		758	61%	
medium risk (PD 5-7; 0.80%-6.40%)	25 435	19%		14 780	38%		11 544	38%		77	6%	
high risk (PD 8-9; 6.40%-100.00%)	2 953	2%		1 437	4%		1 228	4%		0	0%	
impaired loans (PD 10 - 12)	2 563	2%		563	1%		534	2%		405	33%	
unrated	391	0%		1	0%		124	0%		0	0%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 563	1 005	39%	563	258	46%	534	246	46%	405	363	90%
o/w PD 10 impaired loans	1 387	230	17%	230	66	29%	241	60	25%	43	17	38%
o/w more than 90 days past due (PD 11+12	1 176	776	66%	333	191	57%	293	186	64%	362	346	96%
all impairments (stage 1+2+3)	1 338			459			457			365		
o/w stage 1+2 impairments (incl. POCI)	332			202			211			2		
o/w stage 3 impairments (incl. POCI)	1 005			258			246			363		
2022 Credit cost ratio (CCR)[3]	0.03%			0.13%			0.31%			-0.04%		
2023 Credit cost ratio (CCR)[3] - YTD	0.07%			-0.19%			-0.08%			-0.14%		

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

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

[3] CCR at country level in local currency

Loan portfolio Business Unit International Markets

Legend:

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

  Cover ratio impaired loans: stage 3 impairments / impaired loans

Loan portfolio Business Unit International Markets

30-09-2023, in millions of EUR	Slovakia			Hungary			Bulgaria		
Total portfolio outstanding	**12 156**			**8 369**			**10 209**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	6 960	57%		2 699	32%		4 114	40%	
o/w mortgages	6 423	53%		1 789	21%		2 154	21%	
o/w consumer finance	537	4%		910	11%		1 960	19%	
SME	1 207	10%		90	1%		1 994	20%	
corporate	3 989	33%		5 580	67%		4 102	40%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV
total	6 423	53%	63%	1 789	21%	47%	2 154	21%	58%
o/w FX mortgages	0	0%	-	1	0%	60%	102	1%	46%
o/w ind. LTV > 100%	44	0%	-	30	0%		17	0%	-
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	8 172	67%		4 769	57%		4 363	43%	
medium risk (PD 5-7; 0.80%-6.40%)	3 207	26%		3 223	39%		5 115	50%	
high risk (PD 8-9; 6.40%-100.00%)	588	5%		241	3%		399	4%	
impaired loans (PD 10 - 12)	171	1%		135	2%		229	2%	
unrated	19	0%		1	0%		104	1%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	171	88	52%	135	40	30%	229	118	52%
o/w PD 10 impaired loans	45	7	16%	101	19	18%	94	34	36%
o/w more than 90 days past due (PD 11+12)	125	81	65%	33	21	64%	134	84	63%
all impairments (stage 1+2+3)	160			108			189		
o/w stage 1+2 impairments (incl. POCI)	72			68			71		
o/w stage 3 impairments (incl. POCI)	88			40			118		
2022 Credit cost ratio (CCR)[1]	0.17%			0.42%			0.43%		
2023 Credit cost ratio (CCR)[1] - YTD	-0.07%			-0.20%			-0.01%		

[1] CCR at country level in local currency

Solvency

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

Solvency KBC Group

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

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

Based on CRR/CRD, profit can be included in CET1 capital only after the profit appropriation decision by the final decision body, for KBC Group it is the General Meeting. ECB can allow to include interim or annual profit in CET1 capital before the decision by the General Meeting. In that case, the foreseeable dividend should be deducted from the profit that is included in CET1. Considering that our Dividend Policy of "at least 50%" does not include a maximum, KBC Group no longer requests ECB approval to include interim or annual profit in CET1 capital before the decision by the General Meeting. As such, the annual profit of 2022 and the final dividend re. 2022 is recognised in the official (transitional) CET1 of the 1st quarter 2023, which is reported after the General Meeting. The (informal) fully loaded 31-12-2022 figures already fully reflected the 2022 profit and proposed dividend.

As regard 2023, the interim profit is included in the fully loaded CET1 (taking into account 50% pay-out in line with our Dividend Policy), while no interim profit is recognised in the official (transitional) CET1.

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRR/CDR rules, used for approximately 88% of the weighted credit risks, of which approx. 85% according to Advanced and approx. 3% according to Foundation approach. The remaining weighted credit risks (ca. 12%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 10.92% (fully loaded, Danish Compromise which includes the CRR/CRD minimum requirement (4.50%), the Pillar 2 Requirement (1.05% P2R, taking into account CRD V Art 104a(4)) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% buffer for other systemically important banks, 0.14% Systemic Risk Buffer and 1.24% Countercyclical Buffer[(1)]). Furthermore ECB has set a Pillar 2 Guidance of 1.00%. In line with CRD V Art. 104a(4), ECB allows banks to satisfy the P2R (1.86%) with additional tier-1 instruments (up to 1.5/8) and tier-2 instruments (up to 2/8) based on the same relative weights as allowed for meeting the 8% Pillar 1 Requirement. In 2Q 2023, KBC indicated it may consider further optimising its capital structure by filling up the AT1 and T2 buckets within P2R.

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

(1) The changes vs. previous quarter are mainly explained by the countercyclical buffer requirement (0.5% as from April 2024, increasing to 1% as from October 2024) and Systemic Risk buffer (decrease from 9% to 6% in April 2024 on exposures secured by residential real estate) in Belgium.

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	30-09-2023		31-12-2022	
	Fully loaded	Actuals	Fully loaded	Actuals
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement to be satisfied with CET1	1.05%	1.05%	1.05%	1.05%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Systemic Risk Buffer (SRyB)	0.14%	0.20%	0.19%	0.19%
Entity-specific countercyclical buffer	1.24%	0.67%	0.75%	0.40%
Overall Capital Requirement (OCR) - with P2R split, CRD Art. V 104a(4)	**10.92%**	**10.42%**	**10.49%**	**10.14%**
CET1 used to satisfy shortfall in AT1 bucket	0.33%	0.33%	0.48%	0.48%
CET1 used to satisfy shortfall in T2 bucket	0.46%	0.36%	0.84%	0.86%
CET1 requirement for MDA	**11.71%**	**11.11%**	**11.82%**	**11.48%**
CET1 capital	16 826	15 593	16 818	15 474
CET1 buffer (= buffer compared to MDA)	3 328	2 795	3 820	2 846

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

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

Overview of KBC Group's capital ratios (in millions of EUR) 30-09-2023		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	16 826	115 255	14.60%
Deduction Method	Fully loaded	16 062	110 384	14.55%
Financial Conglomerates Directive	Fully loaded	18 285	131 547	13.90%
Danish Compromise	Transitional	15 593	115 222	13.53%
Deduction Method	Transitional	14 700	110 027	13.36%
Financial Conglomerates Directive	Transitional	17 361	131 514	13.20%

KBC's fully loaded CET1 ratio of 14.60% at the end of September 2023 represents a solid capital buffer of 2.89% compared with the Maximum Distributable Amount (MDA) of 11.71%.

The 2022 profit and the proposed 3.0 euros per share ordinary dividend is included in the 31-12-2022 fully loaded figures, but not in the 31-12-2022 transitional figures pending the formal approval by the General Meeting on 4 May 2023. KBC Group has resubmitted 31-12-2022 transitional figures including retained 2022 profit to the competent supervisory authorities after the formal approval of the 2022 final dividend by the General Meeting. This brings the transitional 31-12-2022 CET1 ratio at 15.4% (vs. 14.1% as included in the transitional figures in the external financial reporting).

KBC Group will distribute – over and above the 4 euros per share already paid as the dividend for 2022 – 1.3 billion euros surplus capital, in line with the capital deployment plan announced for full-year 2022. After having received ECB approval, the Board of Directors decided to distribute this 1.3 billion euros in the form of a share buyback, which has started on 11 August 2023 and will end by August 2024. As such, 1.3 billion euros is deducted from the fully loaded and transitional Common equity ratio as of 3Q 2023.

Moreover, in line with our general dividend policy, we will also pay out an interim dividend of 1 euro per share in November 2023 as an advance on the total dividend for financial year 2023 (already taken into account in the Common equity ratio).

As disclosed during 2Q 2023, KBC Group included a model-related risk-weighted assets (RWA) add-on of 8.2 billion euros in 3Q 2023. This 8.2 billion euros RWA add-on is mitigated by a 1.7 billion euros RWA release in 3Q 2023 and will be further mitigated by an expected RWA relief of approximately 2.0 billion euros before year-end 2023.

Note that in 2025 the first-time application impact of Basel 4 (based on current EU consensus, a static balance sheet and all other parameters ceteris paribus) is now estimated at roughly 2.5 billion euros RWA and an additional transitional impact of approximately 3.5 billion euros RWA (driven mainly by the output floor) by 2033.

Solvency ratios KBC Group (Danish Compromise)

In millions of EUR	30-09-2023 Fully loaded	30-09-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital (after profit appropriation)	20 889	19 770	20 100	18 742
Tier-1 capital	18 576	17 343	18 318	16 974
Common equity	16 826	15 593	16 818	15 474
Parent shareholders' equity (after deconsolidating KBC Insurance)	20 600	18 400	19 623	16 982
Intangible fixed assets, incl deferred tax impact (-)	- 648	- 648	- 609	- 609
Goodwill on consolidation, incl deferred tax impact (-)	- 1 181	- 1 181	- 1 178	- 1 178
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	692	692	936	936
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 39	- 39	- 40	- 40
Value adjustment due to the requirements for prudent valuation (-)	- 24	- 24	- 31	- 31
Dividend payout (-)	- 907	0	- 1 252	0
Share buyback (part not yet executed) (-)	- 1 148	- 1 148	0	0
Coupon of AT1 instruments (-)	- 18	- 18	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 56	- 56	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 90	- 90	- 90	- 90
Deduction re NPL backstops (-)	- 133	- 133	- 158	- 158
Deduction re pension plan assets (-)	- 118	- 118	- 143	- 143
IRB provision shortfall (-)	0	0	0	0
Deferred tax assets on losses carried forward (-)	- 103	- 103	- 172	- 172
Transitional adjustments to CET1	0	61	0	46
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 750	1 750	1 500	1 500
CRR compliant AT1 instruments	1 750	1 750	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	2 313	2 426	1 782	1 767
IRB provision excess (+)	317	327	284	136
Transitional adjustments to T2	0	- 75	0	- 46
Subordinated liabilities	1 996	2 174	1 498	1 677
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Total weighted risk volume	115 255	115 222	109 981	109 966
Banking	105 658	105 625	100 300	100 285
Insurance	9 133	9 133	9 133	9 133
Holding activities	491	491	562	562
Elimination of intercompany transactions	- 28	- 28	- 14	- 14
Solvency ratios				
Common equity ratio	14.60%	13.53%	15.29%	14.07%
Tier-1 ratio	16.12%	15.05%	16.66%	15.44%
Total capital ratio	18.12%	17.16%	18.28%	17.04%

Note:

- For the composition of the banking RWA, see section 'Solvency banking and insurance activities separately' further in this memo.
- As at 30-09-2023, the difference between the fully loaded total own funds (20 889 million euros, interim profit after 50% pay-out re. 2023 is included) and the transitional own funds (19 770 million euros, interim profit after 50% pay-out re. 2023 is not included) is explained by the net result for 2023 (2 615 million euros under the Danish Compromise method), the 50% pay-out (-1 322 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (-4 million euros) and the grandfathered tier-2 subordinated debt instruments (-178 million euros).
- At year-end 2022, the difference between the fully loaded total own funds (20 100 million euros; profit and dividend re. 2022 is included) and the transitional own funds (18 742 million euros; profit and dividend re. 2022 is not included) as at 31-12-2022 is explained by the net result for 2022 (2 641 million euros under the Danish Compromise method), the proposed final dividend (-1 252 million euros dividend accrual), the impact of the IFRS 9 transitional measures and IRB excess/shortfall (+148 million euros) and the grandfathered tier-2 subordinated debt instruments (-179 million euros).
- KBC has issued 750 million euros AT1 on 5 September 2023 and linked this as a replacement instrument for the 500 million euros AT1 callable in March 2024. Considering the EBA Q&A (2023_6791, published 15-09-2023) and subsequent discussion with the ECB, the 500 million euros AT1 callable in March 2024 is derecognized from own funds and consequently also from MREL. No formal approval from ECB has been obtained to execute the call, neither a final decision whether to call or not has been made yet by KBC (hence the derecognition may not be interpreted as irrevocable decision to execute the call).

Leverage ratio KBC Group

Leverage ratio KBC Group In millions of EUR	30-09-2023 Fully loaded	30-09-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Tier-1 capital	18 576	17 343	18 318	16 974
Total exposures	343 496	343 571	346 481	346 538
Total Assets	358 453	358 453	355 872	355 872
Deconsolidation KBC Insurance	-29 580	-29 580	-30 267	-30 267
Transitional adjustment	0	75	0	57
Adjustment for derivatives	-4 124	-4 124	-3 032	-3 032
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 264	-2 264	-2 347	-2 347
Adjustment for securities financing transaction exposures	1 779	1 779	813	813
Central Bank exposure	0	0	0	0
Off-balance sheet exposures	19 231	19 231	25 442	25 442
Leverage ratio	5.41%	5.05%	5.29%	4.90%

At the end of September 2023, the fully loaded leverage ratio increased compared to December 2022, due to higher Tier-1 capital (driven mainly by inclusion of 9M 2023 profits, but partly offset by share buyback) and lower leverage ratio exposure (for more information see balance sheet in the Consolidated financial statements section).

Solvency banking and insurance activities separately

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

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

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	30-09-2023 Fully loaded	30-09-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital, after profit appropriation	19 623	17 940	17 164	17 516
Tier-1 capital	17 132	15 513	15 202	15 749
Common equity	15 382	13 763	13 702	14 249
Parent shareholders' equity	16 984	15 304	16 313	15 618
Solvency adjustments	-1 601	-1 541	-2 610	-1 370
Additional going concern capital	1 750	1 750	1 500	1 500
Tier-2 capital	2 491	2 426	1 962	1 768
Total weighted risk volume	105 658	105 625	100 300	100 285
Credit risk	91 021	90 988	85 003	84 988
Market risk	2 471	2 471	3 132	3 132
Operation risk	12 166	12 166	12 166	12 166
Common equity ratio	14.6%	13.0%	13.7%	14.2%

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-09-2023	31-12-2022
Own Funds	4 119	3 721
Tier 1	3 618	3 220
IFRS Parent shareholders' equity	3 487	2 157
Dividend payout	- 314	- 309
Deduction intangible assets and goodwill (after tax)	- 196	- 194
Valuation differences (after tax)	434	1 410
Volatility adjustment	160	150
Other	47	6
Tier 2	501	501
Subordinated liabilities	501	501
Solvency Capital Requirement (SCR)	2 034	1 833
Market risk	1 358	1 252
Non-life	808	714
Life	1 278	1 114
Health	255	230
Counterparty	130	122
Diversification	-1 327	-1 185
Other	- 467	- 414
Solvency II ratio	202%	203%

Minimum requirement for own funds and eligible liabilities (MREL)

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

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

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

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

The binding subordinated MREL targets are:

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

At the end of September 2023, the MREL ratio stands at 30.2% as a % of RWA (versus 32.2% as at the end of June 2023) and at 10.1% as % of LRE (versus 9.8% as at the end of June 2023). The decrease of the MREL ratio in % of RWA is driven mainly by the decrease of CET1 capital due to the share buyback and the RWA add-on in relation to ECB decision. The increase of the MREL ratio in % of LRE is driven by the decrease of the leverage ratio exposure.

(1) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.68% at YE2023 and 1.24% as of 01-01-2024) + Systemic Risk Buffer (0.20% at YE 2023 and 0.14% as of 01-01-2024), comes on top of the MREL target as a percentage of RWA

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

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

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

KBC Group (in millions of EUR)	3Q 2023	2Q 2023	1Q 2023	4Q 2022	3Q 2022
Breakdown P&L					
Net interest income	1 382	1 407	1 324	1 417	1 297
Insurance revenues before reinsurance	699	666	631	621	621
Non-life	587	567	543	526	527
Life	113	100	88	94	94
Dividend income	10	30	8	10	22
Net result from financial instruments at fair value through profit or loss	58	115	90	90	35
Net fee and commission income	588	584	576	549	557
Insurance finance income and expense (for contracts issued)	- 67	- 82	- 66	- 63	- 39
Net other income	44	54	498	- 103	3
TOTAL INCOME	2 715	2 775	3 060	2 520	2 496
Operating expenses (excluding directly attributable from insurance)	- 1 011	- 1 019	- 1 501	- 1 036	- 952
Total Opex without banking and insurance tax	- 1 101	- 1 090	- 1 077	- 1 143	- 1 041
Total banking and insurance tax	- 29	- 51	- 571	- 15	- 23
Minus: Opex allocated to insurance service expenses	119	123	147	121	112
Insurance service expenses before reinsurance	- 540	- 523	- 490	- 467	- 504
Of which Insurance commissions paid	- 87	- 82	- 77	- 79	- 81
Non-Life	- 485	- 457	- 418	- 416	- 445
of which Non-Life - Claim related expenses	- 308	- 284	- 237	- 247	- 281
Life	- 55	- 66	- 72	- 51	- 59
Net result from reinsurance contracts held	- 22	- 22	- 30	- 15	- 15
Impairment	- 63	- 8	26	- 132	- 102
on FA at amortised cost and at FVOCI	- 36	23	24	- 82	- 79
on goodwill	0	0	0	- 5	0
other	- 27	- 31	1	- 46	- 23
Share in results of associated companies and joint ventures	0	- 1	- 3	- 2	- 3
RESULT BEFORE TAX	1 079	1 202	1 062	867	920
Income tax expense	- 203	- 236	- 180	- 139	- 168
RESULT AFTER TAX	877	966	882	727	752
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**877**	**966**	**882**	**727**	**752**
Banking	722	790	755	566	639
Insurance	134	159	125	170	110
Holding activities	20	17	2	- 9	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	181 821	182 005	179 520	178 053	177 098
of which Mortgage loans (end of period)	*75 105*	*75 255*	*74 811*	*73 660*	*72 312*
Customer deposits and debt certificates excl. repos (end of period)	260 383	264 167	248 882	252 746	242 095
Insurance related liabilities (including Inv. Contracts)					
Life insurance	25 754	26 204	25 626	25 470	25 537
Liabilities under investment contracts (IFRS 9)	*12 655*	*12 751*	*12 164*	*12 026*	*12 004*
Insurance contract liabilities (IFRS 17)	*13 099*	*13 453*	*13 463*	*13 444*	*13 534*
Non-life insurance	2 821	2 842	2 819	2 714	2 765
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	115 255	108 945	107 686	109 981	110 245
Required capital, insurance (end of period)	2 034	2 015	1 965	1 833	1 718
Allocated capital (end of period)	14 068	13 334	13 141	13 269	13 184
Return on allocated capital (ROAC, YTD)	27%	28%	27%	22%	22%
Cost/income ratio without banking and insurance tax (YTD)	41%	40%	38%	45%	43%
Combined ratio, non-life insurance (YTD)	85%	84%	83%	87%	88%
Net interest margin, banking (QTD)	2.04%	2.11%	2.04%	2.10%	1.90%

Business unit Belgium (in millions of EUR)	**3Q 2023**	**2Q 2023**	**1Q 2023**	**4Q 2022**	**3Q 2022**
Breakdown P&L					
Net interest income	812	857	769	812	703
Insurance revenues before reinsurance	430	407	385	385	384
Non-life	354	344	333	323	325
Life	76	63	52	63	59
Dividend income	7	27	7	9	19
Net result from financial instruments at fair value through profit or loss	- 2	7	11	14	- 21
Net fee and commission income	384	378	382	369	365
Insurance finance income and expense (for contracts issued)	- 45	- 43	- 40	- 38	- 38
Net other income	43	48	87	48	35
TOTAL INCOME	1 628	1 681	1 603	1 599	1 447
Operating expenses (excluding directly attributable from insurance)	- 556	- 545	- 849	- 542	- 509
Total Opex without banking and insurance tax	- 625	- 611	- 584	- 612	- 574
Total banking and insurance tax	0	- 6	- 347	0	1
Minus: Opex allocated to insurance service expenses	70	72	82	71	64
Insurance service expenses before reinsurance	- 327	- 313	- 304	- 277	- 314
Of which Insurance commissions paid	- 58	- 53	- 51	- 52	- 51
Non-Life	- 292	- 269	- 250	- 239	- 277
of which Non-Life - Claim related expenses	- 194	- 173	- 156	- 142	- 183
Life	- 35	- 44	- 54	- 38	- 36
Net result from reinsurance contracts held	- 7	- 16	- 21	- 15	- 5
Impairment	- 58	- 40	11	- 43	- 21
on FA at amortised cost and at FVOCI	- 42	- 39	9	- 38	- 21
on goodwill	0	0	0	0	0
other	- 16	- 1	2	- 5	0
Share in results of associated companies and joint ventures	0	- 1	- 2	- 2	- 3
RESULT BEFORE TAX	682	766	438	719	596
Income tax expense	- 164	- 191	- 139	- 174	- 148
RESULT AFTER TAX	517	575	299	545	447
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**517**	**576**	**299**	**545**	**447**
Banking	414	448	214	415	348
Insurance	103	128	85	131	99
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	118 189	118 345	116 698	117 221	117 613
of which Mortgage loans (end of period)	*45 147*	*45 031*	*44 627*	*44 326*	*43 840*
Customer deposits and debt certificates excl. repos (end of period)	155 868	160 503	147 749	155 971	148 120
Insurance related liabilities (including Inv. Contracts)					
Life insurance	24 070	24 483	23 950	23 858	23 926
Liabilities under investment contracts (IFRS 9)	*12 655*	*12 751*	*12 164*	*12 026*	*12 004*
Insurance contract liabilities (IFRS 17)	*11 415*	*11 732*	*11 787*	*11 832*	*11 922*
Non-life insurance	2 139	2 173	2 177	2 101	2 172
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	64 014	57 399	56 186	55 783	57 166
Required capital, insurance (end of period)	1 702	1 679	1 634	1 505	1 393
Allocated capital (end of period)	8 961	8 188	8 006	7 831	7 876
Return on allocated capital (ROAC, YTD)	23%	22%	15%	24%	22%
Cost/income ratio without banking and insurance tax (YTD)	40%	40%	40%	41%	41%
Combined ratio, non-life insurance (YTD)	83%	82%	81%	85%	86%
Net interest margin, banking (QTD)	1.91%	2.05%	1.91%	1.95%	1.62%

Note: Net interest margin, banking (QTD) excluding the one-off cancellation fee of internal deals is 1.98% in 3Q 2023 (mirrored in Group Centre Business Unit).

Business unit Czech Republic (in millions of EUR)	3Q 2023	2Q 2023	1Q 2023	4Q 2022	3Q 2022
Breakdown P&L					
Net interest income	316	325	309	323	325
Insurance revenues before reinsurance	143	139	132	128	129
Non-life	119	115	109	106	106
Life	24	24	23	22	23
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	22	37	38	26	29
Net fee and commission income	81	83	80	62	75
Insurance finance income and expense (for contracts issued)	- 11	- 19	- 16	- 15	- 8
Net other income	- 5	5	2	- 144	- 43
TOTAL INCOME	546	569	544	381	506
Operating expenses (excluding directly attributable from insurance)	- 203	- 199	- 253	- 209	- 186
Total Opex without banking and insurance tax	- 231	- 228	- 220	- 235	- 212
Total banking and insurance tax	0	1	- 60	- 1	0
Minus: Opex allocated to insurance service expenses	29	28	28	27	27
Insurance service expenses before reinsurance	- 108	- 109	- 90	- 104	- 94
Of which Insurance commissions paid	- 16	- 15	- 14	- 13	- 13
Non-Life	- 94	- 95	- 79	- 95	- 82
of which Non-Life - Claim related expenses	- 55	- 57	- 43	- 59	- 46
Life	- 14	- 15	- 11	- 9	- 12
Net result from reinsurance contracts held	- 5	0	- 9	1	- 2
Impairment	- 3	53	6	- 29	- 31
on FA at amortised cost and at FVOCI	- 4	53	7	- 23	- 31
on goodwill	0	0	0	- 5	0
other	0	0	0	- 1	1
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	228	314	198	40	194
Income tax expense	- 27	- 37	- 14	1	- 24
RESULT AFTER TAX	200	276	184	41	170
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**200**	**276**	**184**	**41**	**170**
Banking	172	248	153	13	173
Insurance	28	29	32	28	- 3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	36 530	36 792	36 609	35 445	34 989
of which Mortgage loans (end of period)	*19 796*	*20 184*	*20 313*	*19 696*	*19 196*
Customer deposits and debt certificates excl. repos (end of period)	54 569	54 798	54 569	51 069	49 781
Insurance related liabilities (including Inv. Contracts)					
Life insurance	927	971	975	943	974
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*927*	*971*	*975*	*943*	*974*
Non-life insurance	347	342	336	316	304
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	17 647	17 738	17 625	17 408	16 594
Required capital, insurance (end of period)	170	172	175	170	171
Allocated capital (end of period)	2 171	2 183	2 173	2 144	2 052
Return on allocated capital (ROAC, YTD)	40%	42%	34%	31%	39%
Cost/income ratio without banking and insurance tax (YTD)	44%	43%	43%	45%	40%
Combined ratio, non-life insurance (YTD)	83%	82%	82%	83%	81%
Net interest margin, banking (QTD)	2.26%	2.35%	2.30%	2.40%	2.45%

Business unit International Markets (in millions of EUR)	3Q 2023	2Q 2023	1Q 2023	4Q 2022	3Q 2022
Breakdown P&L					
Net interest income	296	291	284	270	237
Insurance revenues before reinsurance	122	117	111	103	104
Non-life	109	104	98	93	92
Life	14	13	13	9	12
Dividend income	0	1	0	0	0
Net result from financial instruments at fair value through profit or loss	26	39	23	41	24
Net fee and commission income	124	125	116	120	119
Insurance finance income and expense (for contracts issued)	- 11	- 20	- 10	- 10	7
Net other income	5	5	5	- 5	3
TOTAL INCOME	562	558	530	520	495
Operating expenses (excluding directly attributable from insurance)	- 218	- 218	- 305	- 190	- 178
Total Opex without banking and insurance tax	- 209	- 194	- 183	- 200	- 176
Total banking and insurance tax	- 29	- 47	- 158	- 13	- 22
Minus: Opex allocated to insurance service expenses	20	22	36	23	20
Insurance service expenses before reinsurance	- 104	- 100	- 96	- 87	- 87
Of which Insurance commissions paid	- 14	- 13	- 12	- 14	- 17
Non-Life	- 97	- 93	- 89	- 83	- 76
of which Non-Life - Claim related expenses	- 58	- 54	- 37	- 48	- 43
Life	- 7	- 7	- 7	- 4	- 11
Net result from reinsurance contracts held	- 4	- 5	- 5	- 3	- 5
Impairment	- 5	- 11	3	- 62	- 51
on FA at amortised cost and at FVOCI	7	8	4	- 27	- 27
on goodwill	0	0	0	0	0
other	- 11	- 19	0	- 36	- 24
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	232	223	128	178	174
Income tax expense	- 32	- 33	- 20	- 17	- 29
RESULT AFTER TAX	200	190	108	160	145
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**200**	**190**	**108**	**160**	**145**
Banking	185	178	96	150	132
Insurance	14	12	12	11	14
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	27 101	26 865	26 210	25 384	24 494
of which Mortgage loans (end of period)	*10 162*	*10 040*	*9 871*	*9 638*	*9 276*
Customer deposits and debt certificates excl. repos (end of period)	29 959	29 879	29 577	29 962	28 457
Insurance related liabilities (including Inv. Contracts)					
Life insurance	757	750	701	669	637
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*757*	*750*	*701*	*669*	*637*
Non-life insurance	317	307	292	281	270
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	22 584	22 624	22 562	21 501	20 892
Required capital, insurance (end of period)	160	163	155	150	141
Allocated capital (end of period)	2 721	2 729	2 713	2 588	2 510
Return on allocated capital (ROAC, YTD)	25%	22%	16%	18%	15%
Cost/income ratio without banking and insurance tax (YTD)	38%	37%	37%	41%	40%
Combined ratio, non-life insurance (YTD)	96%	97%	97%	91%	90%
Net interest margin, banking (QTD)	3.21%	3.26%	3.31%	3.18%	3.11%

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

Slovakia (in millions of EUR)	3Q 2023	2Q 2023	1Q 2023	4Q 2022	3Q 2022
Breakdown P&L					
Net interest income	60	64	65	66	55
Insurance revenues before reinsurance	25	23	23	22	22
Non-life	21	19	18	19	18
Life	4	4	4	3	4
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	3	5	1	6	10
Net fee and commission income	21	21	20	22	20
Insurance finance income and expense (for contracts issued)	0	- 1	- 1	1	0
Net other income	5	2	2	- 6	2
TOTAL INCOME	113	115	110	111	109
Operating expenses (excluding directly attributable from insurance)	- 57	- 55	- 58	- 59	- 52
Total Opex without banking and insurance tax	- 63	- 60	- 60	- 67	- 59
Total banking and insurance tax	0	1	- 4	0	0
Minus: Opex allocated to insurance service expenses	6	5	7	8	7
Insurance service expenses before reinsurance	- 22	- 19	- 19	- 20	- 17
Of which Insurance commissions paid	- 2	- 2	- 2	- 3	- 2
Non-Life	- 20	- 17	- 16	- 17	- 14
of which Non-Life - Claim related expenses	- 13	- 10	- 10	- 10	- 8
Life	- 2	- 2	- 3	- 3	- 3
Net result from reinsurance contracts held	- 1	- 2	- 1	- 1	- 1
Impairment	- 2	9	- 1	- 10	- 7
on FA at amortised cost and at FVOCI	- 2	9	- 1	- 8	- 6
on goodwill	0	0	0	0	0
other	0	0	0	- 2	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	32	48	31	21	32
Income tax expense	- 7	- 11	- 6	- 5	- 8
RESULT AFTER TAX	25	37	24	16	24
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**25**	**37**	**24**	**16**	**24**
Banking	23	35	22	15	21
Insurance	2	2	2	1	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	11 433	11 359	11 168	10 796	10 524
of which Mortgage loans (end of period)	*6 373*	*6 303*	*6 217*	*6 114*	*5 928*
Customer deposits and debt certificates excl. repos (end of period)	8 491	8 375	8 156	8 421	8 281
Insurance related liabilities (including Inv. Contracts)					
Life insurance	154	159	164	169	175
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*154*	*159*	*164*	*169*	*175*
Non-life insurance	51	48	47	44	43
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	6 451	6 512	6 508	6 383	6 161
Required capital, insurance (end of period)	28	28	28	27	26
Allocated capital (end of period)	760	766	766	751	725
Return on allocated capital (ROAC, YTD)	15%	16%	13%	13%	14%
Cost/income ratio without banking and insurance tax (YTD)	56%	56%	57%	58%	56%
Combined ratio, non-life insurance (YTD)	97%	96%	93%	90%	87%

Hungary (in millions of EUR)	3Q 2023	2Q 2023	1Q 2023	4Q 2022	3Q 2022
Breakdown P&L					
Net interest income	132	127	130	123	108
Insurance revenues before reinsurance	48	47	46	39	39
Non-life	43	42	41	35	34
Life	5	5	5	4	5
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	22	29	18	34	15
Net fee and commission income	66	66	58	60	59
Insurance finance income and expense (for contracts issued)	- 10	- 14	- 6	- 11	4
Net other income	- 2	1	1	1	0
TOTAL INCOME	256	256	247	245	226
Operating expenses (excluding directly attributable from insurance)	- 93	- 110	- 168	- 72	- 71
Total Opex without banking and insurance tax	- 71	- 68	- 60	- 67	- 56
Total banking and insurance tax	- 29	- 52	- 130	- 13	- 22
Minus: Opex allocated to insurance service expenses	7	10	23	8	7
Insurance service expenses before reinsurance	- 45	- 47	- 49	- 30	- 34
Of which Insurance commissions paid	- 3	- 3	- 2	- 4	- 8
Non-Life	- 42	- 44	- 46	- 28	- 30
of which Non-Life - Claim related expenses	- 24	- 25	- 14	- 13	- 16
Life	- 3	- 3	- 3	- 2	- 4
Net result from reinsurance contracts held	- 1	- 1	- 1	- 1	- 1
Impairment	- 4	- 24	11	- 36	- 41
on FA at amortised cost and at FVOCI	6	- 5	11	- 5	- 17
on goodwill	0	0	0	0	0
other	- 10	- 19	0	- 30	- 24
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	113	75	40	108	79
Income tax expense	- 16	- 12	- 8	- 9	- 14
RESULT AFTER TAX	96	63	32	99	65
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**96**	**63**	**32**	**99**	**65**
Banking	94	63	34	93	58
Insurance	2	0	- 2	6	7
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	6 445	6 548	6 334	5 879	5 516
of which Mortgage loans (end of period)	*1 754*	*1 796*	*1 766*	*1 681*	*1 597*
Customer deposits and debt certificates excl. repos (end of period)	8 881	9 305	9 302	9 515	8 780
Insurance related liabilities (including Inv. Contracts)					
Life insurance	285	289	268	236	217
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*285*	*289*	*268*	*236*	*217*
Non-life insurance	104	104	91	85	79
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	8 240	8 347	8 540	7 721	7 386
Required capital, insurance (end of period)	54	54	53	49	45
Allocated capital (end of period)	989	1 001	1 022	925	882
Return on allocated capital (ROAC, YTD)	26%	19%	13%	21%	13%
Cost/income ratio without banking and insurance tax (YTD)	27%	27%	25%	30%	31%
Combined ratio, non-life insurance (YTD)	108%	111%	115%	94%	97%

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

Bulgaria (in millions of EUR)	3Q 2023	2Q 2023	1Q 2023	4Q 2022	3Q 2022
Breakdown P&L					
Net interest income	104	99	90	81	74
Insurance revenues before reinsurance	50	47	43	42	43
Non-life	45	43	39	40	39
Life	4	4	4	2	3
Dividend income	0	1	0	0	0
Net result from financial instruments at fair value through profit or loss	1	5	4	1	- 2
Net fee and commission income	37	37	37	39	40
Insurance finance income and expense (for contracts issued)	0	- 4	- 3	0	3
Net other income	1	1	2	1	1
TOTAL INCOME	193	187	172	164	160
Operating expenses (excluding directly attributable from insurance)	- 68	- 54	- 79	- 59	- 54
Total Opex without banking and insurance tax	- 75	- 65	- 62	- 66	- 60
Total banking and insurance tax	0	4	- 24	0	0
Minus: Opex allocated to insurance service expenses	7	7	7	7	6
Insurance service expenses before reinsurance	- 37	- 34	- 27	- 37	- 36
Of which Insurance commissions paid	- 8	- 8	- 7	- 8	- 8
Non-Life	- 35	- 32	- 27	- 38	- 32
of which Non-Life - Claim related expenses	- 21	- 18	- 14	- 25	- 19
Life	- 2	- 2	- 1	1	- 4
Net result from reinsurance contracts held	- 3	- 3	- 3	- 2	- 3
Impairment	2	4	- 6	- 17	- 3
on FA at amortised cost and at FVOCI	3	4	- 6	- 14	- 3
on goodwill	0	0	0	0	0
other	- 1	0	0	- 3	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	88	100	57	49	63
Income tax expense	- 9	- 10	- 6	- 4	- 7
RESULT AFTER TAX	79	90	51	45	56
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**79**	**90**	**51**	**45**	**56**
Banking	69	80	39	41	53
Insurance	10	10	12	4	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	9 223	8 959	8 708	8 709	8 454
of which Mortgage loans (end of period)	*2 035*	*1 942*	*1 888*	*1 843*	*1 751*
Customer deposits and debt certificates excl. repos (end of period)	12 588	12 199	12 119	12 026	11 396
Insurance related liabilities (including Inv. Contracts)					
Life insurance	319	303	269	264	245
Liabilities under investment contracts (IFRS 9)	*0*	*0*	*0*	*0*	*0*
Insurance contract liabilities (IFRS 17)	*319*	*303*	*269*	*264*	*245*
Non-life insurance	162	156	154	153	148
Performance Indicators					
Risk-weighted assets, banking (Basel III fully loaded, end of period)	7 892	7 765	7 513	7 397	7 345
Required capital, insurance (end of period)	77	82	73	73	70
Allocated capital (end of period)	972	962	925	912	903
Return on allocated capital (ROAC, YTD)	31%	30%	22%	23%	23%
Cost/income ratio without banking and insurance tax (YTD)	41%	40%	40%	43%	43%
Combined ratio, non-life insurance (YTD)	83%	82%	79%	90%	86%

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

Business unit Group Centre (in millions of EUR)	**3Q 2023**	**2Q 2023**	**1Q 2023**	**4Q 2022**	**3Q 2022**
Breakdown P&L					
Net interest income	- 41	- 66	- 39	11	32
Insurance revenues before reinsurance	4	4	2	4	4
Non-life	4	4	2	4	4
Life	0	0	0	0	0
Dividend income	2	1	0	0	2
Net result from financial instruments at fair value through profit or loss	13	32	18	8	4
Net fee and commission income	- 1	- 2	- 2	- 3	- 2
Insurance finance income and expense (for contracts issued)	0	0	0	0	0
Net other income	1	- 4	404	- 1	8
TOTAL INCOME	- 22	- 34	384	20	48
Operating expenses (excluding directly attributable from insurance)	- 35	- 57	- 95	- 96	- 80
Total Opex without banking and insurance tax	- 36	- 58	- 90	- 96	- 79
Total banking and insurance tax	0	1	- 5	- 1	- 1
Minus: Opex allocated to insurance service expenses	1	1	1	1	1
Insurance service expenses before reinsurance	- 1	0	- 1	1	- 9
Of which Insurance commissions paid	0	0	0	0	0
Non-Life	- 1	0	- 1	1	- 9
of which Non-Life - Claim related expenses	- 1	1	0	2	- 9
Life	0	0	0	0	0
Net result from reinsurance contracts held	- 6	- 1	5	2	- 4
Impairment	2	- 10	5	2	1
on FA at amortised cost and at FVOCI	2	1	5	6	0
other	0	- 11	0	- 4	1
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 62	- 102	299	- 71	- 43
Income tax expense	21	25	- 7	51	33
RESULT AFTER TAX	- 41	- 76	291	- 19	- 10
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 41**	**- 76**	**291**	**- 19**	**- 10**
Banking	- 50	- 85	292	- 11	- 13
Insurance	- 11	- 9	- 3	1	0
Holding activities	20	17	2	- 9	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	2	3	3	3	3
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	19 986	18 988	16 987	15 743	15 738
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	1 876	2 051	2 179	6 155	6 460
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	2	2	1	8	13
Allocated capital (end of period)	215	234	248	706	746

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

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

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

Calculation (in millions of EUR)	Reference	9M 2023	2022	9M 2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 725	2 818	2 091
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 40	- 50	- 37
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	417	417
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	417	417
Basic = (A-B) / (C) (in EUR)		6.44	6.64	4.93
Diluted = (A-B) / (D) (in EUR)		6.44	6.64	4.93

Combined ratio (non-life insurance – including reinsurance)

Gives insight into the technical profitability of the short-term non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio is defined net of reinsurance.

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Non-life PAA – Claims and claim related costs net of reinsurance (A)	Note 3.7, component of 'Insurance revenues before reinsurance' & of 'Net result from reinsurance contracts held'	874	1 080	826
+				
Costs other than claims and commissions (B)	Note 3.7, component of 'Insurance Service Expenses' & of 'Non-directly attributable income and expenses' & of 'Net result from reinsurance contracts held'	496	602	441
/				
Non-life PAA - Net earned expected premiums received (C)	Note 3.7, component of 'Insurance revenues before reinsurance' & of 'Net result from reinsurance contracts held'	1 606	1 943	1 443
= (A+B) / (C)		85.3%	86.6%	87.8%

Common equity ratio

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

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

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

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Cost/income ratio				
Total Opex without banking and insurance tax (A) +	Consolidated income statement	3 269	4 159	3 016
Insurance commissions paid (B)	Note 3.7, component of 'Insurance Service Expenses'	246	308	228
/				
Total income (C)	Consolidated income statement	8 550	10 035	7 515
=(A+B) / (C)		41.1%	44.5%	43.2%

Where relevant, we also exclude the exceptional and/or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. The adjustments include: MTM ALM derivatives (fully excluded), bank and insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 48% in 9M 2023 (versus 49% in 2022 and 48% in 9M 2022).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Stage 3 impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	1 873	2 048	2 082
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 065	4 350	4 202
= (A) / (B)		46.1%	47.1%	49.5%

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 5	155	71
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	199 988	197 052	197 561
= (A) (annualised) / (B)		0.0%	0.08%	0.05%

Note: a negative % is a release

In 9M 2023, the credit cost ratio without the outstanding ECL for geopolitical and emerging risks, amounts to 0.08% (versus 0.00% in 2022).

Impaired loans ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 065	4 350	4 202
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	202 389	205 720	206 733
= (A) / (B)		2.0%	2.1%	2.0%

Leverage ratio

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

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

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	100 291	91 928	96 638
/				
Total net cash outflows over the next 30 calendar days (B)		64 119	60 820	62 688
= (A) / (B)		157%	152%	155%

KBCs large stock of high-quality liquid assets (approximately 100 billion euros in 9M 2023), which consist of cash and bonds which can be repoed in the private market and at the central banks. Note that the 100bn EUR consist of:

- 51bn EUR (or 50%) 'Cash & Central Bank receivables' (= liquidity that could at all times be used instantaneously to cover outflows)
- 50bn EUR (or 50%) 'LCR eligible bonds' which are reported at fair value at all times, independent of IFRS classification

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	181 821	178 053	177 100
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	2 432	785	2 222
+				
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 901	6 157	5 614
+				
Other exposures to credit institutions (D)		3 198	4 072	4 912
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	9 917	10 222	10 075
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 537	2 636	2 632
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 1 969	- 1 997	- 2 027
+				
Non-loan-related receivables (H)		- 567	- 602	- 900
+				
Other (I)	Component of Note 4.1	- 1 882	6 394	7 105
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		202 389	205 720	206 733

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

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	3 614	4 450	3 210
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	230 836	224 014	221 779
= (A) (annualised x360/number of calendar days) / (B)		2.06%	1.96%	1.91%

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

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Available amount of stable funding (A)	Regulation (EU) 2019/876 dd. 20-05-2019	210 651	209 271	218 072
/				
Required amount of stable funding (B)		151 289	153 767	155 755
= (A) / (B)		139%	136%	140%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or number)	Reference	9M 2023	2022	9M 2022
Parent shareholders' equity (A)	'Consolidated balance sheet'	21 614	20 319	19 527
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	414	417	417
= (A) / (B) (in EUR)		52.17	48.71	46.84

KBC Group launched a share buyback program for the purpose of distributing the surplus capital from 11th August 2023 until 31st July 2024, for a maximum amount of 1.3 billion euros. At the end of September 2023, the total number of shares entitled to dividend reduced with 2.867.766 shares.

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

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	1 392	1 876	1 331
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		8 246	7 890	7 905
= (A) annualised / (B)		22.5%	23.8%	22.5%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	661	653	612
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 168	2 083	2 067
= (A) annualised / (B)		40.4%	31.4%	39.5%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	498	428	267
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 688	2 386	2 336
= (A) annualised / (B)		24.7%	18.1%	15.4%

Return on equity

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 725	2 818	2 091
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 40	- 50	- 37
/				
Average parent shareholders' equity (C)	'Consolidated statement of changes in equity'	20 967	20 611	20 216
= (A-B) (annualised) / (C)		17.1%	13.4%	13.5%

In 9M 2023, the return on equity amounts to 16% when including evenly spreading of the bank taxes throughout the year and excluding one-offs.

Sales Life (insurance)

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

Calculation (in millions of EUR or %)	Reference	9M 2023	2022	9M 2022
Guaranteed Interest products		682	989	692
+				
Unit-Linked products		867	968	573
+				
Hybrid products		94	115	84
Total sales Life (A)+ (B) + (C)		1 643	2 071	1 349

Solvency ratio (insurance)

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

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

Total assets under management

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

Calculation (in billions of EUR or quantity)	Reference	9M 2023	2022	9M 2022
Belgium Business Unit (A)	Company presentation on www.kbc.com	202	184	184
+				
Czech Republic Business Unit (B)		17	15	14
+				
International Markets Business Unit (C)		8	7	7
A)+(B)+(C)		227	206	205