



Clarification

Brussels, 02 April 2024 – 08:00 CET

Clarification of the remuneration report from KBC Group's Annual Report 2023.

In its annual report, KBC Group provides transparent information on the remuneration and fees received by members of the Board of Directors and Executive Committee over the past financial year.

The Remuneration Committee - assisted by staff specialized in this area - regularly monitors and reviews the remuneration policy in the light of developments in legislation, the Corporate Governance Code and current market practices and trends.

The many legal and regulatory provisions imposed on financial institutions create a very strict framework that leaves limited room for an individual policy in this area. Moreover, those policies and practices must be consistent with sound and effective risk management and incentives in remuneration systems must not encourage risk.

Details and background information on the remuneration for the CEO, the members of the Executive Committee and the Board of Directors of KBC Group NV are provided in the 'Remuneration report for financial year 2023' section of the KBC Group Annual Report for 2023, which is available at www.kbc.com. The amounts stated in it are gross amounts and subject to standard income tax.

The remuneration is made up of a fixed emolument and a variable emolument based on performance and result.

- For members of the EC, the **individual variable component** is set on the basis of an assessment of the performance of the member concerned. The Remuneration Committee broadly assesses each member of the EC against the aspects of KBC's corporate culture and the aspect of being Respectful as a core value for the entire KBC organisation. On the basis of this assessment, the Remuneration Committee proposes a percentage between 0 and 100% to the Board. The Board then decides on this final score, which ultimately determines the size of the individual variable emolument.
- On the advice of the Remuneration Committee, the Board sets the **collective result-related variable component** on the basis of an assessment of a number of pre-agreed criteria relating to the performances of the EC and the company (see table). These criteria are centred on four broad areas, viz. implementing strategy, realising financial plans, strengthening the risk control environment, and the satisfaction of all stakeholders. The performance of the EC in each of these four areas determines the size of this variable remuneration component (with each area accounting for 25% of the final outcome). This assessment of these criteria is reflected in a percentage between 0% and 100% that is applied to the maximum result-related variable emolument. The size of the variable emolument, therefore, depends to a small extent on achieving financial results. Other aspects such as risk management and stakeholder management are equally important in this regard. And, as it determines at least 30% of the result-related variable emolument, sustainability is also an increasingly important factor.

Top management remuneration in perspective

- To put developments in the remuneration of top management in perspective, an overview of the evolution (?) is provided of the total remuneration earned by the current members of the EC, the average salary of KBC Group NV employees (in FTE), the lowest salary of a KBC Group NV employee (in FTE) and certain indicators of KBC's performance.
- The remuneration awarded to non-executive directors has not been included in the overview due to the fact that it has remained unchanged during the past five years.
- As already decided at the start of 2022, the remuneration of the CEO and the EC members has been linked to the development of the health index since 1 January 2023. Given his excellent performance and with a view to ensuring continuity, the CEO's remuneration is increased over a period of three years to a more correct position in the benchmark (starting from below the median and moving towards the top 25%). This is done by increasing his compensation (fixed and maximum variable compensation) in the years 2022, 2023 and 2024 by a total of 350,000 euros each time. To temper the impact of this increase on the additional legal pension accrual, the contribution rate for the CEO has been aligned with that for DC members from 2023. Specifically, this means a reduction in the contribution rate during the first 10 years from 40% to 32%. Furthermore, as with EC members, his compensation has been linked to the index evolution as from 2023.

Top management remuneration in perspective	2019	2020	(year-on-year change)	2021	(year-on-year change)	2022	(year-on-year change)	2023	(year-on-year change)
Remuneration of EC members (in EUR)									
Johan Thijs	2 361 493	2 245 548	-5%	2 421 147	+8%	3 067 231	+27%	3 620 237	+18%
Peter Andronov	-	-	-	1 506 087 (12/12)	-	1 602 089	+6%	1 720 579	+7%
Aleš Blažek	-	-	-	-	-	1 111 584 (12/12)	-	1 202 965	+8%
Erik Luts	1 494 112	1 426 805	-5%	1 534 287	+8%	1 643 993	+7%	1 793 078	+9%
David Moucheron	-	-	-	1 520 236 (12/12)	-	1 627 611	+7%	1 779 555	+9%
Luc Popelier	1 488 162	1 420 447	-5%	1 527 022	+8%	1 633 710	+7%	1 790 030	+10%
Christine Van Rijseghem	1 500 277	1 424 458	-5%	1 529 211	+7%	1 632 959	+7%	1 779 830	+9%
Average (excluding CEO ¹)	1 491 388	1 422 900	-5%	1 522 517	+7%	1 541 991	+7% ²	1 677 673	+9%
Average salary of Belgian employees of KBC Group NV (in EUR)									
Average salary	90 780	92 124	+1%	94 312	+2%	109 106	+16% ³	112 376	+3%
Lowest salary	43 259	46 448	+7%	47 767	+3%	53 559	+12%	54 704	+2%
Ratio of highest to lowest salary	1/55	1/48		1/51		1/57		1/66	
Performance indicators									
Group's net result (in millions of EUR)	2 489	1 440	-42%	2 614	+82%	2 818 ⁴	+5%	3 402	+21%
Group's total income (in millions of EUR)	7 629	7 195	-6%	7 558	+5%	10 035 ⁴	+12%	11 224	+12%
Own greenhouse gas emissions (in tonnes of CO2 per FTE)	1.97	1.54	-22%	1.02	-34%	1.49 ⁵	-	1.48	-1%
Volume of responsible investment funds (in billions of EUR)	12.0	16.8	+40%	31.7	+89%	32.3	+2%	40.7	+26%
Common equity ratio (fully loaded)	17.1%	17.6%	+3%	15.5%	-12%	15.3%	-1%	15.2%	-0%

1 This calculation was based on the EC's composition at the time.

2 Excluding Aleš Blažek.

3 The increase was impacted by the separation of KBC Global Services.

4 According to IFRS 17. Percentage increase from 2021 without considering IFRS 17.

5 Recalculated based on the disposal of KBC Ireland and the inclusion of the private use of our own or KBC-managed vehicle fleet

Remuneration from 2024

An updated version of the Remuneration Policy for members of the Board and of the EC will be submitted for approval to the General Meeting of Shareholders of 2 May 2024. This update involves only one change. The impact of not meeting the various risk gateway parameters (ex-ante risk adjustment) is adjusted in line with the applicable legislation. If one of the risk gateway parameters is not met, the law stipulates that no variable remuneration may be awarded for that year. KBC added a further stipulation in our policy: not only was this remuneration component not awarded for the year concerned, but payment of deferred amounts relating to previous years, which would normally be paid that year, was also suspended. The latter stipulation will be deleted in the update. The remuneration policy applicable to all staff members will also be updated with this change.

The final step in adjusting the remuneration of the CEO as decided in 2021 will be implemented with effect from 2024.

A proposal to increase the remuneration of the Audit Committee and the Risk & Compliance Committee members by 30 000 euros per year with effect from 2024 will be submitted for approval to the General Meeting of Shareholders of 2 May 2024.

Mr. Koenraad Debackere, Chairman of the Board of Directors of KBC Group, explains why :

"The compensation received by the members of the Audit Committee and the Risk & Compliance Committee of KBC Group/Bank/Insurance (until 2016 as attendance fees, since 2016 as fixed annual compensation) remained unchanged over the past 10 years. At the same time, the duties and responsibilities of Audit Committee and the Risk & Compliance Committee members increased as a result of increasing and more comprehensive new regulations and regulatory expectations. Their duties also became more complex and regulatory scrutiny increased proportionately.

Where some companies opted to establish separate committees (including separate compensation arrangements for such additional committees) in areas such as sustainability or digitalization & innovation, KBC Group opted to assess key dimensions of these topics in the context of the Audit Committee and the Risk & Compliance Committee, thereby maintaining consistency from a risk & compliance perspective and further increasing the scope and workload of Audit Committee and the Risk & Compliance Committee activities. Moreover, KBC achieved top scores globally in innovation, digital applications as well as sustainability.

The Board of Directors therefore decided to reflect the increased and more complex workload of the members of the Audit Committee and the Risk & Compliance Committee in an adjusted remuneration (EUR 30,000 extra per year) that could stand up to international comparison. KBC has made a benchmark of a number of European, non-Anglo-Saxon, financial institutions. The proposed increase in compensation is located above the 50th and below the 75th percentile in this benchmark and will take effect from 2024. We also submit this proposal for approval by the General Meeting of Shareholders (of KBC Group, KBC Bank and KBC Insurance)."

More details can be found in KBC Group's Annual Report.

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